Zall Group Ltd.
卓爾集團股份有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2098

Annual Report 2016

Contents

About

Zall Group Ltd.

The Company is an investment holding company and the Group is a leading developer and operator of large-scale, consumer product-focused wholesale shopping malls, as well as commercial space provider, in the PRC. The Group has been adjusting its principal business activities and concentrating its resources on the core business segment, i.e. the development and operating of largescale consumer product-focused wholesale shopping malls and the related value-added business including e-commerce, financial services, warehousing and logistics services.

The Group will achieve its strategic goal of building a leading intelligent trading ecosphere globally by developing its online-offline integrated cloud market and actively promoting cross-border trading business, consumer-end business, financial services and logistics services, with the foundation of our physical markets, commercial properties and logistics services.

Corporate Information

DIRECTORS

Executive Directors	Mr. Yan Zhi *(Co-chairman and Chief Executive Officer)* Dr. Gang Yu *(Co-chairman)* Mr. Cui Jinfeng Mr. Wang Chuang *(Resigned on 10 April 2017)* Mr. Peng Chi *(Re-designated on 11 April 2016)*
Independent Non-Executive Directors	Mr. Cheung Ka Fai Mr. Wu Ying *(Appointed on 29 February 2016)* Mr. Wei Zhe, David *(Appointed on 11 April 2016)* Mr. Zhu Zhengfu *(Appointed on 10 March 2017)*
Registered Office	Cricket Square Hutchins Drive P. O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head Office in the PRC	Zall Plaza No. 1 Enterprise Community 1 Chutian Avenue Panlongcheng Economics and Technology Development Zone Wuhan, Hubei Province China 430000
Principal Place of Business in Hong Kong	Suite 2101, 21/F Two Exchange Square Central Hong Kong
Audit Committee	Mr. Cheung Ka Fai *(Chairman)* Mr. Wu Ying *(Appointed on 29 February 2016)* Mr. Wei Zhe, David *(Appointed on 11 April 2016)*

Corporate Information (Continued)

Nomination Committee	Mr. Wu Ying *(Chairman)* *(Appointed on 29 February 2016)* Mr. Yan Zhi *(Appointed on 31 March 2017)* Mr. Cui Jinfeng *(Resigned on 31 March 2017)* Mr. Wei Zhe, David *(Appointed on 11 April 2016)*
Remuneration Committee	Mr. Wei Zhe, David *(Chairman)* *(Appointed on 11 April 2016)* Mr. Wu Ying *(Appointed on 29 February 2016)* Mr. Peng Chi
Risk Management Committee (Established on 31 March 2017)	Mr. Zhu Zhengfu *(Chairman) (Appointed on 31 March 2017)* Mr. Cui Jinfeng *(Appointed on 31 March 2017)* Mr. Cheung Ka Fai *(Appointed on 31 March 2017)*
Company Secretary	Mr. Lung Shei Kei *(Appointed on 3 January 2017)* Mr. Chan Yik Pun *(Appointed on 8 September 2016 and resigned on 3 January 2017)* Mr. Ma Wing Ming *(Resigned on 8 September 2016)*
Company Website	http://www.zallcn.com/
Authorized Representatives	Mr. Cui Jinfeng Mr. Lung Shei Kei *(Appointed on 3 January 2017)* Mr. Chan Yik Pun *(Appointed on 8 September 2016 and resigned on 3 January 2017)* Mr. Ma Wing Ming *(Resigned on 8 September 2016)*
Hong Kong Share Registrar	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Principal Share Registrar and Transfer Office	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Shedden Road George Town Grand Cayman KY1-1110 Cayman Islands
Legal Advisor	Sidley Austin P. C. Woo & Co.
Auditors	KPMG Certified Public Accountants
Principal Bankers	Bank of Communications China Construction Bank China Mingsheng Banking Corp., Ltd. Hankou Bank Industrial Bank Industrial and Commercial Bank of China

Financial Highlights

	2016 RMB'000	2015 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

Chairman's Statement

The penetration and development of internet into different social and economical areas has brought to us more specialised and refined social division of labour, as well as the prevalence and application of information technology such as artificial intelligence and big data. The development of "intelligent trading" begins to surpass "e-commerce" which is basically mature, crossing the retail consumer-end, and extends deeply into the supply side and the business supply chain with an inexorable momentum.

The "intelligent trading" era will present three main characteristics: the upcoming mass adoption of technologies in trading, such as artificial intelligence, big data and internet of things; the arrival of the industrial internet era; and the emergence of the ecological chain era with clusters of coordinated development. In this new wave, physical enterprises equipped with complete supply chains and service chains will have an irreplaceable first-mover advantage.

Based on such judgements, last year in April, we clearly put forward the strategic transformation objective of constructing an ecosphere for the Group's intelligent trading and planned our development path: develop a cloud market trading and service system combining online and offline businesses on the foundation of physical markets, logistics and properties and take the opportunity of Zall Cloud Market, and cross-border trading, customer-end business, integrated logistics and financial services are actively promoted to form the world's largest intelligent trading platform and database.

Over the past year, we have unswervingly advanced our goal and basically brought the ecosphere of the Group's intelligent trading into being.

I) A solid and stable infrastructure on the foundation of online and offline integrated wholesale trading platform of consumer goods has been constructed. North Hankou International Trade Centre was approved as the only national pilot market for procurement trade in central and western China, with further improvement in its number of merchants and trading volume; Tianjin E-commerce Mall has eased the non-core functions of the capital by expediting its absorption of merchants from market relocations including the Beijing Zoo Clothing Wholesale Market. Leveraged on the foundation and advantage of the ever-growing physical wholesale market of properties, customers, logistics and data, and through platforms such as Zallgo（卓爾購）, Zallsoon（卓集送）and Zallfuhui（卓服滙）under the Wuhan Zall Cloud Market Group Co., Ltd., we quickly achieved the online transformation of wholesale trading for merchants by providing logistics, warehousing and other comprehensive value-added services. Over the past year, Zallgo has become China's largest integrated online and offline wholesale trading platform, standing among the top-ranked e-commerce providers, with coverage over 20 cities across the nation, more than 110,000 merchants and an annual transaction amount of approximately RMB50 billion.

II) An open and efficient trading platform has been built. Since 2016, through intensive cross-regional and cross-industry mergers and acquisitions, the Group has become the largest shareholder of LightInTheBox Holding Co., Ltd. ("LightInTheBox"), a cross-border e-commerce platform, and acquired Shenzhen Sinoagri E-commerce Co., Ltd. ("Shenzhen Sinoagri"), the largest e-commerce company of agricultural products in China. The Group has built the core of a vibrant intelligent commercial trading ecosystem with abundant trading transactions, and entered into the rank of the hundred-billion yuan enterprises in industrial internet.

III) A maturing service chain has been formed. In June 2016, the Group acquired three companies under Harvest Capital and established Zall Financial Services Group Limited ("Zall Financial Services Group"). A supply chain financial services portfolio comprising Jia16(嘉石榴), Zalljinfu(卓金服)and Zhong Bong Financial Leasing(眾邦融資租賃)was formed to provide comprehensive financial services such as leasing, insurance, credit investigation and payment for merchants in the ecosphere. The Group set up 5 supply chain management companies including Zhuoyitong(卓易通), North Hankou Import Export Services Co., Ltd. and Zall Heng Supply Chain Management (Wuhan) Co., Ltd. ("Wuhan Zall Heng")(武漢卓恒) successively to provide merchants with wholesale distribution, import and export and other supply chain management services. With the global logistics business launched by Zallsoon and LanTingZhiTong(蘭亭智通), the trading platform is provided with strong support and services through a complete, efficient and convenient service chain.

We will continue to extend our trading platform vertically to become the national leading trading platform, to cover the areas of non-ferrous metals and grain and oil products, linking and connecting to the Group's various trading platforms and service chains to form a global intelligent industrial trading platform over the internet with transaction amount reaching the trillion yuan mark.

The intelligent trading platform is taking effect, bringing opportunities in logistics and finance. The efficient operation and open extension of the trading platform have brought together a large number of real transactions, with the commercial effects being gradually released. We identify real, effective and controllable quality trading and assets from hundreds of billions of transactions in the online-offline combined trading ecosystem, and provide them with financial, logistics, warehousing and other services for profits. This process forms the profit model for our internet business. At present, Zallsoon, an intelligent logistics service platform, and Zall Financial Services Group, which mainly engages in supply chain finance, are showing rapid growth and good profitability. They are fostering and stimulating a leading brand in the emerging refined segments. In 2016, Zallsoon's total number of orders for the year reached 3 million, with average number of daily orders in excess of 30,000. Zallsoon is integrating the intra-city, inter-city and customer-end freight logistics services through organic growth, in order to quickly build up our economies of scale and technical barriers. The objective is to achieve a daily volume of 1 million orders, building the largest internet logistics platform in China, and to become the most outstanding player in the industry. Zall Financial Services Group is committed to meeting the financing needs of merchants on the platform, and has helped its customers in raising funds of over RMB4.3 billion in total. With access to the Group's trading ecosystem, Zall Financial Services Group selects high-quality counterparties in trading using intelligent technologies such as big data and cloud computing, and further explores into the supply chain financing service, in order to achieve a substantial growth in revenue.

The supply chain management business, with its foundation set on the trading platform, will become a new business growth point. Since the second half of 2016, we have commenced supply chain management and value-added services by successively establishing a number of companies, which include Zall Commerce Supply Chain (Wuhan) Co., Ltd., Wuhan Zall Heng, Zhenjiang Joy Supply Chain Management Co., Ltd. ("Zhenjiang Joy")(鎮江卓恒), Hong Kong Joy Resources Investment Co., Ltd. ("Hong Kong Joy")(香港卓恒) and Wuhan Zall Agriculture Supply Chain Management Co., Ltd. ("Wuhan Zall Agriculture")(武漢卓農滙). A full range of supply chain management services including planning and design, procurement agency, inventory warehousing management, fund settlement and information systems are provided to customers in relevant industries. The customers are also supported in the improvement of their supply chains and capital operation efficiency in order to reduce operating costs. The sales revenue from supply chain management is growing rapidly with its scale reaching billion yuan.

We believe, for any business to develop into the end market, it needs a service chain as a facilitator. When people are connecting their experience, pain points and IP ports to the end market, enormous business opportunities arise from the business starting point to the end market, resulting in a huge, long-term demand for services in the supply chains. We will then further explore the supply chain management business, and expand product varieties, customer base and service types, to provide integrated services such as properties, logistics, warehousing, freight logistics and financing, with the objective to achieve significant growth in scale and reach tens of billion yuan in business volume.

With the intricate interconnections between the physical economy and the internet, online and offline businesses often develop alternately and interdependent. As a natural O2O enterprise transformed from the physical trading logistics industry, the Group has a unique business philosophy of integrating online and offline businesses. No matter how the online business and offline business evolve, how they compete and fluctuate or which one prevails, the Group will always have competitive advantage. As such, combining the online and offline advantages to achieve synergy is our unique competitive edge.

We will continue to maintain the offline advantage of the two mega wholesale markets, Hankou North International Trade Centre in the south and Tianjin E-commerce Mall in the north, such that tens of thousands of active wholesalers can form a trading group of sustainable prosperity, and become an anchor and source of vitality for the healthy development and innovative transformation of the ecosphere of the Group's intelligent trading. We will hold firm to the foundation of the physical market and persist with our O2O and B2B positioning. Through informatization, intelligentization and globalization of business transactions, we are committed to improving users' trading experience and reducing trading costs, and nurturing the most advanced and the largest super trading ecosystem. From here, we will stand tall on a brand new platform with redefined "commercial trading" and become an outstanding enterprise which leads the future development industrial internet in China.

Yan Zhi
Co-chairman

Hong Kong, 31 March 2017

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, and has announced the acquisition of Shenzhen Sinoagri. In respect of financial services business, it established Zall Financial Services Group. In respect of logistics business, the online-offline integrated Intelligent Cloud Storage(智能雲倉) and Zallsoon(卓集送)have been established. The Group's "Wholesale Market + Internet" project known as Zall Cloud Market 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) were 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 platforms 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 office, 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 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 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 I and Phase II of the Single Block Office Buildings, with an occupancy rate of over 90%, and 64 companies in Phase III.

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 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 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 RMB2.7 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.

Harvest Financial Information Service (Hangzhou) Co., Ltd ("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.

Hangzhou Jiuyu Asset Management Co., Ltd. ("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
00607.HKEX	Fullshare	680,480,000	3.5%	734,920	2,203,480	1,120,304	—	6,805
Warrant	LightInTheBox	N/A	N/A	N/A	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	Acquisition cost	Carrying 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
00607.HKEX	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 International Trade Centre	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 – 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 International Trade Centre 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 approximately 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 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 – 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 International Trade Centre 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 RMB1,130.5 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 Wuhan Zall Heng, 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 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

The Group has consistently maintained sufficient working capital. As at 31 December 2016, the Group had net current assets of RMB5,658 million (2015: RMB4,974 million) and net assets of RMB12,139 million (2015: RMB10,311 million).

As at 31 December 2016, the Group's equity attributable to equity shareholders of the Company amounted to RMB12,105 million (2015: RMB9,468 million), comprising issued capital of RMB30 million (2015: RMB30 million) and reserves of RMB12,075 million (2015: RMB9,438 million).

Cash position

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.

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%).

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.

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.

USE OF PROCEEDS FROM PLACING

On 6 August 2015, the Company entered into a share subscription agreement (the "Subscription Agreement") with Dr. Yu Gang as subscriber (the "Subscriber"), pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue in aggregate 53,448,000 ordinary shares of the Company (the "Subscription Shares") at a consideration of approximately HK$155,000,000 at the subscription price of HK$2.90 per Subscription Share (the "Subscription").

The aggregate nominal value of the Subscription Shares is HK$534,480. The subscription price of HK$2.90 per Subscription Share represents: (a) a discount of approximately 4.61% to the closing price of HK$3.04 per Share as quoted on the Stock Exchange on 5 August 2015, being the last trading day immediately prior to the date of the Subscription Agreement; (b) a discount of approximately 6.45% to the closing price of HK$3.10 per Share as quoted on the Stock Exchange on 6 August 2015, being the date of the Subscription Agreement; and (c) a discount of approximately 3.91% to the average closing price of approximately HK$3.018 per Share as quoted on the Stock Exchange for the last five trading days up to and including 5 August 2015 (both dates inclusive), being the date immediately preceding the date of the Subscription Agreement.

The Subscription Shares have a market value of approximately HK$166 million, based on the closing price of HK$3.10 per Share on 6 August 2015, being the date of the Subscription Agreement. Based on the net proceeds of approximately HK$155 million, the net price per Subscription Share is HK$2.90. The net proceeds from the Subscription was intended to apply for the development of the Company's E-commerce business and other general corporate purposes. As at the date of this report, all of the proceeds had been utilized as intended.

KEY RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Business Risk

As the Group's business stems principally in the PRC, the Group depends on the continued growth of the PRC. Any downward trend in consumer levels in the PRC or any overseas market where we operate could materially and adversely affect our business, financial condition and results of operations. Also, the industry in which the Group operates is a highly competitive industry in which the Group's competitors include a number of global and China-based companies that provide services similar to the Group.

Industrial Risk

In recent years, the property development market in China has been concurrently affected by the economic trend and government policies such as the adoption of category-based regulatory measures and the bilateral regulatory measures for the real estate market, policy changes in mortgage levels and ownership, interest rate changes, supply and demand conditions as well as the overall economic volatility in China.

In addition, the Group is implementing strategic transformation and may expose to new risks in the new business area, such as intense competition in the industry resulting in lower profit margins; and unsound industry standards and regulations in the new industry bringing about implementation risk in expansion of business; besides, e-commerce and other new business use the internet, the emerging technology to carry out business activities, however, presence of many hackers on the internet poses a threat to the security of database, giving rise to the internet technology security risk.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. The Group recognises that operational risks cannot be eliminated completely and that it may not always be cost effective to do so.

Key functions in the Group are guided by their operating procedures, limits of authority and reporting framework. The Group will identify and assess key operational exposures from time to time and report such risk issues to senior management as early as possible so that appropriate risk response can be taken.

Financial Risk

The financial risk management of the Group are set out in note 35 to the consolidated financial statements.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Yan Zhi (閻志), aged 44, Mr. Yan was appointed as a Director on 16 December 2010 and was re-designated as an executive Director on 20 June 2011 and co-chairman of the Board on 17 August 2015. Mr. Yan is the co-chairman of the Board, the chief executive officer of the Company, an executive Director and the founder of the Group. He is primarily responsible for the Group's overall business and investment strategies, as well as supervising its project planning, business and operation management. He has approximately 12 years of experience in the commercial property and wholesale shopping mall industries, as well as approximately 21 years of experience in business management in various industry. Mr. Yan has been appointed as a non-executive director and the chairman of CIG Yangtze Ports PLC, a company listed on the GEM Board of the Stock Exchange (Stock code: 8233), since 21 November 2011. Mr. Yan has been appointed as a director of LightInTheBox, a company listed on the New York Stock Exchange since 30 March 2016. Mr. Yan received a master's degree in business administration for senior executives from Wuhan University (武漢大學) in February 2008 and his executive master of business administration degree at Cheung Kong Graduate School of Management (長江商學院) in 2013.

Dr. Gang Yu (于剛), aged 57, Dr. Yu was appointed as an executive Director and co-chairman of the Board on 17 August 2015. Dr. Yu was a co-founder and chairman emeritus of Yihaodian, a leading e-commerce company in China. Dr. Yu has extensive experience in E-commerce and operation and logistics management. Prior to founding Yihaodian, he was Vice President, Worldwide Procurement at Dell Inc. Dr. Yu also served as Vice President, Worldwide Supply Chain Operations at Amazon.com. Prior to joining Amazon, Dr. Yu served as the Jack G. Taylor Chair Professor in Business in the Department of Management Science and Information Systems at the McCombs School of Business, the University of Texas at Austin, Director of the Center for Management of Operations and Logistics, and co-Director of the Center for Decision Making under Uncertainty. Dr. Yu is also the founder, former chairman and chief executive officer of CALEB Technologies Corporation. Dr. Yu obtained his bachelor degree in science from Wuhan University in 1982 and his master degree in science from Cornell University in 1985. Dr. Yu received his PhD from the Wharton School of Business, University of Pennsylvania in 1990. Dr. Yu has been appointed as a director of LightInTheBox, a company listed on the New York Stock Exchange since 30 March 2016.

Mr. Cui Jinfeng (崔錦鋒), aged 38, currently is the chairman of the Group's Tianjian Zall E-commerce Mall. He was appointed as an executive Director on 20 June 2011. Mr. Cui joined the Group in July 2005 and is primarily responsible for the overall day-to-day management of our projects outside Hubei Province. Mr. Cui has over 12 years of experience in the wholesale market and commercial property industries. Mr. Cui received a diploma in motor vehicle manufacturing and maintenance from Jianghan University (江漢大學) in June 2000 and obtained his master's degree in business administration from The Chinese University of Hong Kong in July 2014.

Mr. Wang Chuang (王創), aged 40, is the chairman of North Hankou Group Co., Ltd. Mr. Wang joined the Group in 2014 and was appointed as an executive Director on 23 December 2015, and resigned on 10 April 2017. He has over 17 years of work experience in government authorities, state-owned enterprises and the urban construction industry. Mr. Wang received a bachelor's diploma from Wuhan University of Technology (武漢理工大學) in 1999 and a master's diploma from Wuhan University (武漢大學) in 2007. He also obtained the qualification certificate for senior economist issued by the Human Resources and Social Security Department of Hubei Province (湖北省人力資源和社會保障廳) in 2014.

Mr. Peng Chi (彭池), aged 54, was appointed as an independent non-executive Director on 20 June 2011 and was re-designated as an executive Director on 11 April 2016. Mr. Peng has over 18 years of experience in real estate development and management of large-scale infrastructure constructions. From May 1999 to present, Mr. Peng has been serving as a chairman of Ramada Hotel Xiamen Co., Ltd. (廈門華美達長升大酒店有限公司). From May 2004 to December 2006, Mr. Peng was the general manager of Hubei Jingdong Highway Construction and Development Co., Ltd. (湖北荊東高速公路建設開發有限公司). From May 2004 to present, Mr. Peng has been serving as a chairman of Wuhan Tianshi Property Development Co., Ltd. (武漢市天時物業發展有限責任公司). From January 2008 to present, Mr. Peng has been serving as a chairman of Hubei E'dong Yangtze River Highway Bridge Co., Ltd. (湖北鄂東長江公路大橋有限公司). Mr. Peng obtained a bachelor's degree in history and literature from Hubei University (湖北大學) in July 1984 and received Doctor degree in History from Wuhan University in 2014.

Biographical Details of Directors and Senior Management (Continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Ka Fai (張家輝), aged 42, was appointed as an independent non-executive Director on 20 June 2011. Mr. Cheung has over 19 years of experience in auditing, accounting and finance. Prior to joining the Group, Mr. Cheung worked as an auditor at Deloitte Touche Tohmatsu and served as the financial controller and company secretary of two companies listed on the Growth Enterprise Market ("GEM") Board of the Stock Exchange. Mr. Cheung was the chief financial officer and company secretary of Huscoke Resources Holdings Limited, a company listed on the Main Board of the Stock Exchange from June 2008 to July 2012 and an executive director of Huscoke Resources Holdings Limited from October 2009 to July 2012. He has been serving as the chief financial officer of Bonjour Holdings Limited, a company listed on the Main Board of the Stock Exchange from August 2012 to present. Mr. Cheung is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. He obtained a bachelor's degree in accountancy from the Hong Kong Polytechnic University in November 1997 and a master's degree in business administration from the University of Bradford in January 2008.

Mr. Wu Ying（吳鷹）, aged 57, was appointed as an independent non-executive Director on 29 February 2016. Mr. Wu is currently the chairman of China Capital Group since October 2008. Prior to joining China Capital Group, Mr. Wu served as chairman and chief executive officer of UTStarcom (China) Co. Ltd for 12 years. Mr. Wu has extensive experience in telecommunication industry and venture capital investment. Mr. Wu obtained his bachelor degree in electronic engineering from the Beijing University of Technology in 1982 and obtained his master degree in electronic engineering from the New Jersey Institute of Technology in 1988.

Mr. Wei Zhe, David（衛哲）, aged 46, was appointed as an independent non-executive Director on 11 April 2016. Mr. Wei has over 16 years of experience in both investment and operational management in the People's Republic of China. Prior to launching Vision Knight Capital (China) Fund I, L.P., a private equity investment fund in 2011, Mr. Wei was an executive director and chief executive officer of Alibaba.com Limited, a leading worldwide B2B e-commerce company, for about five years, where he successfully led the company through its initial public offering and listing on the Stock Exchange in 2007. Alibaba.com Limited was delisted in June 2012. Prior to Alibaba.com Limited, Mr. Wei was the president, from 2002 to 2006, and chief financial officer, from 2000 to 2002, of B&Q China, the then subsidiary of Kingfisher plc, a leading home improvement retailer in Europe and Asia. Under Mr. Wei's leadership, B&Q China grew to become China's largest home improvement retailer. From 2003 to 2006, Mr. Wei was also the chief representative for Kingfisher's China sourcing office, Kingfisher Asia Limited. Prior to that, Mr. Wei served as the head of investment banking at Orient Securities Company Limited from 1998 to 2000, and as corporate finance manager at Coopers & Lybrand (now part of PricewaterhouseCoopers) from 1995 to 1998. Mr Wei was a non-executive director of HSBC Bank (China) Company Limited and The Hongkong and Shanghai Banking Corporation Limited and an independent director of 500.com Limited, and was also the vice chairman of China Chain Store & Franchise Association. He was voted as one of "China's Best CEOs" by FinanceAsia magazine in 2010. Mr. Wei is also a non-executive director of PCCW Limited and Zhong Ao Home Group Limited, both of which are listed on the Stock Exchange, and an independent director of Leju Holdings Limited which is listed on the New York Stock Exchange and Shanghai M&G Stationery Inc. which is listed on the Shanghai Stock Exchange. He holds a bachelor's degree in international business management from Shanghai International Studies University and has completed a corporate finance program at London Business School.

Biographical Details of Directors and Senior Management (Continued)

Mr. Zhu Zhengfu（朱征夫）, aged 53, was appointed as an independent non-executive Director on 10 March 2017. He is graduated from Wuhan University with a PhD in International Economics Law in 1999 and holds a professional lawyer's certificate issued by the Ministry of Justice of the People's Republic of China. Mr. Zhu is currently the executive partner of Kunlun Law Firm (廣東東方昆侖律師事務所) and prior to that, Mr. Zhu was the deputy head of the Land Law Consultation Service Center of the Guangdong Province Land Resources Bureau (廣東省國土廳廣東地產法律諮詢服務中心) from 1995 to 1998, a partner at Guangdong Dalu Law Firm (廣東大陸律師事務所) from 1995 to 1998, the head of finance and real estate of Guangdong Economic Development Law Firm (廣州市經濟貿易律師事務所)from 1993 to 1995, and deputy department head of the economic development department of Wanbao Electronics Import and Export Co., Ltd. (萬寶電器進出口公司) from 1987 to 1993. Mr. Zhu is also an independent non-executive director of E Fund Management Co., Ltd. (易方達基金管理有限公司), an independent non-executive director of O Luxe Holdings Limited, which is listed on the Stock Exchange, an independent non-executive director of Guangzhou Guangdong Daily Media Co., Ltd. (廣東廣州日報傳媒股份有限公司), Wuhan Sante Cableways Group Co. Ltd. (武漢三特索道集團股份有限公司) and Beijing Honggao Creative Architectural Design Co., Limited (北京弘高創意建築設計股份有限公司), which are listed on the Shenzhen Stock Exchange, and Baoli Real Estate Group Co., Ltd. (保利房地產集團股份有限公司) and Dongjiang Environmental Co., Ltd. (東江環保股份有限公司), which are listed on the Shanghai Stock Exchange.

SENIOR MANAGEMENT

Mr. Zhu Guo Hui (朱國輝), aged 40, is the chief financial officer of the Company. Mr. Zhu joined the Group in August 2014 and is primarily responsible for the financial management and capital market of the Company. Mr. Zhu possesses over 16 years of experience in the capital markets of Hong Kong and Mainland China. Prior to joining of the Company, Mr. Zhu has worked in various financial institutions including Credit Suisse, Value Partners Group (Stock Code: 806), a company listed on the Main Board of the Stock Exchange and BNP Paribas in connection with transactions on initial public offering, merger and acquisition, direct investment and corporate financing. Mr. Zhu holds a bachelor's degree in economics from The Central University of Finance and Economics and a master's degree in international business administration from The University of Hong Kong.

Ms. Liu Qin (劉琴), aged 48, is the general manager of North Hankou Group Co. Ltd.. Ms. Liu is responsible for the management of North Hankou International Trade Centre. She joined the Group in 2007 and is responsible for the day-to-day operational management of Wuhan Big World Project. Ms. Liu has over 20 years of experience in real estate development, commercial projects operation, human resources management and administrative management. Miss. Liu acquired a Senior Economist Qualification certificate from Human Resources and Social Security Department of Hubei Province in 2014. Ms. Liu has been appointed as an executive director of CIG Yangtze Ports PLC, a company listed on the GEM Board of the Stock Exchange, since 21 November 2011.

Mr. Li Bin (李斌), aged 46, is the executive deputy general manager of North Hankou Group Co., Ltd.. Mr. Li is currently responsible for the day-to-day operational management and property management of North Hankou International Trade Centre. Mr. Li has over 17 years of experience in property management and market management. Mr. Li joined the Group in July 2007 as the general manager of Wuhan North Hankou Market Management Co., Ltd. and has held various positions within the Group. From May 1999 to June 2007, Mr. Li was manager of the property management department of Meijia Property Management (Wuhan) Co., Ltd. (美佳物業管理(深圳)有限公司武漢分公司). Mr. Li received a diploma in Chinese language and literature education from Hubei University (湖北大學) in 1995.

Mr. Cao Tianbin (曹天斌), aged 48, is the deputy general manager of North Hankou Group Co., Ltd and the general manager of Zall Development (Changsha) Co., Ltd.. Mr. Cao is primarily responsible for the overall sales and marketing and promotion of our projects. Mr. Cao has approximately 7 years of experience in the wholesale market and investment management industries, and has over 20 years of experience in the operational management of commercial projects. He joined the Group in August 2008 as the general manager of the merchandising department of North Hankou Group Co., Ltd. and has also been the assistant general manager of North Hankou Market Management Co., Ltd. since October 2009. Prior to joining the Group in August 2008, he was the vice general manager of Wuhan Wenhua Printing Co., Ltd. (武漢文華印務有限公司) from August 1996 to July 2008. Mr. Cao received a diploma in mechanical and electrical engineering from Lanzhou University of Technology (蘭州理工大學) (formerly known as Gansu University of Industry (甘肅工業大學)) in July 1991 and a master's degree in finance from Zhongnan University of Economics and Law (中南財經政法大學) in December 2001.

Biographical Details of Directors and Senior Management (Continued)

Ms. Lou Xiaoan (樓曉岸), aged 46, is the president of Zall Financial Services Group Limited. She is responsible for the Group's finance business. Ms. Lou joined the Group in June 2016. Prior to joining the Company, Ms. Lou has worked in various banks and financial institutions, including Industrial and Commercial Bank of China, the Export–Import Bank of China, Bank of Kunlun Co., Ltd., Beijing Financial Assets Exchange and Shanghai Lujiazui International Financial Asset Exchange Co., Ltd. Ms. Lou holds an executive master's degree in business administration from Beijing Institute of Technology.

Mr. Hu Yi (胡毅), aged 39, is the Chief Executive Officer of Wuhan Zall E-commerce Group Co., Ltd., Mr. Hu joined the Group in October 2015. He is responsible for business operations and daily management of e-commerce business of the Group. Mr. Hu is experienced in internet, proficient in the e-commerce business operations, product design and R & D management. Prior to joining the Group, he was the General Manager of Central China operations center of Yihaodian, a leading e-commerce player in China. Mr. Hu obtained a bachelor's degree in computer software profession from the Hubei University (湖北大學) in 2000.

Ms. Min Xueqin (閔雪琴), aged 33, is the deputy general manager of North Hankou Group Co., Ltd., and the head of the Group's general office. She is responsible for the Group's administrative and finance issues. Ms. Min joined the Group in 2008, primarily responsible for the service management and financing of North Hankou International Trade Center. She has nearly 9 years of experience in the commercial property, wholesale shopping mall and financial industries. Ms. Min obtained a diploma in business administration from Zhongnan University of Economics and Law (中南財經政法大學) in 2006. She has been studying for an executive master of business administration degree at Wuhan University (武漢大學) since 2013.

Mr. Lung Shei Kei (龍瑞麒), aged 31, is the financial controller, the company secretary and one of the authorized representatives of the Company. Mr. Lung is responsible for the financial management, capital market and company secretarial affairs of the Company. Mr. Lung has over nine years of experience in auditing, accounting and capital market. Prior to joining the Group in January 2017, he was a senior manager of PricewaterhouseCoopers. Mr. Lung hold a Bachelor degree in Accountancy from the Hong Kong Polytechnic University and he is a member of Hong Kong Institute of Certified Public Accountants.

Save as disclosed in the section headed "Biographical Details of Directors and Senior Management" in this annual report, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2016.

Report of the Directors

The Board is pleased to present the annual report and the audited financial statements of the Group for the year ended 31 December 2016.

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 22 September 2010 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 15 to the financial statements. Save for the business transformation provided in the section headed "Management Discussion and Analysis" of this annual report, there were no significant changes in the nature of the Group's principal activities during the year under review.

BUSINESS REVIEW AND PERFORMANCE

A review of the business of the Group and a discussion and analysis of the Group's performance during the year under review and a discussion on the Group's future business development and outlook of the Company's business, possible risks and uncertainties that the Group may be facing and important events affecting the Company occurred during the year ended 31 December 2016 are provided in the section headed "Chairman's Statement" on pages 5 to 7 and the section headed "Management Discussion and Analysis" on pages 8 to 20 of this annual report. An account of the Company's relationships with its key stakeholders is included in the paragraph headed "Relationships with Employees, Suppliers and Customers" of the report of the Directors on page 29 of this annual report.

An analysis of the Group's performance during the year ended 31 December 2016 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" on pages 14 to 18 of this annual report.

In addition, more details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Company are provided in the report headed "Environmental, Social and Governance Report" on pages 38 to 51 of this annual report.

RESULTS AND DISTRIBUTION

The profit of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss on page 67.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016.

There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividend.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2016 and the state of the Company's and the Group's affairs as at that date are set out on pages 67 to 162.

RESERVES

Movements in the reserves of the Group during the year ended 31 December 2016 is set out on page 72.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB566,557,000 (2015: RMB568,446,000). The Board does not propose the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

SHARE CAPITAL

Changes in share capital of the Company for the year ended 31 December 2016 and as at that date are set out in note 34 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company (the "Articles") or the laws of Cayman Islands, which would oblige the Company to offer new shares to existing shareholders on a pro-rata basis.

SHARE OPTION SCHEME

Pursuant to the sole shareholder's resolutions of the Company on 20 June 2011, the Company has adopted a share option scheme (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 who contribute to the success of the Group's operations.

A. Share Option Scheme

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

1. Purpose of the Share Option Scheme

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

(i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

2. Participants of the Share Option Scheme

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

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including non-executive directors and independent non-executive Directors) of the Company or any of its subsidiaries; and

(iii) any advisors, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

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

The maximum number of shares which maybe issued upon exercise of options which may be granted under the Share Option Scheme shall not in aggregate exceed 1,050,000,000 shares, after the Share Subdivision effective from 19 October 2015.

4. *Maximum entitlement of each participant under the Share Option Scheme*

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and

(ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting.

5. *The period within which the shares must be exercised under the Share Option Scheme*

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

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

There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the Directors.

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

Options granted must be taken up within 21 days of the date of offer, upon payment of HK$1 per grant.

8. *The basis of determining the exercise price*

The exercise price shall be determined by the Board but shall not be less than the highest of (i) the closing price of the ordinary shares as stated in the Stock Exchange's daily quotation sheets on the date of grant of options, which must be a trading day, (ii) the average closing price of the ordinary shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of options; or (iii) the nominal value of an ordinary share.

9. The remaining life of the Share Option Scheme

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

Since the adoption of the Share Option Scheme and up to 31 December 2016, no options had been granted under the Share Option Scheme.

B. Pre-IPO Share Option Scheme

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

1. Purpose of the Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme is established to recognize the contribution the Pre-IPO Eligible Participants (as defined in paragraph 2 below) have or may have made to the Group. The Pre-IPO Share Option Scheme will provide the Pre-IPO Eligible Participants (as defined below) an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivate the Pre-IPO Eligible Participants to optimize their performance efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain relationship with the Pre-IPO Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

2. Participants of the Pre-IPO Share Option Scheme

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

(i) any full-time employees, executives or officers (including executive, non-executive and independent non-executive Directors) of the Company; or

(ii) any full-time employees of any subsidiaries of the Company of the level of manager or above; or

(iii) other full-time employees of the Company or any of the subsidiaries who have been in employment with the Group for over 3 years from the date of the adoption of the Pre-IPO Share Option Scheme who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of the subsidiaries or persons who, in the sole opinion of the Board, have made past contribution to the development of the Company and/or any of the subsidiaries.

3. All the options were either exercised or lapsed during the year ended 31 December 2015 and no further option could be granted under the Pre-IPO Share Option Scheme.

MAJOR SUPPLIERS AND CUSTOMERS

During the year under review, the aggregate sales attributable to the Group's five largest customers comprised approximately 38.6% (2015: 15.8%) of the Group's total sales and the sales attributable to the Group's largest customer were approximately 15.5% (2015: 5.4%) of the Group's total sales.

The aggregate purchases during the year under review attributable to the Group's five largest suppliers were approximately 55.9% (2015: 57.3%) of the Group's total purchases; and the purchases attributable to the Group's largest supplier were approximately 13.8% (2015: 25%) of the Group's total purchases. Purchases of the Group include purchases which are required on a regular basis to enable the Group to continue to supply its customers. Accordingly, purchases include, but not limited to, land purchased from the government and the cost of construction materials.

To the best of the knowledge of the Directors, none of the directors, their close associates or any shareholder which owns more than 5% of the Company's issued share capital, had any interest in the share capital of any of the five largest customers and suppliers of the Group.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group understands that employees are valuable assets. The Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

The Group's business is built on a customer-oriented culture. The Group also understands that it is important to maintain good relationship with its suppliers and customers to fulfil its immediate and long-term goals. To maintain its market competitiveness within the industry, the Group aims at delivering constantly high standards and high quality products to its customers. During the year under review, there was no material and significant dispute between the Group and its suppliers and/or customers.

BANK LOANS AND LOANS FROM OTHER FINANCIAL INSTITUTIONS

Particulars of bank loans and loans from other financial institutions of the Group as at 31 December 2016 are set out in note 29 to the financial statements.

DONATIONS

Charitable and other donations made by the Group during the year under review amounted to approximately RMB1,300,000 (2015: RMB12,568,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

INVESTMENT PROPERTIES, PROPERTIES UNDER DEVELOPMENT, COMPLETED PROPERTIES HELD FOR SALE AND NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Details of the movements in the investment properties of the Group during the year are set out in note 12 to the financial statements. Particulars of investment properties, properties under development, completed properties held for sale and non-current assets classified as held for sale are shown under the section of "Major Properties Information" on the pages 163 to 165.

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.

DIRECTORS

The Directors of the Company during the year ended 31 December 2016 and up to the date of this report are:

Executive Directors:
Mr. Yan Zhi *(Co-chairman and Chief Executive Officer)*
Dr. Gang Yu *(Co-chairman)*
Mr. Cui Jinfeng
Mr. Wang Chuang *(Resigned on 10 April 2017)*
Mr. Peng Chi *(Re-designated on 11 April 2016)*

Independent non-executive Directors:
Mr. Cheung Ka Fai
Mr. Peng Chi *(Re-designated as Executive Director on 11 April 2016)*
Mr. Wu Ying *(Appointed on 29 February 2016)*
Mr. Wei Zhe, David *(Appointed on 11 April 2016)*
Mr. Zhu Zhengfu *(Appointed on 10 March 2017)*

In accordance with article 84 of the Articles, at each annual general meeting, one third of the Directors shall retire from office by rotation, accordingly each of Mr. Cui Jinfeng, Mr. Cheung Ka Fai and Mr. Peng Chi, will retire from the office of Director by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company to be held on 18 May 2017 (the "AGM").

In accordance with Article 83 of the Articles, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his appointment. Accordingly, Mr. Zhu Zhengfu will retire at the AGM and, being eligible, will offer themselves for re-election as Directors at the AGM.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and non-executive Director has entered into a service contract with the Company for a term of three years commencing from 13 July 2014 or their respective appointment dates, which may be terminated by not less than three months' notice in writing served by either party on the other. Each independent non-executive Director has entered into an appointment letter with the Company for a term of three years commencing from 13 July 2014 or their respective appointment dates, which may be terminated by not less than three months' notice in writing served by either party on the other.

None of the Directors being proposed for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

Each Director or other officer of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he or she may incur or sustain in or about the execution of the duties of his or her office or otherwise in relation thereto in accordance with the Articles.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

DIRECTORS' REMUNERATION

The remuneration committee of the Company (the "Remuneration Committee") considers and recommends to the Board the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate. Details of Directors' remuneration are set out in note 7 to the financial statements.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 21 to 24 of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 38 and note 42(a) to the financial statements, there was no contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party to and in which a Director has a material interest in, whether directly or indirectly, or between the Company, or its subsidiary companies, and a controlling shareholder or any of its subsidiaries, and subsisted at the end of the financial year under review or at any time during the financial year under review.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors held any interests in any competing business against the Company or any of its jointly controlled entities and subsidiaries for the year ended 31 December 2016.

PLEDGING OF SHARES BY CONTROLLING SHAREHOLDERS UNDER RULE 13.17 OF THE LISTING RULES

On 31 May 2016,the Company as borrower entered into a facility agreement with Industrial Bank Co., Ltd. Hong Kong Branch in relation to a 12-month term loan facility in amount of HKD500,000,000 commencing from the date of the Facility Agreement at an annual interest rate of 6.0%. The Facility Agreement was secured by: (i) a share charge with number of 888,000,000 ordinary shares of the Company (representing 8.26% of the issued shares of the Company as at 31 December 2016) given by Zall Development Investment Company Limited, a company wholly owned by Mr. Yan Zhi; and (ii) a guarantee given by Mr Yan Zhi.

As at 31 December 2016, the loan facility of HKD500,000,000 remained outstanding.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year under review.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, the interests or short positions of each Director and chief executive in the shares, underlying shares or debentures of the Company or its any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are being taken or deemed to have taken under such provision of the SFO); or were required pursuant to Section 352 of the SFO to be recorded in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of the Company (the "Model Code") as set out in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

(1) Interests in shares of the Company

Name of director	Nature of interest	Number of ordinary shares in the Company	Approximate percentage of shareholding*
Yan Zhi (Note 1)	Interest of a controlled corporation	7,542,545,268	70.19%
Yan Zhi	Beneficial owner	56,613,000	0.53%
Gang Yu	Beneficial owner	156,660,000	1.46%
Cui Jinfeng	Beneficial owner	1,312,500	0.01%
Wei Zhe, David (Note 2)	Beneficial owner	321,216,000	2.99%

Note 1: The 7,542,545,268 Shares are held by Zall Development Investment Company Limited ("Zall Development Investment"), a company which is wholly owned by Mr. Yan Zhi.

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2016 (10,745,577,750 ordinary shares).

(2) Interests in underlying shares of the Company

Name of Director	Nature of Interests	Interest in Number of shares as at 31 December 2016	Approximate percentage of shareholding upon full issuance of the shares (Note 4)
Wei Zhe, David (Note 1)	Interest in Controlled Corporation	267,489,000	2.34%
Wei Zhe, David (Note 2)	Interest in Controlled Corporation	42,981,000	0.09%
Wei Zhe, David (Note 3)	Beneficial Owner	10,746,000	0.38%

Notes:

1. The interests in the 267,489,000 underlying Shares is held by EJC Group Limited pursuant to the acquisition agreement dated 28 October 2016 (the "Acquisition Agreement") entered into between, among others, EJC Group Limited, Zall Development (BVI) Holding Company Limited and the Company. EJC Group Limited is a company incorporated in the British Virgin Islands with limited liability and Mr. Wei is the controlling shareholder of EJC Group Limited. As at the date of this report, such acquisition is yet to be completed and consideration shares are not issued by the Company.

2. The interests in the 42,981,000 underlying shares (the "VKC Consultancy Shares") is held by Vision Knight Capital Management Company Limited pursuant to the consultancy agreement dated 14 November 2016 entered into between the Company and Vision Knight Capital Management Company Limited. Vision Knight Capital Management Company Limited is a company incorporated in Cayman Islands with limited liability and Mr. Wei is the controlling shareholder of Knight Capital Management Company Limited. As at the date of this report, and the VKC Consultancy Shares are yet to be issued by the Company.

3. The interests in the 10,746,000 underlying shares (the "Incentive Shares") is held by Mr. Wei as incentive shares pursuant to the service agreement dated 14 November 2016 entered into between Mr. Wei and the Company. As at the date of this report, the Incentive Shares are yet to be issued by the Company.

4. The percentage represents the number of underlying shares interested divided by the enlarged issued share capital of the Company assuming the full issuance of the 618,321,00 consideration shares issuable under the Acquisition Agreement, the VKC Consultancy Shares and the Incentive Shares. Please refer to the Company's circular dated 15 February 2017 for further details of the above.

Save as disclosed above, as at 31 December 2016, none of the Directors or chief executive of the Company and their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be maintained under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director, as at 31 December 2016, the following persons, other than a Director or chief executive of the Company, had or deemed or taken to have an interest or short position in the shares or underlying shares of the Company that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Nature of interest	Number of shares or underlying shares held	Percentage of shareholding(3)
Zall Development Investment	Beneficial owner	7,542,545,268(1)	70.19%
Ji Changqun	Interest in a corporation	949,224,000(2)	8.83%
Magnolia Wealth International Limited	Interest in a corporation	949,224,000(2)	8.83%
Fullshare Holdings Limited	Interest in a corporation	949,224,000(2)	8.83%
Rich Unicon Holdings Limited	Beneficial owner	949,224,000(2)	8.83%

Notes:

(1) Zall Development Investment is a company wholly-owned by Mr. Yan Zhi. In addition, 56,613,000 Shares are held directly by Mr. Yan Zhi.

(2) The 949,244,000 Shares are held by Rich Unicorn Holdings Limited, a Company which is wholly owned by Fullshare Holdings Limited, which in turn is owned as to 58.76% by Magnolia Wealth International Limited, which in turn is wholly owned by Ji Changqun. Ji Changqun also directly owns 6% of Fullshare Holdings Limited.

(3) The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2016.

Save as disclosed above, as at 31 December 2016, the Company had not been notified by any person, other than a Director or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

The Stock Exchange has exercised its discretion under Rule 8.08(1)(d) of the Listing Rules to accept a lower public float percentage of the Company of 15% and the Company, based on the information available to the Company and to the knowledge of the Directors, confirmed sufficiency of public float at the date of this report.

RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at 20% of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

For the year ended 31 December 2016, the Group's total contributions to the retirement schemes charged in the consolidated income statement amounted to approximately RMB7.9 million (2015: approximately RMB8.6 million).

CONNECTED TRANSACTIONS

During the year ended 31 December 2016, the Group entered into the below connected transactions with its connected persons:

(a) Lease agreement with Wuhan Zall Yuexi Hotel Management Co., Ltd. ("Wuhan Zall Yuexi")

On 28 September 2014, Zall Investment Group Co., Ltd. ("Zall Investment Group", a wholly-owned subsidiary of the Company) and Wuhan Zall Yuexi, the entire equity interest of which was wholly-owned by Mr. Yan and his associates, entered into a lease agreement (the "Lease Agreement"), pursuant to which Zall Investment Group agreed to rent a premises with an area of 9,182 square metres to Wuhan Zall Yuexi at a monthly rent of RMB137,730 for a term of 5 years. The rental fee received from Wuhan Zall Yuexi under the Lease Agreement was determined on an arm's length basis and with reference to the prevailing market rent at that time. The Lease Agreement was entered into on normal commercial terms, and the terms of which were not less favorable to the Group than terms available to or from independent third parties.

Wuhan Zall Yuexi is owned as to 80% by Mr. Yan, one of the Company's controlling shareholders, and is a connected person of the Company under the Listing Rules. The transaction under the Lease Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Since each of the percentage ratios for the transaction is less than 5% and the total consideration is less than HK$3,000,000, the transaction is exempted from the reporting, annual review, announcement and independent shareholders' approval requirements applicable under Chapter 14A of the Listing Rules as it falls within the de minimis threshold under Rule 14A.33 of the Listing Rules.

On 23 December 2016, Zall Investment Group, entered into a lease agreement (the "**Lease Agreement**") with Wuhan Zall Yuexi, pursuant to which Zall Investment Group agreed to rent a premises with and area of 9,182 square meters to Wuhan Zall Yuexi at a monthly rent of RMB275,461 from 1 January 2017 to 31 December 2019 for a term of 3 years.

The rental fee received from Wuhan Zall Yuexi under the Lease Agreement was determined on an arm's length basis and with reference to the prevailing market rent at the time of the Lease Agreement. The terms of the Lease Agreement, including the rents received from Wuhan Zall Yuexi under the Lease Agreement, were entered into on an arm's length negotiations with reference to the prevailing market rent for comparable premises in the vicinity.

The entire equity interest of Wuhan Zall Yuexi is wholly owned by Wuhan Zall Culture & Tourism Group Ltd.*（武漢卓爾文旅集團有限公司）, which is held as to 99.95% by Mr. Yan, the controlling Shareholder, the co-chairman and an executive Director. Accordingly, Wuhan Zall Yuexi is an associate of Mr. Yan and is therefore a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules, and the entering into of the Lease Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

During the year ended 31 December 2016, the Group received rental income of RMB1,652,764 (equivalent to approximately HKD1,861,012) (2015: RMB1,652,764 (equivalent to approximately HKD2,032,900).

(b) Acquisition agreement (the "Acquisition Agreement") dated 28 October 2016 between (1) EJC Group Limited, Great Morning Holding Limited, Chan Kit and Chan Nanjula Wai Po (collectively, the "Vendors"), (2) Vision Knight Capital (China) Fund I, L.P. and Greenwoods Bloom Fund, L.P. (the "Guarantors"), (3) Zall Development (BVI) Holding Company Limited, a wholly-owned subsidiary of the Company (the "Purchaser") and (4) the Company.

On 28 October 2016, the Vendors, the Guarantors, the Purchaser and the Company entered into an Acquisition Agreement in relation to the proposed acquisition of the respective shares representing the entire issued shares of Superu Company Limited, Perfect International Limited, Sweet Returns Holdings Limited, Ronald Development International Limited and Sweet Returns Investment Limited, free from all encumbrances together with all rights attaching thereto at the consideration up to HK$2.591 billion, which will be satisfied by way of allotment and issue of up to 618,321,000 consideration Shares at a issue price of HK$4.19 per Share to the Vendors. Pursuant to the Acquisition Agreement, the Company will also (i) allot and issue the management Shares and grant the management options to the certain core management personnel of Shenzhen Sinoagri; (ii) enter into a service agreement with Mr. Wei Zhe ("**Mr. Wei**") (pursuant to which certain incentive Shares will be issued to Mr. Wei), an independent non-executive Director; and (iii) enter into a consultancy agreement with Vision Knight Capital Management Company.

As Vision Knight Capital (China) Fund I, L.P. is a limited partnership whose general partner is controlled by Mr. Wei, and as EJC Group Limited is a subsidiary of Vision Knight Capital (China) Fund I, L.P., Vision Knight Capital (China) Fund I, L.P. and EJC Group Limited are both regarded as associates of Mr. Wei under the Chapter 14A of the Listing Rules and connected persons of the Company, and the relevant transactions contemplated under the Acquisition Agreement constitute a connected transaction for the Company under the Listing Rules.

As Mr. Wei is an independent non-executive Director, therefore, a connected person of the Company, the issue of the incentive Shares to Mr. Wei contemplated under the abovementioned service agreement will also constitute non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules. As Vision Knight Capital Management Company Limited is a company controlled by Mr. Wei, Vision Knight Capital Management Company Limited is an associate of Mr. Wei and connected person of the Company and accordingly, the transactions contemplated under the abovementioned consultancy agreement will also constitute non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules.

Please refer to the Company's circular dated 15 February 2017 for further details of the above.

The Directors (including the independent non-executive Directors) are of the view that the above transactions were conducted on normal commercial terms, in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the Company and the Company's shareholders as a whole and were in the ordinary and usual course of the Group's business.

Save as otherwise, there are no related parties transaction disclosed in note 38 to the financial statements constitutes a connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules.

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

The Company's register of members will be closed from Friday, 12 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 determine who are eligible 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 Thursday, 11 May 2017.

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.

AUDITORS

The consolidated financial statements for the year ended 31 December 2016 were audited by KPMG.

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming AGM.

By order of the Board
Yan Zhi
Co-*chairman*

Hong Kong, 31 March 2017

Environment, Social and Governance Report

1 ABOUT THIS REPORT

1.1 Basis of Preparation

This report is prepared for the period from 1 January 2016 to 31 December 2016 in accordance with the Environmental, Social and Governance Reporting Guide of the Hong Kong Exchange Limited ("ESG Guide").

1.2 Business Profile

The Group was established in 1996. It focuses on property and related wholesale trading services for the wholesale market, mainly providing customers with wholesale trading services including property, logistics, warehousing, finance, online trading and big data. Its main businesses include: (i) traditional property business under Zall Development, the development, operation and sale of large-scale wholesale market, provision of office space leasing for corporate customers and construction of various warehousing and logistics facilities; (ii) e-commerce business of Zall Cloud Market; (iii) supply chain finance and internet payment business of Zall Jinfu; (iv) trading of agricultural products of the supply chain business, with main trading items such as corn and rice; and (v) trading of non-ferrous metals of the supply chain business is operated by a joint venture enterprise, Wuhan Zall Heng, and is therefore not consolidated into the combined financial statements for 2016 of the Group. However, this business sis included in the ESG Report for 2016 of the Group due to its relatively large amount of revenue. The main trading items for Wuhan Zall Heng's non-ferrous metals are electrolytic copper and nickel.

The Group's revenue from property development and related services, and the supply chain management and trading business accounted for more than 98% of the total revenue in 2016.

(Unit: RMB'000)	Revenue	Percentage
Property development and related services	1,022,351	84.3%
E-commerce and financial services	21,803	1.8%
Supply chain management and trading	166,767	13.7%
Others	2,454	0.2%
Total	1,213,375	100.0%

1.3 ESG Strategy of the Group

For commercial properties, the Group will continue to pay close attention to environmental protection. It ensures the quality of projects and safety of workers and merchants through quality designs by cooperating with well-known design companies and introducing high-quality construction teams. At the same time, special funds are allocated to establish the North Hankou fire prevention guards and professional property management teams to ensure fire safety of projects.

In respect of the supply chain business, the Group improves the logistics and warehousing process by making use of economies of scale in the areas of purchasing, warehousing, transportation and distribution, so as to improve efficiency in trading and reduce storage and logistics use of unit goods, thereby reducing polluted discharge.

The Board is fully responsible for the Group's ESG strategy and report and risk management.

1.4 Scope of This Report

This report focuses on reporting on the environmental and social policies related to construction, operation and sales of commercial properties in China, as well as purchases and sales of agricultural products and non-ferrous metals of the supply chain business of the Group during the reporting period, which accounted for more than 98% of the Group's revenue.

1.5 Stakeholders Engagement

The key stakeholders of the Group include internal stakeholders and external stakeholders. The major stakeholders include internal personnel (from management to front-line employees), suppliers and customers. As 2016 is the first year that the Group prepares the environmental, social and governance report, importance assessments in the report were mainly conducted by the management. Next year, we will continue to pay attention to all stakeholders by reviewing and updating the importance assessments, so as to ensure that our report will fully reflect the latest progress in sustainable development of the Group.

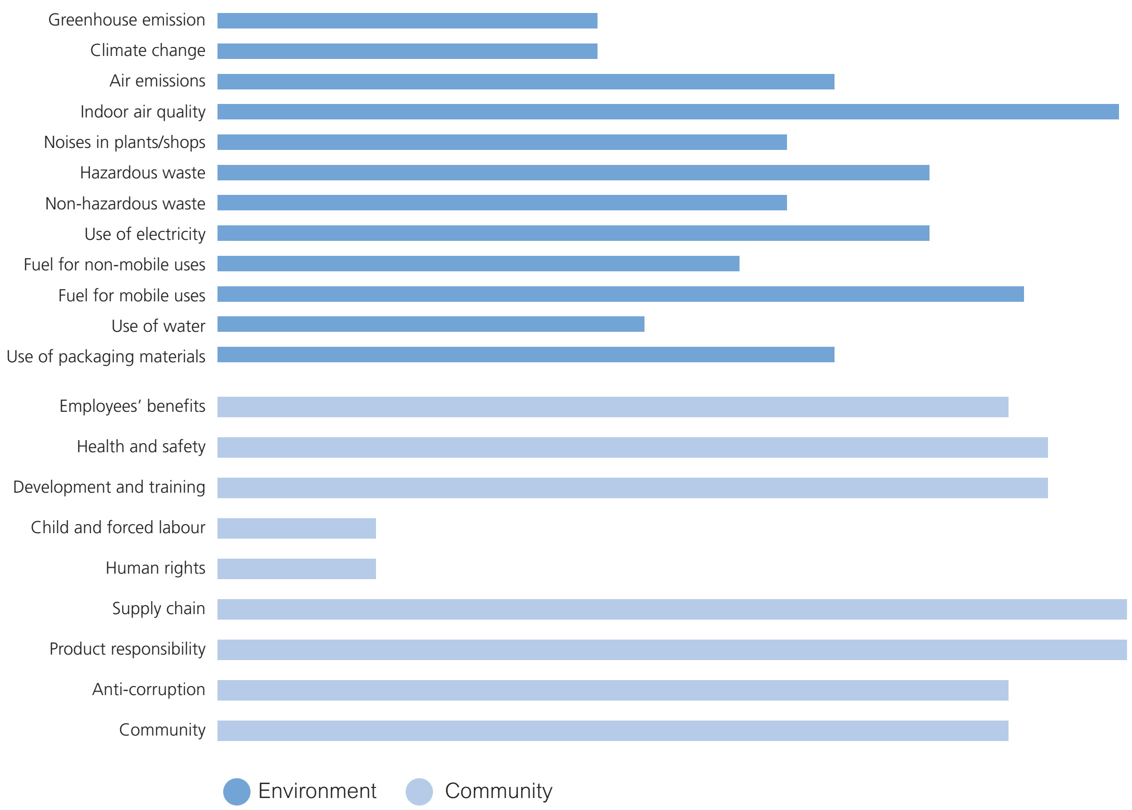
1.6 Importance Assessment

In respect of stakeholders and importance assessment, we have engaged an independent consultant to conduct the importance assessment with the Group in accordance with the Environmental, Social and Governance Reporting Guide issued by the Hong Kong Stock Exchange. By conducting a survey and analysing the openions provided by relevant senior management, we have identified major sustainability issues that are most relevant to our operations and the expectations of stakeholders.

Environment, Social and Governance Report (Continued)

We have listed the following items which have significant impact on the sustainable development of the Group. They are also included as key areas for the Group's sustainable development. According to the results of the analysis, the following is the explanation in respect of the factors that are most significant to our business development and their relevance:

Importance Assessment (Summary)



Key items of ESG		Relevant description on our business
Environment	Emission of hazardous wastes	Although the contractor is primarily responsible for emissions in construction, the Group, as the owner and developer, must make proper requests to ensure that the contractor implement adequate environmental protection and safety control. Emissions from construction involve air, waste water, noises, construction wastes, dangerous wastes, and most importantly the emission of hazardous wastes, which is our highest concern.
	Indoor air quality	During the design process, environmental friendly building materials are used to reduce the impact of air pollutants; and during the building acceptance process, indoor environment quality inspection companies are engaged to detect the concentration of indoor pollutants, which must meet the national standards before acceptance.
	Fuel consumption (transportation related)	• The use of building materials and transportation-related energy consumption during the property construction stage • Transportation-related energy consumption related to agricultural products and non-ferrous metals of the supply chain business Note: Since the transportation business of property construction, agricultural products and non-ferrous metals of the supply chain is outsourced to third-party companies, we manage and control such matters through supply chain management.
	Use of electricity	During the stage of property operation, large amounts of power resources are consumed, and as such electricity saving is one of our key management objectives.
Community	Supply chain management	Construction contractors Non-ferrous metals and agricultural products suppliers
	Product responsibility	Construction quality Information on the contracts for buildings leasing and sales Quality of non-ferrous metal products Quality of agricultural products Sales and marketing
	Health and safety	Construction site safety Property operation safety management
	Development and training for employees	Employees are the Company's key assets Key employees facing customer

2 ENVIRONMENTAL PROTECTION

We are committed to adopting a more environmental friendly approach during the course of our operations to create a better environment. It is particularly important to ensure the compliance with all applicable environmental laws and regulations in the environmental management during property construction and operation, purchases and sales of agricultural products and non-ferrous metals of the supply chain. The following sets out the environmental impact generated by the Group's key business segments and various parts of the key business segments. Actions are taken to manage and mitigate the negative impact on the environment.

2.1 Property Construction and Operation

Property Construction:

The property construction of the Group is outsourced to third party construction companies. The third party construction companies selected by the Group are state-owned enterprises and large-scale private companies, which have higher execution standards, stronger sense of mission and prominent background in respect of environmental protection.

In order to regulate the environmental protection practices throughout the project development phase (including design and construction stages) of the Group, consistently comply with the national environmental laws and regulations, construct environmental friendly green products and uplift project management standards, the Group has formulated the construction environmental management practices.

Design stage:

- the environmental protection design must be carried out according to the national required design procedures. The implementation of pollution and other public hazards prevention facilities are designed concurrently, constructed concurrently and put into operation concurrently with the main part of the project;

- the project feasibility report must contain an analysis on the current environmental status, major pollution sources and pollutants, the potential ecological changes caused by resources development, the measures to control pollution and ecological changes, the estimation of environmental investment and the conclusion of environmental impact assessment in respect of the construction area;

- The Group pays close attention to indoor air quality. Environmental friendly construction materials are considered during the time of design. The effects of air pollutants such as free-floating formaldehyde, radon, benzene, ammonia, TVOC are reduced from their sources;

- during the design stage of the construction plan, it should be taken into account that: projects that discharge toxic and hazardous gases (such as boiler rooms and garbage stations) should be arranged on the leeward side of residential areas with minimum contamination factors, maintaining a safe distance as required and taking greening initiatives. Garbage stations should be kept at the required distance from residential areas and natural water; the planning for heat, power and gas supply of construction project should adopt as much as possible the approach of centralized or group heating and centralized supply of clean energies according to prevailing conditions; the sites for both environmental protection facilities such as sewage treatment plants and the main site of the project should be determined at the same time; construction projects must be designed based on the principle of water conservation by promoting reasonable recovering and recycling of waste water; pipelines should be properly designed and arranged by adopting proper structure to prevent vibration and noises; for residential projects, sound-proof walls should be used between household rooms and elevators; new projects should include landscape planning, the green coverage of which may vary according to different types of construction projects.

Construction stage:

- Management of hazardous wastes, coating matenial and other architectural decorations. The Group adopts the construction and decoration materials which meet the national requirements. Hazardous wastes such as coatings generated from construction sites are treated separately from ordinary non-hazardous construction wastes. Hazardous wastes generated from construction sites must be properly collected, deposited and removed in strict compliance with relevant requirements, and transported in closed vehicles or with effective covering measures, and delivered to professional plants for further handling.

- Indoor air quality management. During the building acceptance process, professional indoor environmental quality inspection companies are engaged to detect the concentration of indoor pollutants, which must meet and the national standards before acceptance. The inspections are conducted according to Sanitation of Public Places — Inspection Methods Part 2: Chemical Pollutants GBT/T18204.2-2014(《公共場所衛生檢驗辦法第2部分：化學污染物》), Standards for Indoor Environmental Pollution Control of Civil Building Engineering (《民用建築工程室內環境污染控制規範》)GB50325-2010 (2013 Edition), with the use of testing equipment such as weather chromatograph, spectrophotometer, constant current atmospheric sampler, continuous radon monitor, formaldehyde detector, atmospheric pressure gauge, atmospheric temperature gauge, hygrometer, etc.

- Wastewater treatment. Separate sewage collection pipelines and collection pools must be laid for discharge of domestic sewage, construction waste water, etc. in construction sites to achieve the diversion of rain and sewage water, and the relevant pipeline chart for the diversion must be provided. Domestic sewage water from construction sites must be directed into urban sewer networks for centralized treatment after pretreatment if the circumstances allow for connection to such networks, or otherwise, transitional measures must be taken to delegate centralized clearance. For waste water from construction machineries, vehicles flushing water and site ground flushing water, facilities such as designated cleaning locations and temporary pipe networks must be provided to ensure that the waste water be collected centrally, re-used after treatment, and then connected to the sewage network or removed for disposal. Sewage pre-treatment monitoring report, sewage connection certificate and temporary clearance agreement should be produced to the District Environmental Protection Bureau for review and approval before commencement of construction. In order to enhance sewage treatment and disposal management, designated person should be responsible for the establishment of record on sewage treatment and removal, as well as for regulating the discharge and removal of the waste water. Construction waste water is discharged according to its grade: domestic water and rainwater are directly discharged into the municipal pipe network, waste water with higher sediment concentration is discharged into the municipal pipe network after precipitation treatment, and domestic sewage and oily sewage are cleared by professional companies regularly after precipitation.

- Exhaust gas (dust) management. In strict compliance with the requirements of Technical Code on Urban Dust Pollution Prevention and Treatment(《防治城市揚塵污染技術規範》)(HJ-T393-2007), a construction dust pollution plans are prepared, sewage reports are submitted according to the laws. Dust prevention, dust control and dust reduction measures, including erection of barriers, fences and overflow-prevention devices, hardening of accessible roads offsetting up vehicle cleaning platform,, using closed vehicles for transportation, improving drainage facilities to precipitate sludge, ensuring that construction transportation vehicles are cleaned up and the roads surrounding the construction site are clean and tidy and strictly controlling the formation of dust. Clean fuels must be used for kitchen range and other living facilities in construction sites. Burning of materials and waste such as wood, plastic and rubber is prohibited in accordance with Atmospheric Pollution Prevention Law(《大氣污染防治法》). If the use of chemicals is involved in decoration and waterproof construction, measures must be taken to control the volatile exhaust gases that are generated. Charges for dust pollution treatment in construction sites must be paid according to the laws.

- Noise management. Construction noise management is regulated in strict compliance with the requirements of Environmental Noise Pollution Prevention Law of the People's Republic of China (《中華人民共和國環境噪聲污染防治法》) and GB12523-2011 Standards for Environmental Noise Emissions within Construction Sites (《GB12523-2011建築施工場界環境噪聲排放標準》). Noises in construction sties are controlled below 85dB in daytime and 55dB at night. Equipment which produces loud noises at construction sites must be arranged properly to stay away from the borders and sensitive areas, and enclosed sound insulation measures must be taken to ensure that the standards for noise emissions are met and nuisances to people are reduced. Noises from loading and unloading and knocking must be controlled to minimize their impact. Times of construction work are strictly controlled, and if night time or continuous operation is inevitable due to the production process or special needs, night construction permits must be applied for, and public announcement must be made to nearby residents. Effective measures must be taken to reduce noise emissions and mitigate the impact on the surrounding environment. During sensitive times of high school and college entrance examinations, the construction must be stopped. For noise emissions that exceed the limit, charges for noise pollution should be paid according to the laws.

- Solid waste management. Solid wastes generated from construction sites must be properly collected, deposited and removed in strict compliance with relevant provisions of the Environmental Pollution Prevention and Control Law of Solid Wastes of the People's Republic of China (《中華人民共和國固體廢物污染環境防治法》). The construction wastes and domestic wastes generated from construction sites must be collected and removed in accordance with the requirements of urban management. The type and quantity of construction wastes and muck as well as the transportation routes and disposal venue must be reported as required to the Muck Administration Office (渣土管理處) or environmental health authorities in the district, and a letter of environmental health responsibility must be signed with the environmental health authorities five days before the commencement of construction. The wastes must be transported in enclosed vehicles or with effective covering. Construction wastes in buildings must not be discarded from above. They must be removed by using enclosed refuse chutes or lifted in enclosed containers.

Property Operation:

In the area of property operation, LED lighting system is used in the North Hankou International Trade Center to reduce power consumption, water-saving equipment is installed in restrooms, new high-efficiency motors for elevators and energy-efficient air conditioning hosts are used to reduce power consumption and environmental pollution. The temperature for air conditioning is set at 26°C or above.

The Group's property construction requires the use of a large number of transportation vehicles for the transportation of earth and stones, construction materials, construction wastes, etc. The Group reduces transportation energy consumption and lowers greenhouse gas emission by using vehicles that meet the national fuel standards, improving the transportation efficiency of single-trip transportation and reducing wastes of building materials. For details on energy consumption by transportation for non-ferrous metals and agricultural products of the supply chain, please refer to the paragraph 2.2 "Purchases and Sales of Non-ferrous Metals of Supply Chain", and paragraph 2.3 "Purchase and Sales of Agricultural Products of Supply Chain".

The relevant laws and regulations in relation to exhaust and greenhouse gas emissions, effluent to the water and the land, and the generation of hazardous and non-hazardous wastes that have a significant impact on the operation of the Group include Regulations on the Prevention and Control of Air Pollution of Hubei Province(《湖北省大氣污染防治條例》), Implementation Measures for the Administration of City Appearance and Environment of Hubei Province(《湖北省城市市容和環境管理實施辦法》), Measures for the Administration of Urban Environmental Noise of Hubei Province(《湖北省城市環境噪聲管理獎懲辦法》), Regulations on Environmental Protection of Hubei Province(《湖北省環境保護條例》), Regulations on the Administration of Promotion and Application of New Wall Materials of Hubei Province(《湖北省推廣應用新型牆體材料管理規定》), Regulations on Urban Drainage of Wuhan(《武漢市城市排水條例》(and Measures for the Administration of Civilized Construction of Wuhan(《武漢市建築工程文明施工管理辦法》). The Group is in compliance with the above regulations through self-examination and self-correction, by observing the daily administration measures of city management and environmental authorities. During the reporting period, there was no non-compliance with the laws and regulations in relation to exhaust and greenhouse gas emissions, effluent to the water and the land and the generation of hazardous and non-hazardous wastes.

2.2 Purchases and Sales of Agricultural Products of Supply Chain

The main trading items of agricultural products trading business of the supply chain are rice and corn. Commenced in September 2016, this new business involves no plantation and deep processing. Purchases are made from upstream suppliers and sales are made to downstream customers. Accordingly, the impact of the Group's agricultural products business of the supply chain on the environment mainly comes from logistics and warehousing.

For the agricultural products trade business, the Group outsources transportation and warehousing to third parties, and improves logistics and warehousing by selecting low-energy and environmental-friendly logistics companies. Through economies of scale, trading efficiency is improved and usage of storage and logistics of unit goods is reduced, thus reducing emissions.

For information on the upstream suppliers and downstream customers of agricultural products business of the supply chain, please refer to section 5 "Supply Chain Management" below.

2.3 Purchases and Sales of Non-ferrous Metals of Supply Chain

The main trading items of non-ferrous metal trade business of the supply chain are electrolytic copper and nickels. Commenced in September 2016 by Wuhan Zall Heng, a joint venture of the Group, the new business involves no smelting and deep processing. Purchases are made mainly from upstream suppliers and sales are made to the downstream customers. Accordingly, the impact of Wuhan Zall Heng's non-ferrous metals business of the supply chain on the environment mainly comes from logistics and warehousing.

For the non-ferrous metals trade business, the Wuhan Zall Heng outsources transportation and warehousing to third parties, and improves logistics and warehousing by selecting low-energy and environmental-friendly logistics companies. Through economies of scale, trading efficiency is improved and usage of storage and logistics of unit goods is reduced, thus reducing emissions.

For information on the upstream suppliers and downstream customers of non-ferrous metal business of the supply chain, please refer to section 5 "Supply Chain Management" below.

3 EMPLOYMENT

The Group advocates the "people-oriented" philosophy on talents, and at the same time abides by national labor laws and regulations. Fair evaluation of employees' performance is achieved by adhering to the principle of openness with a view to impartiality and fairness. In order to effectively allocate human resources and regulate the collaboration among employees, the Group has put in place a set of human resources management system, mainly covering recruitment, employees in probation, labor contracts and personnel archives, staff training, staff attendance and vacation, job and salary adjustment, employees welfare, remuneration and performance, reward and punishment management system and employee turnover management system.

3.1 Employees Benefits

The remuneration and benefits packages of the employees of the Group are in general determined in accordance with the external economic environment and the pay level in the industry as well as the employees' duties and performance, providing an internal system of fairness, ability to identify variances of performance and encourage competitiveness. The Group makes a comparison with the remuneration packages in the industry in three aspects, namely remuneration design system, position specification and labor cost budget, enabling the remuneration packages of the Group to be equipped with market competitiveness and industry advantages. The Group has an established performance appraisal process, under which 30% of employees' salaries are linked with their individual performances. Employees' performance appraisals are arrived at using a combination of the employees' respective performance, ability, and attitude, together with the employees' self-evaluations and their respective superiors' evaluation. Where there is a major objection to the performance appraisal, an employee may file a complaint.

The Group maintains fair competition and diversification of its employees internally, and does not discriminate or dismiss any employee due to gender, age, marital status, religion, race, nationality and physical condition. The principle of equal opportunities applies to all aspects of employment, especially in recruitment, probation, career development and promotion. To improve employees' welfare, a holiday system has been established in accordance with labor laws, which include sick leave, casual leave, marriage leave, funeral leave, maternity leave, breastfeeding leave, annual leave, work-related injury leave and statutory holidays. The rules governing overtime work are in place to limit working hours, which limit the overtime hours on each working day not to exceed 3 hours, or in special cases 5 hours, and the aggregate overtime hours per month is limited to the maximum of 36 hours.

The Group values employees' satisfaction and encourages them to give feedbacks. It provides appropriate channels for employees, such as interviews, e-mails and regular departmental seminars, in order for them to express dissatisfaction and make complaints. Complaints are dealt with in accordance with pre-established procedures to ensure fair treatment of all employees and their complaints. An employee who gives a constructive advice will be awarded.

The Group ensures integrity and morality in its work practices, understands and consciously complies with relevant laws and regulations. Close monitoring and regular inspections are carried out to detect possible signs of irregularities, which will be dealt with immediately and announcement of the outcome will be announced. During the reporting period, the Group ensured that it has complied with all relevant labor laws and regulations, including those in relation to minimum wages and anti-discrimination.

During the reporting period, the Group's staff turnover rate was 4.8% (2015: 3.55%). As at 31 December 2016, the average length of service of the Group's employees was 1.95 years (31 December 2015: 2.27 years).

3.2 Healthy and Safe Working Environment

We are committed to providing a healthy and safe working environment for our employees. Despite the fact that there is no occupational risk and other high-risk jobs, the Group has established safety guidelines, which have been communicated to all employees by way of posting notices on bulletin boards, distributing e-mails and conducting classroom trainings. During the reporting period, the Group organized health and safety education to enhance the awareness of employees in this regard. For example, 2-hour first aid classes were held on-site. The Group also conducted emergency exercises on a regular basis, such as fire drills. The Group carries out safety inspection in the workplace on a regular basis. For new office buildings, works such as eradicating formaldehyde and odor, installing smoke detectors, emergency lights and emergency lighting equipment are carried out. The relevant regulations governing projects of the Group require that the employees should wear helmets when entering construction sites, and prohibit dangerous items from being brought into the construction site.

By enhancing promotion and education to employees, strengthening daily supervision by its internal audit and supervision committee and punishing illegality and irregularities, the Group ensures that all certifications required by the laws and regulations be obtained or renewed.

During the reporting period, the Group ensured that it has complied with all relevant labor laws and regulations in providing a healthy and safe working environment for its employees.

3.3 Development and Training

The Group has established a staff training system. There are internal trainings and external trainings including new entrants' induction training, job responsibility training, business skills training, management skills training and professional skills training. The Group develops and improves training programs and processes, formulates training attendance requirements and training record management. In terms of monetary support, employees are provided with assistance such as subsidies in training costs. Employees are encouraged to obtain job-related certificates, and participate in continuous studies through on-the-job tutorship, job exchanges, internal exchanges, online study, borrowing of books and CDs and field trips. During the reporting period, the Group had no less than 3 new entrants trained in each month, and no less than 2 employees trained in each quarter. Every employee is provided no less than 6 trainings per year.

In order to record and monitor training results, the Group has established a training attendance system with training records. Performance in training is linked to individual performance appraisal, promotion, salary adjustments and year-end awards.

3.4 Labor Code

Under the Group's labor contracts, any employee who is forced to labor by way of violence, threats or unlawful restrictions on personal freedom may resign and apply for financial compensation. The Group inspects for the presence of child labor or forced labor on a regular basis, and provides internal trainings to its subsidiaries to improve the awareness of laws and regulations with an aim to prohibit child labor and forced labor by implementing pre-employment review of new candidates' information. During the reporting period, there were neither any incident of child labor or forced labor, nor any related discrimination and harassment. In addition, the Group has strictly observed the Ordinance on Prohibition of Employment of Child Labor(《禁止使用童工條例》) of the PRC and has not employed any child under the age of 16.

3.5 Anti-corruption

The Group is strongly against corruption in the Group's activities and procurement, and has established a disciplinary inspection and supervision process, which oversees the operational management activities involving purchase of the Company's assets, bidding, construction, personnel management, investment attraction and reimbursement. It supervises the receipt of gifts or money by the employees and makes registration of such gifts or money turned in, which is announced from time to time. Disciplinary supervision is carried out by way of regular inspection and special inspection. Regular inspections are targeted at project quality and safety management, bidding management, procurement management, assets management, record management, attendance management and contracts management. Special inspection refers to the investigation, verification and reassessment by the discipline supervision committee in respect of complaints or reported cases by employees, and issues identified by the audit department during audit or specific work processes or results (such as purchases, sales and bidding, etc.), and make recommendations of rectification and punishment on these irregularities. The Group has set up a reporting box in the management area of each department, which is regularly opened by the discipline supervision committee on a monthly basis. In addition, a report e-mail box (fawujiancha@zallcn.com) and a report telephone number (027-61883217) are also in place.

During the reporting period, there were no incidents of corruption in the Group.

4 PRODUCT RESPONSIBILITY

4.1 Commercial Properties

The Group has a quality management system, which includes the weekly project inspection procedures, job record procedures, procedures for process confirmation by responsible persons of key processes and drawings examination system, the implementation of which will serve as the basis for projects supervision and evaluation by the project management center. Environmental-friendly materials are used for property renovation and decoration, and formaldehyde will be eradicated before delivery to ensure the health of customers. The Group's property management on Small Goods City has obtained the ISO9000 quality management system certification.

The Group has a record management system for record management of information for customers with sales contracts, which is only accessible by internal staff, and must not be carried out without approval. The customers' confidential information shall not be copied, reproduced or circulated by the record management personnel.

During the reporting period, the Group maintained active communications with its customers to ensure better understanding of customers' demands for quality and management of properties. We conduct customer satisfaction surveys annually to understand the areas to be improved and then implement improvement measures.

Our sales department complies with the provisions of advertising laws in the production of advertisements by promoting its properties as they are, avoids from customer deceit actions by neither making false representations of gross floor area nor exaggerating the benefits of properties.

4.2 Supply Chain Agricultural Products Business

The main trading items of the supply chain agricultural products trade business of the Group are corn and rice. As a part of the agricultural products trade, the Group consistently purchases agricultural products that meet the national food safety standards, and carefully check the quality of foods purchased, by prohibiting those foods that are deteriorated, rotten, having excessive pesticide or fertilizer residues or genetically modified foods from being circulated in the market, which can impact the order and safety of the agricultural products market, nor does the Group sell agricultural products to enterprises which do not possess food deep processing qualifications or have substandard environmental management. The Group always adheres to the principle of safety and quality first.

4.3 Supply Chain Non-ferrous Metals Business

The main trading items of the supply chain non-ferrous metals trade business of Wuhan Zall Heng, a joint venture company of the Group are electrolytic copper and nickels. In view of heavy pollution from heavy metals, Wuhan Zall Heng will strictly implement environmental protection laboratory storage procedures and select specific logistics warehouses and vehicles for transportation to minimize pollution risk. For the delivery of standard quality products to the customers, Wuhan Zall Heng also strictly fulfills its contractual obligations by regularly checking the quality of non-ferrous metals and managing the purity of purchased non-ferrous metals.

During the reporting period, there was no incident of Wuhan Zall Heng which was related to product qualities, product labels or customer privacies, etc.

5 SUPPLY CHAIN MANAGEMENT

5.1 Commercial Properties

The Group's commercial property construction is outsourced to third party construction companies, which are mainly state-owned enterprises and other large-scale construction companies. These companies understand relevant environmental requirements, have in place higher standards for the quality of projects, values employees' safety and are able to pay in a timely manner. For example, the 1st Construction Engineering Co., Ltd. of China Construction Third Engineering Bureau(中建三局第一建設工程有限責任公司)has obtained the ISO14001:2004 environmental management system certification.


QAC
环境管理体系认证证书
中建三局第一建设工程有限责任公司
GB/T 24001-2004 idt ISO 14001: 2004
CNAS
IAF

Before the selection of new suppliers, the Group strictly manages and monitors the suppliers in their corporate profiles, organizational structures, technical workforce, environmental qualifications, financial stabilities, personnel qualifications, equipment layout, reputation in the community and self-confidence. Purchases of large sums or special projects are subject to public tenders. The Group will immediately discontinue cooperation with suppliers who fail to comply with the environment or labor laws. Any supplier who is terminated as a supplier will not be eligible to be listed as a supplier of the Group companies.

The Group has established relatively independent and good partnerships with its suppliers, and has communicated to them its sustainability policies including environmental protection and labor protection during its day-to-day operation, with an aim to becoming environmental and society friendly companies together.

5.2 Supply Chain Agricultural Products Business

Since the supply chain agricultural products business involves food safety and hygiene, the Group consistently selects upstream suppliers in a strict manner, by purchasing only from national reserves in principle and vigorously checking the quality of foods from suppliers. As for the management of downstream customers, always adheres to the basic principle of food safety, and does not provide agricultural products to the enterprises with substandard management. Enterprises having unsatisfactory food safety records are removed from the list of its customers.

5.3 Supply Chain Non-ferrous Metal Business

The main trading items of the supply chain non-ferrous metals trade business of Wuhan Zall Heng, a joint venture company of the Group, are electrolytic copper and nickels. In view of the high pollution and high energy consumption features of the metal smelting industry, Wuhan Zall Heng selects non-ferrous metal suppliers in a prudent manner and commits to elimination of obsolete production facilities in accordance with national macro policies, in order not to provide sales channels for high-pollution smelting enterprises. For downstream customers, Wuhan Zall Heng consistently selects deep processing enterprises with prominent environmental capabilities and strong technical background or business traders having a strong sense of social responsibility, to minimize environmental pollution from heavy metals.

6 COMMUNITY INVESTMENT

The Group has established the Social Responsibility Department of Zall Foundation, which donates educational expenses and supplies to students in poverty-stricken region every year. It also makes charitable donations to city developments and vulnerable groups. For instance, the Group donated RMB1.3 million to Hubei province for the flood in the city resulting from the rainstorm in Wuhan in July 2016.

Through publicity and education, the Group encourages its employees to actively engage in the events that are related to corporate social responsibility. The Group and the senior management will take the lead in this respect.

7 ESG GENERAL DISCLOSURE LIST

ESG Indicator	Key Performance	Description	Page	Note
Environment				
A1	Emissions	Policies in relation to exhaust and greenhouse gas emissions, effluent to the water and the land and the generation of hazardous and harmless wastes; and Compliance with applicable laws and regulations that have significant impact on the issuer.	42-45	
A2	Use of resources	Policies in relation to the efficient use of resources, including energy, water and other materials.	42-45	
A3	Environment and natural resources	Policies on how to mitigate the impact of the issuer on the environment and natural resources.	—	(i)
Society				
B1	Employment	Policies on remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversification, anti-discrimination and other treatment and benefits; and Compliance with applicable laws and regulations that have significant impact on the issuer.	46	
B2	Health and safety	Policies to provide safe working environment and protect employees from occupational hazards; and Compliance with applicable laws and regulations that have significant impact on the issuer.	47	
B3	Development and training	Policies to enhance knowledge and skills of employees in the performance of their duties. Participate in training activities.	47	
B4	Labor code	Policies to prohibit child labor or forced labor; and Compliance with applicable laws and regulations.	47	
B5	Supply chain management	Policies on the management of the environment and social risks of the supply chain.	45, 48-50	
B6	Product responsibility	Policies in relation to the issues on health and safety, advertisements, labels and privacy and remedies of the products and services provided; and Compliance with applicable laws and regulations.	48-49	
B7	Anti-corruption	Policies on the prevention of bribery, extortion, fraud and money laundering; and Compliance with applicable laws and regulations.	48	
B8	Community investment	Policies to understand the needs of the community in which we operate via community involvement and to ensure that our business activities take into account of community interests.	50	

Note (i) Other impacts, policies and management initiatives of the Company on the environment and natural resources has been discussed in aspects A1 and A2.

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2016.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Company's shareholders. The Board strives to adhere to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for shareholders of the Company.

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.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

THE BOARD

As at the date of this report, the Board consists of eight Directors, four of whom are executive Directors and four of whom are independent non-executive Directors. The functions and duties conferred on the Board include convening shareholders' meetings and reporting on the work of the Board to the shareholders at shareholders' meetings as may be required by applicable laws, implementing resolutions passed at shareholders' meetings, determining the Company's business plans and investment plans, formulating the Company's annual budget and final accounts, formulating the Company's proposals for dividend and bonus distributions as well as exercising other powers, functions and duties as conferred on it by the Articles and applicable laws. The senior management is delegated with the authority and responsibilities by the Board for the day-to-day management and operations of the Group. The Board meets regularly to review the financial and operating performance of the Company, and considers and approves the overall strategies and policies of the Company. The composition of the Board is well balanced with the directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The executive Directors, non-executive director and independent non-executive Directors bring a variety of experience and expertise to the Company. Save as otherwise disclosed, there is no relationship (including financial, business, family or other material relationship) between any members of the Board.

The Company has received an annual confirmation of independence from each of its independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. Based on the contents of such confirmation, the Company considers that the four independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in Rule 3.13 of the Listing Rules.

All Directors have separate and independent access to the Company's senior management to fulfill their duties and, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense. All Directors also have access to the company secretary who is responsible for ensuring that the Board procedures, and all applicable rules and regulations, are followed. An agenda and accompanying Board/committee papers are distributed to the Directors/Board committee members with reasonable notice in advance of the meetings. Minutes of Board meetings and meetings of Board committees, which record in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views expressed, are kept by the company secretary and are open for inspection by Directors.

The Company has subscribed appropriate and sufficient insurance coverage on Directors' liabilities in respect of legal actions taken against Directors arising out of corporate activities.

In accordance with article 84 of the Articles, at each annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

The biographical details of the current Board members are set out under the section headed "Directors and Senior Management" on pages 21 to 24 of this annual report.

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive directors are expressly identified in all corporate communications pursuant to the Listing Rules.

Non-executive Directors

Each of the non-executive Directors (including the independent non-executive Directors) has entered into an appointment letter with the Company for a term of three years commencing from 13 July 2014 or their respective appointment dates.

BOARD COMMITTEES

As an integral part of sound corporate governance practices, the Board has established the following committees to oversee the particular aspects of the Group's affairs. Each of these committees comprises Directors who are being invited to join as members.

AUDIT COMMITTEE

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

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.

During the year ended 31 December 2016, the Audit Committee held two meetings on 31 March 2016 and 30 December 2016. The Audit Committee has reviewed the Group's consolidated financial statements for the six months ended 30 June 2016 and for the year ended 31 December 2016 and has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters.

CORPORATE GOVERNANCE FUNCTIONS

During the year under review, the Audit Committee is also responsible for determining the policy for the corporate governance of the Company performing the corporate governance duties as below:

- to develop and review the Group's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of the directors and senior management;
- to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Group; and
- to review the Group's compliance with the CG Code and disclosure requirements in the Corporate Governance Report.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 20 June 2011 with written terms of reference in compliance with the CG Code. The principal responsibilities of the Remuneration Committee are to formulate and recommend remuneration policy to the Board, to determine the remuneration of executive Directors and members of senior management, to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time and to make recommendation on other remuneration related issues. The Board expects the Remuneration Committee to exercise independent judgment and ensures that executive Directors do not participate in the determination of their own remuneration.

The Remuneration Committee consists of two independent non-executive Directors: Mr. Wei Zhe, David and Mr. Wu Ying and one executive Director, Mr. Peng Chi. Mr. Wei Zhe, David serves as the chairman of the Remuneration Committee.

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.

During the year ended 31 December 2016, the Remuneration Committee held three meetings on 29 February 2016, 31 March 2016 and 11 April 2016.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established on 20 June 2011 with its written terms of reference in compliance with the CG code. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, making recommendation to the Board on selection of candidates for directorships, appointment, reappointment of Directors and Board succession and assessing the independence of independent non-executive Directors. When considering the suitability of a candidate for directorship, the Nomination Committee also considered the "Board Diversity Policy" adopted by the Board on 30 August 2013 and the requirements under the Listing Rules. In considering the diversity of the Board, aspects including, but not limited to, gender, age, cultural and educational background, professional experience, skills and knowledge were considered. Based on the above criteria, members of the Nomination Committee have reviewed the composition of the Board and confirmed that the existing Board was appropriately structured and no change was required.

The Nomination Committee consists of two independent non-executive Directors: Mr. Wu Ying, and Mr. Wei Zhe, David and one executive Director, Mr. Yan Zhi. Mr. Wu Ying serves as the chairman of the Nomination Committee.

During the year ended 31 December 2016, the Nomination Committee held three meetings on 29 February 2016, 31 March 2016 and 11 April 2016.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee was established on 31 March 2017. The purpose of establishment of the Risk Management Committee is to identify, discuss, address and review any risk or potential risk of the Company and advise the Board of the overall risk management strategies of the Company. Mr. Zhu Zhengfu, an independent non-executive director, has been appointed as the chairman of the Risk Management Committee and Mr. Cui Jinfeng, an executive director and Mr. Cheung Ka Fai, an independent non-executive director, have been appointed as members of the Risk Management Committee, all with effect from 31 March 2017. The Committee is responsible for advising the Board on the overall risk appetite/tolerance and risk management strategies of the Company and its subsidiaries and overseeing senior management's implementation of those strategies established and approved by the Board and providing an independent review of the effectiveness of the strategies adopted to ensure that it aligned with the Company's overall business objectives.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

The individual attendance record of each Director at the meetings of the Board, general meeting of the Company, Audit Committee, Remuneration Committee and Nomination Committee for the year ended 31 December 2016 is set out below:

	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Mr. Yan Zhi *(Co-chairman and Chief Executive Officer)*	3/3	N/A	N/A	N/A	1/1
Dr. Gang Yu *(Co-chairman)*	3/3	N/A	N/A	N/A	0/1
Mr. Cui Jinfeng	3/3	N/A	N/A	3/3	0/1
Mr. Wang Chuang *(Resigned on 10 April 2017)*	3/3	N/A	N/A	N/A	0/1
Mr. Peng Chi *(Re-designated as Executive Director on 11 April 2016)*	3/3	N/A	N/A	3/3	0/1
Non-executive Director					
Mr. FuGao Chao *(Resigned on 11 April 2016)*	1/1	N/A	3/3	N/A	0/1
Independent non-executive Directors					
Mr. Cheung Ka Fai	3/3	3/3	N/A	N/A	0/1
Mr. Wu Ying *(Appointed on 29 February 2016)*	3/3	3/3	2/2	2/2	0/1
Mr. Wei Zhe, David *(Appointed on 11 April 2016)*	2/2	2/2	N/A	N/A	0/1
Ms. Yang Qiong Zhen *(Resigned on 29 February 2016)*	N/A	N/A	1/1	1/1	0/1
Mr. Peng Chi *(Re-designated as Executive Director on 11 April 2016)*	3/3	1/1	3/3	3/3	0/1
Mr. Zhu Zhengfu *(Appointed on 10 March 2017)*	N/A	N/A	N/A	N/A	N/A

DIRECTORS' TRAINING

Directors must keep abreast of their collective responsibilities and are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide to each newly appointed Director or alternative Director an induction package covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Group's businesses and the statutory regulatory obligations of a director of a listed company as well as the Company's constitutional documents to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements. The Group also provided briefings and other training to develop and refresh the Directors' knowledge and skills from time to time. Further, the Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

During the year ended 31 December 2016, the Company arranged one in-house seminar covering the topics of directors' duties, the new requirements on the corporate governance practices and corporate governance report and the regulations on the related risk management and internal control system under the Listing Rules. The eight Directors, namely Mr. Yan Zhi, Dr. Gang Yu, Mr. Cui Jinfeng, Mr. Wang Chuang, Mr. Peng Chi, Mr. Cheung Ka Fai, Mr. Wu Ying, Mr. Wei Zhe, David, have attended the in-house seminar held in December 2016.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 during the year ended 31 December 2016.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the financial year ended 31 December 2016 which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the applicable statutory requirements and accounting standards. The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report".

AUDITORS' REMUNERATION

For the year ended 31 December 2016, the remuneration paid or payable to the Group's auditors, KPMG, Certified Public Accountants, in respect of their audit and non-audit services (which mainly consists of the professional service in relation to the acquisition of Shenzhen Sinoagri) are as follows:

Items	Amount (RMB'000)
Audit services for 2016	3,080
Non-audit services:	
Other services	2,600

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has developed the Group's internal control, risk assessment and management system and has overall responsibility for reviewing and maintaining an adequate and effective risk management and internal control system to safeguard the interests of the Shareholders and the assets of the Group. It evaluates the effectiveness of the systems at least annually to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting internal audit and financial reporting functions. During the financial year 2016, the Company's holding company has engaged an external consultant to assist in the review of the risk management and internal control systems for its companies, including the Group. The relevant person in charge followed up the consultant's advices or recommendations so as to enhance the Group's capability in risk management and internal control. The Company has reported the work status of risk assessment to the Audit Committee. In addition, the Company is in the process of establishing an internal audit department, which will report directly to the Audit Committee. Independent from the daily operation of the Company, it will be responsible for conducting audits regularly on the Company's principal operations and reporting to the Board directly.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Company's risk management and internal control systems are designed to manage and mitigate risks, rather than eliminate risks, and can only provide reasonable and not absolute assurance against material misstatement or loss. We have employed a bottom-up approach for identification, assessment and mitigation of risk at all business unit levels and across functional areas.

MAIN FEATURES OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The key elements of the Company's risk management and internal control systems include the establishment of a risk register to keep track of and document identified risks, the assessment and evaluation of risks, the development and continuous updating of responsive procedures, and the ongoing testing of internal control procedures to ensure their effectiveness. An ongoing risk management approach is adopted by the Company for identifying and assessing the key inherent risks that affect the achievements of its objectives. A risk matrix is adopted to determine risk rating (L = low risk, M = medium risk, H = high risk) after evaluation of the risk by the likelihood and the impact of the risk event. The risk ratings reflect the level of management attention and effort of risk treatment required.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Board has already established a policy on the procedures and internal controls for the handling and dissemination of inside information. The policy stipulated the duty and responsibility of inside information announcement, restriction on sharing non-public information, handling of rumours, unintentional selective disclosure, exemption and wavier to the disclosure of inside information, and also compliance and reporting procedures.

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Company has conducted an annual review of the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2016, and considered the internal control of the Group is effective and adequate.

MANAGEMENT OF KEY RISKS

Through the process of risk identification and evaluation, certain keys risks can be identified. The extent and importance of the impact of these risks vary according to changes in the external environment.

1) Changes in the industries and government policies

The Company's development and operation of large-scale wholesale trading centres and commercial spaces, as well as the emerging internet, finance and other businesses are subject to strict supervision by the Chinese government. The policies and other economic measures such as the control on land supply for property development, property financing, and taxation implemented by the Chinese government have immense impact on the development of property industry. Meanwhile, the domestic regulatory policies of the new business areas of E-commerce and finance are getting stringent. If the Company cannot keep track of the development trend of policies in the industries and take corresponding measures in its business plan, there may be impact on meeting the Company's business targets.

In response to the risks, the Company incorporates relevant requirements of industrial and regulatory policies to various management guidelines and procedural guidelines, and performs timely tracking of new trends in the market and regulatory policies. The information collected is summarised and communicated to the relevant personnel immediately. At the same time, the Company is actively building a management team with extensive experience in the industries and awareness of risk compliance, and actively participating in industry associations. New trends in the market and regulatory policies are collected and risks are controlled vigorously.

2) Risk of brand reputation

Brand reputation is one of the most valuable assets of the Company and an important foundation for continuous successful development of business. The Company's business is subject to extensive regulatory oversight and there may be negative impact on the Company's social influence and brand reputation if the regulatory requirements are not met, on the other hand. At the same time, business expansion and development also demands new requirements in managing the employees. If a common core value system and code of conduct cannot be set up in the Company and the employees' identification with the Company cannot be established, it will be difficult to motivate the employees, encourage creativity and promote cooperation, and thus having impact on the overall brand reputation.

In response to the risks, the Company relevant laws and regulations are timely reflected in the business activities and operations through the implementation of process management in various business areas. Through the establishment of corporate culture and management training, publicity and other forms of communication, the employees' sense of belonging and sense of honour are enhanced.

3) Risk of new business

On the backdrop of China's economic new normal and under the revolutionary trend of the internet age, the Company started to vigorously transform and upgrade the internetisation in its business. Combined with a large-scale offline entity trading and logistics market, the Company introduced the Zall Cloud Market program with "wholesale market + internet", which includes three online trading and service platforms, namely Zallgo, Zalljinfu and Zallfuhui. With in-depth diversification of business, new business developments now face new challenges in terms of daily operation, resources allocation, and performance evaluation requirements.

4) Risk in human resources

With the Company's accelerated diversification in business, expanding to e-commerce, internet finance, logistic information and other areas, the demand for talents with relevant experience in professional technology and industry is getting stronger. Inadequate supply of professionals may bring uncertainties to business development and taking market opportunities.

In response to the risk, the Company formulates a human resources plan every year according to the Company's business development and management needs. A management system of recruitment, training, remuneration, performance evaluation and promotion has is established to ensure the continuous enhancement of the overall quality of employees and the gradual improvement of professional structure. For the new business areas, the Company also assists the new business teams in team building of professional talents, through coordination of resources, promotion and implementation of advanced practices.

DEED OF NON-COMPETITION

The Company has received, from each of the controlling shareholders of the Company, an annual declaration on his/her/its compliance with the undertakings contained in the deed of non-competition (the "Deed of Non-Competition") entered into by each of them in favour of the Company and the revised deed of non-competition (the "Revised Deed") entered into by each of them in favour of the Company after restructuring pursuant to which each of the controlling shareholders of the Company has undertaken to the Company that he/she/it will not and will procure that his/her/its associates (other than members of the Group) not to, engage in any of our business including (without limitation), developing and operating large-scale, consumer product focused wholesale shopping malls in China.

Details of the Deed of Non-Competition and the Revised Deed were disclosed in the prospectus of the Company under the section headed "Relationship with Our Controlling Shareholders" and the circular of the Company dated 31 December 2014 respectively.

The independent non-executive Directors have reviewed and were satisfied that each of the controlling shareholders of the Company has complied with the Deed of Non-Competition for the year ended 31 December 2016.

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of maintaining a clear, timely and effective communication with the shareholders of the Company and investors. The Board also recognizes that effective communication with its investors is critical in establishing investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors and the shareholders of the Company will receive accurate, clear, comprehensive and timely information of the Group through the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate communications on the Company's website at www.zallcn.com. The Board maintains regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group's strategy, operations, management and plans. The Directors and members of various Board committees will attend the annual general meeting of the Company and answer any questions raised. The resolution of every important proposal will be proposed at general meetings separately. The chairman of general meetings of the Company would explain the procedures for conducting a poll before proposing a resolution for voting. The poll results will be announced at general meetings and published on the websites of the Stock Exchange and the Company, respectively. In addition, the Company regularly meets with institutional investors, financial analysts and financial media, and promptly releases information related to any significant progress of the Company, so as to promote the development of the Company through mutual and efficient communications.

SHAREHOLDER RIGHTS

Convening an extraordinary general meeting by shareholders

Procedures for shareholders to convene an extraordinary general meeting (including making proposals/moving a resolution at the extraordinary general meeting)

- Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "Company Secretary"), to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at an extraordinary general meeting.

- Eligible Shareholders who wish to convene an extraordinary general meeting for the purpose of making proposals or moving a resolution at an extraordinary general meeting must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong.

- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an extraordinary general meeting, the agenda proposed to be included the details of the business(es) proposed to be transacted in the extraordinary general meeting, signed by the Eligible Shareholder(s) concerned.

- If within 21 days of the deposit of the Requisition, the Board has not advised the Eligible Shareholders of any outcome to the contrary and fails to proceed to convene an extraordinary general meeting, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the memorandum and articles of associations, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Making enquiry to the Board

Shareholders of the Company may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post or email to investorrelations@zallcn.com.

INVESTOR RELATIONS

Investors Communication Policy

The Company regards the communication with institutional investors as important means to enhance the transparency of the Company and collect views and feedbacks from institutional investors. To promote effective communication, the Company maintains a website at http://www.zallcn.com, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted.

Shareholders, investors and the media can make enquiries to the Company through the following means:

Telephone number:	852-3153 5810
By post:	Suite 2101, 21/F., Two Exchange Square, Central, Hong Kong
Attention:	The Company Secretary
By email:	investorrelations@zallcn.com

Independent Auditor's Report

Independent auditor's report to the shareholders of
Zall Group Ltd.
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Zall Group Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 67 to 162, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Hong Kong, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessing the net realisable value of properties held for/under development for sale and completed properties held for sale

Refer to note 20 and note 21 to the consolidated financial statements and the accounting policies on page 83.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2016, the Group owned properties held for/under development for sale and completed properties held for sale located in Mainland China with an aggregate carrying amount of RMB7,803 million, which represented 26% of the Group's total assets at that date. These properties comprise retails units and residential apartments located in the cities of Wuhan, Tianjin, Changsha and Jingzhou. These properties are stated at the lower of cost and net realisable value. The determination of the net realisable value of these properties requires judgement and estimations, which include expected future selling prices and the costs necessary to complete the sale of these properties, and is assessed by Group management. Recent changes in local government policies in certain cities in Mainland China, which affect interest rates, the required reserve ratio for banks and/or mortgage requirements for second-home buyers, could lead to volatility in property prices which could mean that provisions are necessary at the reporting date. We identified the assessment of the net realisable value of properties held for/under development for sale and completed properties held for sale as a key audit matter because of the significance of these properties to the Group's total assets and because the assessment of net realisable value is inherently subjective and requires significant management judgement and estimation in relation to estimating future selling prices and future construction costs which increases the risk of error or potential management bias.	Our audit procedures to assess the net realisable value of properties held for/under development for sale and completed properties held for sale included the following: • challenging the Group's forecast sales prices by comparing the forecast sales prices for a sample of properties to sales prices achieved before and after the reporting date and the list prices of comparable properties; • challenging the Group's forecast of construction cost per square metre by comparison with construction costs for similar units in other areas and where there were differences, obtaining explanations from senior operational, commercial and financial management and comparing their explanations with correspondence with suppliers and comparable properties in nearby locations; • discussing significant property development projects with the relevant project managers to identify the key drivers behind the appraisal forecasts and net realisable values, such as forecast yields and cost plans; • conducting site visits to properties under development for sale, on a sample basis, to observe the development progress and challenging management's development budgets reflected in the latest forecasts with reference to market statistics about estimated construction costs, signed construction contracts and/or unit construction costs of recently completed projects developed by the Group.

Valuation of investment properties and investment properties under development

Refer to note 12 to the consolidated financial statements and the accounting policies on page 79.

The key audit matter	How the matter was addressed in our audit
The Group holds a portfolio of investment properties and investment properties under development located in Mainland China with a fair value of RMB14,624 million which accounted for 49% of the Group's total assets as at 31 December 2016. These properties comprise logistic units, e-commerce malls and wholesale shopping malls. The fair values of investment properties and investment properties under development as at 31 December 2016 were assessed by the directors based on independent valuations prepared by a firm of qualified external property valuers. The net changes in fair value of investment properties and investment properties under development recorded in the consolidated statement of profit or loss represented 54% of the Group's profit before taxation for the year ended 31 December 2016. We identified valuation of the Group's investment properties and investment properties under development as a key audit matter because of the significance of investment properties and investment properties under development to the Group's total assets and the significance of changes in fair value of investment properties and investment properties under development to the Group's profit before taxation and because the valuation of investment properties and investment properties under development can be inherently subjective and requires significant management judgement and estimation which increases the risk of error or potential management bias, particularly given the number and the diverse nature and location of the investment properties and investment properties under development held by the Group.	Our audit procedures to address the valuation of investment properties and investment properties under development included the following: • obtaining and inspecting the valuation reports prepared by the external property valuers engaged by the Group and on which the directors' assessment of the fair values of investment properties and investment properties under development was based; • assessing the external property valuers' qualifications, experience and expertise in the properties being valued and considering their objectivity and independence; • with the assistance of our internal property valuation specialists, discussing with the external property valuers, without the presence of management, their valuation methodology and challenging the key estimates and assumptions adopted in the valuations by comparing capitalisation rates, prevailing market rents and comparable market transactions with available market data and by utilising the industry knowledge and experience of our internal property valuation specialists; • conducting site visits to investment properties under development, on a sample basis, to observe the development progress and challenging management's development budgets reflected in the latest forecasts with reference to market statistics about estimated construction costs, signed construction contracts and/or unit construction costs of recently completed projects developed by the Group.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND OUR AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirement of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lam Chung Chi, Alan.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

31 March 2017

Consolidated Statement of Profit or Loss

for the year ended 31 December 2016
(Expressed in Renminbi)

	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	12, 27	111,298	439,584
Fair value gain upon transfer of completed properties held for sale to investment properties	12	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	16	(163)	10,315
Share of loss of associates	17	(24,441)	—
Gain on disposal of subsidiaries	39	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)	10	0.191	0.193
Diluted (RMB)	10	0.191	0.188

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Profit for the year		2,056,571	2,045,988
Other comprehensive income for the year (after tax and reclassification adjustments)	9		
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
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	11	113,815	224,338
Investment properties	12	14,624,055	12,519,200
Intangible assets	13	8,691	—
Goodwill	14	15,783	—
Interests in joint ventures	16	104,163	89,326
Interests in associates	17	529,657	—
Deferred tax assets	33(b)	168,837	202,504
Long-term receivables	18	293,970	208,659
		15,858,971	13,244,027
Current assets			
Financial assets at fair value through profit or loss	19	2,208,721	1,083,176
Inventories			
— Properties under development	20	3,544,027	4,010,176
— Completed properties held for sale	21	4,258,591	3,736,630
— Finished goods	22	35,310	—
Current tax assets	33(a)	35,213	29,447
Trade and other receivables, prepayments	23	2,830,396	827,143
Restricted cash	24	550,453	441,650
Cash and cash equivalents	25	273,262	243,470
		13,735,973	10,371,692
Non-current assets classified as held for sale	27	152,705	153,900
		13,888,678	10,525,592
Current liabilities			
Trade and other payables	28	5,598,217	3,629,542
Bank loans and loans from other financial institutions	29	2,332,654	1,682,081
Current tax liabilities	33(a)	246,472	186,254
Deferred income	30	15,468	15,983
Liabilities directly associated with non-current assets classified as held for sale	27	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

Consolidated Statement of Financial Position (Continued)

at 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Non-current liabilities			
Bank loans and loans from other financial institutions	29	6,061,268	4,712,680
Deferred income	30	4,101	19,569
Deferred tax liabilities	33(b)	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	34	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

Approved and authorised for issue by the board of directors on 31 March 2017.

Yan Zhi	Cui Jinfeng
Co-Chairman	*Executive Director*

The notes on pages 74 to 162 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2016
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company										
	Note	Share capital RMB'000	Share premium RMB'000	PRC statutory reserve RMB'000	Other reserve RMB'000	Equity settled share-based payment reserve RMB'000	Exchange reserve RMB'000	Revaluation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015		29,071	1,179,689	181,578	(104,334)	38,690	(15,316)	36,946	6,571,577	7,917,901	644,239	8,562,140
Changes in equity for 2015:												
Profit for the year		–	–	–	–	–	–	–	2,037,727	2,037,727	8,261	2,045,988
Other comprehensive income	9	–	–	–	–	–	(49,030)	–	–	(49,030)	–	(49,030)
Total comprehensive income		–	–	–	–	–	(49,030)	–	2,037,727	1,988,697	8,261	1,996,958
Placing of new shares	34(b)(ii)	421	121,926	–	–	–	–	–	–	122,347	–	122,347
Transfer to PRC statutory reserve	34(c)(ii)	–	–	87,252	–	–	–	–	(87,252)	–	–	–
Equity settled share-based transaction	34(b)(i)	235	60,763	–	–	(38,690)	–	–	–	22,308	–	22,308
Arising from acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	805,691	805,691
Arising from disposal of subsidiaries		–	–	(17,390)	–	–	–	–	17,390	–	(596,528)	(596,528)
Capital withdrawn by non-controlling interest		–	–	–	–	–	–	–	–	–	(19,600)	(19,600)
Dividends declared in respect of the current year	34(f)(i)	–	(582,785)	–	–	–	–	–	–	(582,785)	–	(582,785)
At 31 December 2015		29,727	779,593	251,440	(104,334)	–	(64,346)	36,946	8,539,442	9,468,468	842,063	10,310,531

Consolidated Statement of Changes in Equity (Continued)

for the year ended 31 December 2016

(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company									
		Share capital RMB'000	Share premium RMB'000	PRC statutory reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Revaluation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016		29,727	779,593	251,440	(104,334)	(64,346)	36,946	8,539,442	9,468,468	842,063	10,310,531
Changes in equity for 2016:											
Profit for the year		–	–	–	–	–	–	2,048,951	2,048,951	7,620	2,056,571
Other comprehensive income	9	–	–	–	–	(43,116)	–	–	(43,116)	–	(43,116)
Total comprehensive income		–	–	–	–	(43,116)	–	2,048,951	2,005,835	7,620	2,013,455
Transfer to PRC statutory reserve	34(c)(ii)	–	–	163,112	–	–	–	(163,112)	–	–	–
Arising from acquisition of subsidiaries	40	–	–	–	–	–	–	–	–	3,246	3,246
Arising from acquisition of non-controlling interests	38(c)	–	–	–	616,163	–	–	–	616,163	(816,163)	(200,000)
Arising from disposal of a subsidiary	39	–	–	–	52	–	–	(52)	–	–	–
Disposal of equity interest in a subsidiary	38(b)	–	–	–	14,081	–	–	–	14,081	(2,081)	12,000
At 31 December 2016		29,727	779,593	414,552	525,962	(107,462)	36,946	10,425,229	12,104,547	34,685	12,139,232

The notes on pages 74 to 162 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Operating activities			
Cash used in operations	26	(220,971)	(1,330,234)
PRC tax paid		(68,417)	(109,878)
Net cash used in operating activities		(289,388)	(1,440,112)
Investing activities			
Payment for the purchase of property, plant and equipment		(10,552)	(116,842)
Payment for the purchase of intangible assets		(5,661)	—
Cash receipt from disposal of property plant and equipment		1,584	—
Cash receipt from disposal of investment of properties		28,108	—
Net proceeds from disposal of subsidiaries	39	96,019	561,991
Increase in short-term bank deposits		—	(31,000)
Interest received		3,643	5,740
Payment for acquisition of subsidiaries	40	(172,021)	(173,980)
Payment for investment in associates	17	(521,184)	—
Payment for investment in joint ventures	16	(15,000)	—
Payment for investment in warrant to subscribe ordinary shares	17	(7,528)	—
Dividends received from financial assets at fair value through profit or loss	4	6,805	—
Proceeds from disposal of financial assets held for trading		—	1,723
Prepayment to subscribe shares of an insurance company		(1,000,000)	—
Net cash (used in)/generated from investing activities		(1,595,787)	247,632
Financing activities			
Proceeds from loans from the Immediate Parent and Ultimate Controlling Party		165,002	760,928
Repayment of convertible bonds		—	(714,983)
Proceeds from new bank loans and loans from other financial institutions		3,921,215	2,659,000
Repayment of bank loans		(1,922,054)	(499,073)
Increase in restricted cash		(108,803)	(62,131)
Interest and other borrowing costs paid		(620,822)	(352,073)
Dividends paid to equity shareholders of the Company	34(f)	—	(583,325)
Withdrawal capital investment by non-controlling equity holder		—	(19,600)
Repayment of loans from the Immediate Parent		(264,533)	(106,207)
Proceeds from placing of new shares	34(b)(ii)	—	122,347
Prepayments for acquisition of equity interests from non-controlling shareholders		10,000	—
Proceeds from disposal of equity interests in a subsidiary	38(b)	12,000	—
Payment for acquisition of non-controlling interest		(200,000)	—
Proceeds from exercising of share option	34(b)(i)	—	20,574
Proceeds from loan from a third party		1,000,000	—
Net cash generated from financing activities		1,992,005	1,225,457
Net increase in cash and cash equivalents		106,830	32,977
Cash and cash equivalents at 1 January		243,470	262,340
Effect of foreign exchange rate changes		(77,038)	(51,847)
Cash and cash equivalents at 31 December	25	273,262	243,470

The notes on pages 74 to 162 form part of these financial statements.

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 1(c) 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 (note 1(g));

— investment property (note 1(k)); and

— derivative financial instruments (note 1(h)).

Non-current assets are stated at the lower of carrying amount and fair value less costs to sell (see note 1(ab)).

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.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) 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.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-Group balances, transactions and cash flows and any unrealised profits arising from intra-Group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-Group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(r), (s) or (t) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 1(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(m)), unless the investment is classified as held for sale (or included in a disposed Group that is classified as held for sale) (see note 1(ab)).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal Group that is classified as held for sale) (see note 1(ab)). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1 (f) and (m)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset(see note 1(g)).

In the Company's statement of financial position, investments in associates and joint venture are stated at cost less impairment losses (see note 1(m)), unless classified as held for sale (or included in a disposal Group that is classified as held for sale) (see note 1(ab)).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquire; over

(ii) the net fair value of the acquire's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or Groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(m)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Investments in equity securities

The Group's policies for investments in equity securities other than investment in subsidiaries and joint venture are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in notes 1(y)(vi) and 1(y)(iv).

Investments in securities which do not fall into held for trading are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(m)). Dividend income from equity securities is recognised in profit or loss in accordance with the policies set out in note 1(y)(vi).

When the investments are derecognised or impaired (see note 1(m)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(i) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(m)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(aa)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

	Years	Estimated residual value as a percentage of costs
Buildings	20 — 40	5%
Motor vehicles	4 — 10	5%
Furniture, office equipment and others	3 — 8	5%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Transfers from property, plant and equipment to investment properties shall be made when, and only when, there is a change in use, evidenced by end of owner-occupation. If an owner-occupied property becomes an investment property that will be carried at fair value, any difference at the date of the change in use between the carrying amount of the property and its fair value is recognised as a revaluation of property, plant and equipment, even if the property was previously measured using the cost model. Any existing or arising revaluation surplus previously recognised in other comprehensive income ("OCI") is not transferred to profit or loss at the date of transfer or on subsequent disposal of the investment property.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(k)), property under development for sales and completed property held for sale (see note 1(n)).

If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss shall be recognised immediately. If the sale price is below fair value, any profit or loss shall be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortised over the period for which the asset is expected to be used.

(k) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(y)(ii).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Intangible asset

The Group acquire subsidiaries and recognised interest from unfinished contracts as intangible assets. Intangible assets are stated at cost less accumulated amortisation. Intangible assets are amortised on the straight line basis, over the period of the respective contracts (within one year).

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(m)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— software	5 years

Both the period and method of amortisation are reviewed annually.

(m) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For interests in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(m)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(m)(ii).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Impairment of assets (Continued)

(i) Impairment of investments in debt and equity securities and other receivables (Continued)

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective Group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

— Property, plant and equipment;

— Intangible assets; and

— Investment in subsidiaries, associates and joint venture in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or Group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 1(aa)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

Completed property held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Transfers from completed property held for sale to investment properties

Transfer from completed property held for sale to investment property is made when, and only when, there is a change in use, evidenced by commencement of an operating lease to another party.

(o) Finished goods

Finished goods mainly include agricultural products and industrial products.

Finished goods are carried at the lower of cost and net realisable value.

Cost is determined on the first-in, first-out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the finished goods to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When finished goods are sold, the carrying amount of those finished goods is recognised as an expense in the period in which the related revenue is recognised. The amount of any writedown of finished goods to net realisable value and all losses of finished goods are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any writedown of finished goods is recognised as a reduction in the amount of finished goods recognised as an expense in the period in which the reversal occurs.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a Group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 1(y)(vii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the consolidated statement of financial position as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Long-term receivables". Amounts received before the related work is performed are presented as "Receipts in advance" under "Trade and other payables".

(q) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(m)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(r) Convertible bonds

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the note is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to retained profits.

(s) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(u) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(v) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. Obligation for contributions to defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the People's Republic of China (the "PRC") are recognised as an expense in profit or loss as incurred, except to the extent that they are included in properties for sale not yet recognised as an expense.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in equity settled share-based payment reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the equity settled share-based payment reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the equity settled share-based payment reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the equity settled share-based payment reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to interests in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(k), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(x) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(x)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Financial guarantees issued, provisions and contingent liabilities (Continued)

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(y) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue arising from sales of properties is recognised when the significant risks and rewards of ownership have been transferred to the buyers. The Group considers that the significant risks and rewards of ownership are transferred when the construction of relevant properties has been completed and the properties have been delivered to the buyers.

Revenue from sales of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position as receipts in advance.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Service fee income

Service fee income in relation to property management service, advertising service, financial consultancy service and other ancillary services are recognised when such services are provided to customers.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Revenue recognition (Continued)

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of inventories are initially recognised as deferred income and subsequently deducted from the cost of sales when the inventories are sold upon meeting the relevant conditions, if any, attaching to them.

(vi) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vii) Construction income

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(viii) Guarantee fee income

The amount of the guarantee is recognised when guarantee contracts have been made whereby the related guarantee obligation has been accepted, the economic benefits associated with the guarantee contracts will probably flow in, and the amount of revenue associated with guarantee contracts can be measured reliably. The fair value of the guarantee is initially recognised as deferred income and is amortised in profit or loss over the term of the guarantee as guarantee fee income.

(ix) Marketplace income

Marketplace income primarily consists of commission fees charged to third-party merchants that sell products on the Group's marketplace platform. These sales are generally transactions where the Group is not the primary obligor, is not subject to inventory risk, and does not have latitude in establishing prices and selecting suppliers. The Group charges third-party merchants commission fee based on a fixed percentage of the sales amount. Marketplace income is recognised at the point of delivery of products by the merchants.

(x) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period.

The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(aa) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(ab) Non-current assets held for sale

A non-current asset (or disposal Group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal Group) is available for sale in its present condition. A disposal Group is a Group of assets to be disposed of together as a Group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ab) Non-current assets held for sale (Continued)

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal Group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal Groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint venture) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal Group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(ac) Related parties

(a) A person, or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
- (iii) Both entities are joint venture of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ad) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 ACCOUNTING JUDGEMENT AND ESTIMATES

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

Note 35 contains information about the assumptions and their risk factors relating to the fair value of financial instruments. Key sources of estimation uncertainty are as follows:

(a) Impairment

As explained in note 1(m), the Group's land held for future development, properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject property, the Group makes estimates of the selling price, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties.

If there is an increase in costs to completion or a decrease in net sales value, provision for completed properties held for sale, properties held for future development and under development for sale may be resulted. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the distinctive nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

(b) Recognition of deferred tax assets

Deferred tax assets are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the Directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

2 ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

(c) Provision for PRC Land Appreciation Tax ("LAT")

As explained in note 2(b), the Group has estimated, made and included in tax provision for PRC LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual PRC LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for PRC LAT is calculated. Significant judgement is required in determining the level of provision, as the calculation of which depends on the ultimate tax determination. Given the uncertainties of the calculation basis of PRC LAT as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated at the end of the reporting period. Any increase or decrease in the actual outcomes/estimates will impact the income tax provision in the period in which such determination is made.

(d) Recognition and allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimates.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

When the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

(e) Valuation of investment properties

As described in note 1(k), investment properties are stated at fair value based on the valuation performed by an independent firm of professional surveyors after taking into consideration the comparable market transactions and the net rental income allowing for reversionary income potential.

In determining the fair value, the valuer have based on a method of valuation which involves, inter-alia, certain estimates including current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation report, management has exercised its judgement and is satisfied that the method of valuation is reflective of the current market condition.

2 ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

(f) Classification between investment properties, properties held for sale and property, plant and equipment

The Group develops property projects with an initial intention to be held for sale and retains a portion of properties held for own use. The Group also has plans to retain a portion of properties as investment properties to earn rentals or for capital appreciation or both. Judgement is made by management in determining whether a property is designated as a property held for sale, owner-occupied property or an investment property. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of development, the related properties under development are accounted for as (1) properties under development included in current assets if the properties are intended for sale after their completion; (2) owner-occupied properties included in property, plant and equipment if the properties are intended for own use; and (3) investment properties under construction if the properties are intended to be held to earn rentals and/or for capital appreciation.

(g) Determining the deferred taxation on investment properties

The Group has leased out certain of the completed properties to third parties whereby the directors consider that such arrangement is not temporary. In the circumstance, the Group has decided to treat those properties as investment properties (and reclassifying them from completed properties held for sale to investment properties) because it is the Group's intention to hold these properties in long-term for rental income and/or capital appreciation.

Under IAS 12 Deferred tax is required to be measured with reference to the tax consequences that would follow the manner in which the entity expects to recover the carrying amount of the asset(s) in question. In this regard, IAS 12 has a rebuttable presumption that the carrying amount of investment property carried at fair value under IAS 40, Investment property, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

In this connection, the Group has reviewed its investment property portfolio on a regular basis.

(h) Fair value of non-derivative financial instruments

Fair value of non-derivative financial instruments carried at amortised costs, which is determined for disclosure purpose, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(i) Construction contracts

As explained in policy notes 1(p) and 1(y)(vii) revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

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, logistics, 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 RMB'000	2015 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 except for the sale of properties under development to a state-owned entity with after tax consideration of RMB188,600,000 for the year ended 31 December 2016.

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 develops and operates large-scale consumer product-focused wholesale shopping malls and the related value-added business, such as warehousing and logistics.

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

— Supply chain management and trading: this segment operates trading of agricultural products.

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results 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.

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

	Property development and related services		E-commerce and financial services		Supply chain management and trading		Total	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 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)/profit of joint venture	(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 or loss, assets and liabilities:

Revenue

	2016 RMB'000	2015 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

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

Profit

	2016 RMB'000	2015 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 of 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)/profit 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		
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		
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

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

The Group has changed its internal organisation and the composition of its reportable segments due to the business development of E-commerce, financial services, supply chain management and trading. 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	19	1,120,304	348,358
— Fair value change on Derivative financial instrument	19	(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	40	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 (see note 30) 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

5 PROFIT BEFORE TAXATION (Continued)

(c) Other items

	Note	2016 RMB'000	2015 RMB'000
Amortisation	13		
— intangible assets		7,035	—
— football players' contracts		—	3,389
Depreciation			
— properties, plant and equipment	11	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	36(a)	40,144	32,860
Cost of construction contracts	18	85,311	208,659
Cost of finished goods sold	22	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 (see notes 27 and 33)	168,706	146,022
	291,636	228,158

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

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

	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	(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%).

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

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

(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.

7 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	For the year ended 31 December 2016			
	Directors' fee RMB'000	Salaries allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Co-Chairman:				
Yan Zhi	—	366	12	378
Yu Gang	—	1,200	—	1,200
Executive directors:				
Cui Jinfeng	—	92	12	104
Wang Chuang	—	360	—	360
Peng Chi (appointed on 11 April 2016)	—	179	—	179
Non-executive director:				
Fu Gaochao (resigned on 11 April 2016)	—	34	—	34
Independent non-executive directors:				
Wu Ying (appointed on 29 February 2016)	—	478	3	481
Wei Zhe (appointed on 11 April 2016)	—	310	—	310
Yang Qiongzhen (resigned on 29 February 2016)	—	29	—	29
Cheng Kai Fai	—	179	—	179
	—	3,227	27	3,254

7 DIRECTORS' EMOLUMENTS (Continued)

	For the year ended 31 December 2015				
	Directors' fee RMB'000	Salaries allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Equity settled share-based payment RMB'000	Total RMB'000
Co-Chairman:					
Yan Zhi	—	366	10	867	1,243
Yu Gang	—	500	—	—	500
Executive directors:					
Wang Danli (resigned on 23 December 2015)	—	360	9	110	479
Cui Jinfeng	—	119	10	87	216
Fang Li (resigned on 17 August 2015)	—	107	5	69	181
Wang Chuang (appointed on 23 December 2015)	—	—	—	—	—
Non-executive director:					
Fu Gaochao	—	119	10	87	216
Independent non-executive directors:					
Yang Qiongzhen	—	163	—	—	163
Cheung Ka Fai	—	163	—	—	163
Peng Chi	—	163	—	—	163
	—	2,060	44	1,220	3,324

Note:

These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(v)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and note 32.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2015: three) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2015: two) individuals are as follows:

	2016 RMB'000	2015 RMB'000
Salaries and other emoluments	2,844	1,606
Retirement scheme contributions	35	17
	2,879	1,623

The emoluments of two (2015: two) individual with the highest emoluments are within the following bands:

	2016 Number of individuals	2015 Number of individuals
RMB		
1,000,001–2,000,000	2	1
500,001–1,000,000	—	1

9 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	2016			2015		
	Before-tax amount RMB'000	Tax (expense)/ benefit RMB'000	Net-of-tax amount RMB'000	Before-tax amount RMB'000	Tax (expense)/ benefit RMB'000	Net-of-tax amount RMB'000
Exchange differences on translation of: — financial statements of subsidiaries	(43,116)	—	(43,116)	(49,030)	—	(49,030)

10 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 (note 32) 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 RMB'000	2015 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

10 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share (Continued)

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

	2016 RMB'000	2015 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 (note 32)	—	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

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Motor vehicles RMB'000	Furniture, office equipment and others RMB'000	Total 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

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

(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 RMB'000	2015 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.

12 INVESTMENT PROPERTIES

(a) Reconciliation of carrying amount

	Investment Properties RMB'000	Investment properties under development RMB'000	Total 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

12 INVESTMENT PROPERTIES (Continued)

(a) Reconciliation of carrying amount (Continued)

	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 29(a)).

12 INVESTMENT PROPERTIES (Continued)

(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.

(Expressed in Renminbi unless otherwise indicated)

12 INVESTMENT PROPERTIES (Continued)

(b) Fair value measurement of properties (Continued)

(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.

13 INTANGIBLE ASSETS

	Unfinished contracts RMB'000	Software RMB'000	Football player's contracts RMB'000	Total RMB'000
Cost:				
At 1 January 2015	—	—	43,033	43,033
Decrease arising from disposal of subsidiary	—	—	(43,033)	(43,033)
At 31 December 2015	—	—	—	—
At 1 January 2016	—	—	—	—
Additions	—	5,661	—	5,661
Addition from acquisition of subsidiaries	8,879	1,508	—	10,387
At 31 December 2016	8,879	7,169	—	16,048
Accumulated amortisation:				
At 1 January 2015	—	—	(37,379)	(37,379)
Charge for the year	—	—	(3,389)	(3,389)
Decrease arising from disposal of subsidiary	—	—	40,768	40,768
At 31 December 2015	—	—	—	—
At 1 January 2016	—	—	—	—
Addition from acquisition of subsidiaries	—	(322)	—	(322)
Charge for the year	(6,517)	(518)	—	(7,035)
At 31 December 2016	(6,517)	(840)	—	(7,357)
Net book value:				
At 31 December 2016	2,362	6,329	—	8,691
At 31 December 2015	—	—	—	—

The amortisation charge for the year is included in "administrative and other expense" in the consolidated of profit or loss.

(Expressed in Renminbi unless otherwise indicated)

14 GOODWILL

On 28 July 2016, Zalljinfu Information Technology (Wuhan) Co., Ltd. ("Zalljinfu", an indirect wholly-owned subsidiary of the Company), acquired 90% equity interests in Harvest Financial Information Sernice (Hangzhou) Co., Ltd. ("HFS") which engages in internet finance service platform at a consideration of RMB45,000,000 (see note 40).The goodwill mainly arose from the acquisition of HFS which represented the excess of the aggregate purchase price over the fair value of the net identifiable assets acquired in business combination.

The Group carried out impairment testing of the goodwill at the end of each reporting period. In assessing the impairment of goodwill, the recoverable amount of the cash generating units ("CGU") is determined. The CGU related to the goodwill comprises the Company's knowledge and expertise of the management and existing customers. The directors determined that no impairment of goodwill is necessary as at 31 December 2016.

15 INTERESTS IN SUBSIDIARIES

The following list contains the particulars of principal subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of company	Date and place of incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Zall Development (BVI) Holding Company Ltd. ("Zall Development (BVI)"	10 September 2010 British Virgin Islands ("BVI")	HKD1	100%	100%	—	Investment holding
Zall Development (HK) Holding Company Co.,Ltd ("Zall Hong Kong" or 卓爾發展(香港)控股有限公司)	25 March 2003 Hong Kong	HKD2	100%	—	100%	Investment holding
Zall Financial Services Holdings Limited (卓爾金融服務控股有限公司)	18 July 2013 BVI	USD1	100%	—	100%	Investment holding
Zall Financial Services Group Limited ("Zall Financial Services Group" or 卓爾金融服務集團有限公司)	8 August 2013 Hong Kong	HKD1	100%	—	100%	Investment holding
Zall Interconnection (BVI) Limited (卓爾互聯(BVI)有限公司)	9 December 2015 BVI	USD1	100%	—	100%	E-commerce
Zall Interconnection (HK) Limited (卓爾互聯(香港) 有限公司)	28 December 2015 Hong Kong	HKD1	100%	—	100%	E-commerce
Zall Cloud Market (Hong Kong) Limited (卓爾雲市(香港)有限公司)	1 February 2016 Hong Kong	HKD1	100%	—	100%	E-commerce

(Expressed in Renminbi unless otherwise indicated)

15 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Date and place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Zall Cross-border E-commerce Investment Company Limited (卓爾跨境電商投資有限公司)	26 February 2016 BVI	USD1	100%	—	100%	E-commerce
Zall Commerce (BVI) Limited (卓爾雲商(BVI)有限公司)	1 April 2016 BVI		100%	—	100%	E-commerce
Zall Commerce (HK) Limited (卓爾雲商(香港)有限公司)	19 April 2016 Hong Kong	HKD1	100%	—	100%	E-commerce
Zall Development (Wuhan) Co., Ltd. (卓爾發展(武漢)有限公司*)	8 August 2003 The PRC	HKD39,800,000	100%	—	100%	Investment holding
Wuhan North Hankou International Goods Trading Center Co., Ltd. (武漢漢口北國際商品交易中心有限公司*)	6 April 2011 The PRC	RMB1,000,000	100%	—	100%	Property development
Wuhan North Hankou Trade Market Investment Co., Ltd. (武漢漢口北商貿市場投資有限公司*)	16 April 2007 The PRC	RMB55,000,000	100%	—	100%	Property development
Wuhan North Hankou Logistics Co., Ltd.(武漢漢口北物流有限公司*)	14 January 2009 The PRC	RMB10,000,000	100%	—	100%	Logistics management
Wuhan North Hankou Shangqing Information Co., Ltd. (武漢漢口北商情信息有限公司*)	11 December 2008 The PRC	RMB1,500,000	100%	—	100%	Advertising services
Wuhan North Hankou Xincheng Construction Co., Ltd. (武漢漢口北新城建設有限公司*)	4 January 2010 The PRC	RMB1,000,000	100%	—	100%	Property management
Wuhan Zongbu Jidi Construction Co., Ltd. (武漢總部基地建設有限公司*)	9 January 2007 The PRC	RMB20,000,000	100%	—	100%	Property development
Wuhan Eastern Zall Properties Co., Ltd. (武漢東方卓爾置業有限公司*)	10 October 2007 The PRC	RMB30,000,000	100%	—	100%	Property development
Wuhan Salon Investment Co., Ltd. (武漢客廳投資有限公司*)	27 April 2010 The PRC	RMB30,000,000	100%	—	100%	Property development
Wuhan Zall Property Management Co., Ltd. (武漢卓爾物業管理有限公司*)	24 October 2005 The PRC	RMB5,000,000	100%	—	100%	Property management
Hubei Zhuohua Real Estate Co., Ltd. (湖北卓華地產有限公司*)	2 September 2009 The PRC	RMB550,000,000	100%	—	100%	Property development

(Expressed in Renminbi unless otherwise indicated)

15 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Date and place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Hubei Hu Pan Hao Ting Real Estate Development Co., Ltd. (湖北湖畔豪庭房地產開發有限公司*)	26 April 2004 The PRC	RMB50,000,000	100%	—	100%	Property development
Wuhan Xinrui Real Estate Development Co., Ltd. (武漢新鋭房地產開發有限公司*)	22 June 2004 The PRC	RMB20,000,000	100%	—	100%	Property development
Zall Development (Xiangyang) Co., Ltd.(卓爾發展(襄陽) 有限公司*)	8 April 2011 The PRC	HKD20,000,000/ HKD3,000,000	100%	—	100%	Property development
Shanxi Zall Western Regions Industrial Development Ltd. (陝西卓爾西域實業發展有限公司*)	22 December 2011 The PRC	RMB100,000,000/ RMB30,000,000	70%	—	70%	Property development
Zall Development (Changsha) Co., Ltd. (卓爾發展(長沙)有限公司*)	5January 2012 The PRC	RMB100,000,000	80%	—	80%	Property development
Zall Development (Tianjin) Co., Ltd. (卓爾發展(天津)有限公司*)	7 April 2013 The PRC	RMB1,001,000,000/ RMB442,000,000	100%	—	100%	Property development
Zall Development (Jingzhou) Co., Ltd. (卓爾發展(荊州)有限公司*)	27 September 2013 The PRC	USD100,000,000/ USD27,692,718	100%	—	100%	Property development
Wuhan North Hankou E-Commerce Co., Ltd. (武漢漢口北電子商務有限公司*)	16 July 2013 The PRC	RMB1,500,000	100%	—	100%	E-commerce
Wuhan Zall Yuecheng Investment Co., Ltd. (武漢卓爾悦城投資有限公司*)	26 August 2013 The PRC	RMB50,000,000	100%	—	100%	Property development
Zall (Luotian) Investment Co., Ltd. (卓爾(羅田)投資有限公司*)	5 March 2014 The PRC	RMB10,000,000	100%	—	100%	Property development
Tianjin Zall E-commerce Mall Management Co., Ltd. (天津卓爾電商城管理有限公司*)	9 May 2014 The PRC	RMB10,000,000	100%	—	100%	Property management
Haining Zall Leather Market Management. Co., Ltd. (海寧卓爾皮革市場管理顧問有限公司*)	25 September 2014 The PRC	RMB100,000	100%	—	100%	Leather market management consultation service
Haining North Hankou Leather Market. Co., Ltd. (海寧漢口北皮革市場管理顧問有限公司*)	24 September 2014 The PRC	RMB100,000	100%	—	100%	Leather market management consultation service
Changsha Zall E-Commerce Mall Management. Co., Ltd. (長沙卓爾電商城管理有限公司*)	26 November 2014 The PRC	RMB1,000,000	80%	—	100%	Property management

(Expressed in Renminbi unless otherwise indicated)

15 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Date and place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Tianjin Zall Logistics Co., Ltd. (天津卓爾物流有限公司*)	25 November 2014 The PRC	RMB5,000,000/ Nil	100%	—	100%	Warehouse service
Tianjin Zall E-Commerce Co., Ltd. (天津卓爾電子商務有限公司*)	5 November 2014 The PRC	RMB1,000,000	100%	—	100%	E-commerce
Tianjin Zall City Development Management Co., Ltd. (天津卓爾城發展管理有限公司*)	27 August 2014 The PRC	RMB100,000,000/ Nil	100%	—	100%	Property management
Tianjin Zall City Property Services Co., Ltd. (天津卓爾城物業服務有限公司*)	19 June 2014 The PRC	RMB5,000,000	100%	—	100%	Property management
Shenyang Zall E-Commerce Mall Development Co., Ltd. (瀋陽卓爾電商城發展有限公司*)	9 September 2014 The PRC	RMB90,000,000/ Nil	100%	—	100%	Property management
Wuhan Zhuo Futong Technology Co., Ltd ("Zhuo Futong Technology" or 武漢卓付通科技有限公司*)	11 November 2011 The PRC	RMB100,000,000	100%	—	100%	Financial services
Wuhan North Hankou Guarantee Investment Co., Ltd. ("Wuhan Guarantee Investment" or 武漢漢口北擔保投資有限公司*)	23 June 2008 The PRC	RMB100,000,000	100%	—	100%	Financial services
Wuhan Zall Inland Port Center Investment Co., Ltd. (武漢卓爾陸港中心投資有限公司*)	04 July 2012 The PRC	RMB135,000,000	100%	—	100%	Logistics and property development
Zalljinfu (卓金服*)	11 June 2015 The PRC	RMB50,000,000	100%	—	100%	Financial services
Zallsoon Information Technology (Wuhan) Co., Ltd. ("Zallsoon") (卓集送信息科技(武漢)有限公司*)	12 June 2015 The PRC	RMB30,000,000	100%	—	100&	Logistics
Zallgo Electronic commerce Co., Ltd. (卓爾購電子商務 (武漢) 有限公司*)	11 June 2015 The PRC	RMB5,000,000	100%	—	100%	E-commerce
Wuhan Zall Payment Service Co., Ltd. (武漢卓爾支付服務有限公司*)	6 February 2015 The PRC	RMB100,000,000/ Nil	100%	—	100%	Financial services

(Expressed in Renminbi unless otherwise indicated)

15 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Date and place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Wuhan Big World Investment and Development Co., Ltd. ("Wuhan Big World Investment" or 武漢大世界投資發展有限公司*)	12 May 2008 The PRC	RMB100,000,000	100%	—	100%	Property development
Wuhan Big World Marketing Management Co., Ltd. ("Wuhan Big World Market Management" or 武漢大世界市場管理有限公司*)	27 June 2012 The PRC	RMB1,000,000	100%	—	100%	Property management
North Hankou Import Export Services Co., Ltd. (漢口北進出口服務有限公司*)	4 May 2015 The PRC	RMB50,000,000	100%	—	100%	Import and export service
Wuhan Zall Cloud Market Group Co., Ltd. ("Zall Cloud Market") (武漢卓爾雲市集團有限公司*)	28 August 2015 The PRC	RMB100,000,000	100%	—	100%	E-commerce
Jingzhou E-Commerce Commerce (Wuhan) Co., Ltd. (荊州卓爾電子商務有限公司*)	21 July 2015 The PRC	RMB1,000,000/ Nil	100%	—	100%	E-commerce
Zall Commerce Management (Wuhan) Co., Ltd. (卓爾商業管理(武漢)有限公司*)	24 December 2015 The PRC	RMB5,000,000/ Nil	100%	—	100%	Commerce management
Shenzhen Qianhai Zall Tech Limited (深圳市前海卓爾互聯科技有限公司*)	27 January 2016 The PRC	HKD100,000,000/ HKD7,700,000	100%	—	100%	E-commerce
Zall Cloud Market Technology (Wuhan) Co., Ltd (卓爾雲市科技(武漢)有限公司*)	24 June 2016 The PRC	HKD100,000,000/ Nil	100%	—	100%	E-commerce
Zallfuhui Information Technology (Wuhan) Co., Ltd (卓服匯資訊科技(武漢)有限公司*)	21 June 2016 The PRC	RMB5,000,000/ Nil	100%	—	100%	E-commerce
Wuhan ZhongKang Medical Industrial Park Co., Ltd (武漢眾康醫療產業園有限公司*)	11 April 2016 The PRC	RMB100,000,000/ Nil	100%	—	100%	Medical industry
Wuhan Zhuoyitong Supply Chain Management Co., Ltd. (武漢卓易通供應鏈管理有限公司*)	17 August 2016 The PRC	RMB10,000,000/ Nil	100%	—	100%	Supply chain management business

(Expressed in Renminbi unless otherwise indicated)

15 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Date and place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Zall Commerce Supply Chain (Wuhan) Co., Ltd. (卓爾雲商供應鏈(武漢)有限公司*)	5 August 2016 The PRC	HKD10,000,000	100%	—	100%	Supply chain management business
Zall Financial Services Business Management (Wuhan) Co., Ltd. (卓爾金服企業管理(武漢)有限公司*)	28 July 2016 The PRC	HKD10,000,000/ Nil	100%	—	100%	E-commerce
Wuhan Wanguo Best Import Trading Co., Ltd. (武漢萬國優選進口貿易有限公司*)	1 June 2016 The PRC	RMB1,000,000/ Nil	100%	—	100%	Import service
Wuhan Zall Cloud Warehousing Services Co., Ltd. (武漢卓爾雲倉儲服務有限公司*)	15 August 2016 The PRC	RMB10,000,000/ Nil	100%	—	100%	Supply chain management business
Wuhan Zall Agriculture Supply Chain Management Co., Ltd. (武漢卓農匯供應鏈管理有限公司*)	12 August 2016 The PRC	RMB30,000,000/ Nil	100%	—	100%	Supply chain management business
Harvest Financial Information Services (Hangzhou) Co., Ltd. ("HFS") (嘉實金融資訊服務 (杭州) 有限公司**)	27 March 2015 The PRC	RMB50,000,000	100%	—	100%	E-commerce
Hangzhou Jiuyu Asset Management Co., Ltd. (杭州九魚資產管理有限公司**)	27 March 2015 The PRC	RMB10,000,000	100%	—	100%	E-commerce
Zhuo Jia Asset Management Co., Ltd. (卓嘉資產管理有限公司*)	29 July 2016 The PRC	RMB50,000,000/ Nil	100%	—	100%	E-commerce
Zhong Bong Financial Leasing Co., Ltd. (眾邦融資租賃有限公司**)	31 October 2014 The PRC	USD20,000,000	100%	—	100%	E-commerce
Zhong Bong Commerical Factoring Co., Ltd. (眾邦商業保理有限公司*)	22 July 2016 The PRC	RMB50,000,000/ Nil	100%	—	100%	E-commerce
Zalllegou E-commerce (Wuhan) Co., Ltd. (卓爾樂購電商(武漢)有限公司*)	25 October 2016 The PRC	RMB20,000,000/ Nil	100%	—	100%	E-commerce
Wuhan Logistics Enterprise Community Investment Development Co., Ltd. (武漢物聯港投資開發有限公司*)	3 March 2011 The PRC	RMB30,000,000	100%	—	100%	Property development

15 INTERESTS IN SUBSIDIARIES (Continued)

			Proportion of ownership interest			
Name of company	Date and place of incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
North Hankou Group Co., Ltd. ("North Hankou Group" or 漢口北集團有限公司*)	11 February 2009 The PRC	RMB59,600,000	100%	—	100%	Investment holding
Zall Investment Group Co., Ltd. (卓爾投資集團有限公司*)	31 December 2004 The PRC	RMB100,000,000	100%	—	100%	Property development

* These entities are all PRC limited liability companies. The English translation of the company names is for reference only. The official names of these companies are in Chinese.

** These entities were acquired by the Group during 2016, details are set out in note 40.

The directors consider that no individual non-controlling interest is considered material to the Group as at 31 December 2016.

The following table lists out the information relating to Wuhan Big World Investment, the only subsidiary of the Group which has a material non-controlling interest (NCI) during the year of 2015. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2015 RMB'000
NCI percentage	40%
Current assets	1,498,498
Non-current assets	1,903,084
Current liabilities	(510,560)
Non-current liabilities	(878,519)
Net assets	2,012,503
Carrying amount of NCI	805,001
Revenue	42,452
Loss for the year	(930)
Total comprehensive income	(930)
Loss allocated to NCI	(372)
Dividend paid to NCI	—
Cash flows from operating activities	62,135
Cash flows from investing activities	(4,819)
Cash flows from financing activities	(31,112)

16 INTERESTS IN JOINT VENTURES

	2016 RMB'000	2015 RMB'000
Share of net assets as at 1 January	89,326	820,255
Investment in joint ventures during the year	15,000	—
Share of (loss)/profits	(163)	10,315
Acquired by the Group as subsidiaries	—	(741,244)
Share of net assets as at 31 December	104,163	89,326

Details of the Group's interests in joint venture, which are accounted for using the equity method in the consolidated financial statements, are as follows:

				Proportion of ownership interest			
Name of company	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Wuhan Big World Investment 武漢大世界投資發展有限公司 (Note 1) (Note 2)	Incorporated	The PRC	100,000,000	100%	—	100%	Property development
Wuhan Big World Management 武漢大世界市場管理有限公司 (Note 1) (Note 2)	Incorporated	The PRC	1,000,000	100%	—	100%	Property management
Wuhan Zall Shengtang Properties Co., Ltd ("Zall Shentang") 武漢卓爾盛唐置業有限公司 (Note 1)	Incorporated	The PRC	150,000,000	60%	—	60%	Property development
Wuhan Zall Heng (卓恒供應鏈管理(武漢)有限公司) (Note 1) (Note 3)	Incorporated	The PRC	25,000,000	60%	—	60%	Supply chain management business

Note 1 The English translation of the names are for reference only. The official names of the companies are in Chinese.

Note 2 Wuhan Big World Investment and Wuhan Big World Management have became non-wholly owned subsidiaries of the Group since 15 July 2015. The Group acquired remaining equity interest of Wuhan Big World Investment and Wuhan Big World Management during the year of 2016 and these two entities became wholly-owned subsidiaries of the Group.

Note 3 Wuhan Zall Heng was set up on 5 September 2016. Wuhan Zall Heng has three wholly-owned subsidiaries named Shenzhen Qian Hai Zhuo Heng Supply Chain Management Co., Ltd., Zhenjiang Joy Supply Chain Management Co., Ltd. and Hong Kong Joy Resources Investment Co., Ltd.

The entities are unlisted corporate entities whose quoted market price are not available.

16 INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information of Zall Shengtang, adjusted for any differences in accounting policies and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2016 RMB'000	2015 RMB'000
Gross amounts of Zall Shengtang		
Current assets	148,417	148,432
Non-current assets	388	445
Equity	148,805	148,877
Included in the above assets and liabilities:		
Cash and cash equivalents	17	32
Revenue		
Loss for the year	(71)	(63)
Other comprehensive income	—	—
Total comprehensive income	(71)	(63)
Reconciled to the Group's interest in Zall Shengtang		
Gross amounts of Zall Shengtang's net assets	148,805	148,877
Group's effective interest	60%	60%
Group's share of Zall Shengtang's net assets	89,283	89,326
Carrying amount in the consolidated financial statements	89,283	89,326

Summarised financial information of Wuhan Zall Heng, adjusted for any differences in accounting policies and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2016 RMB'000
Gross amounts of Wuhan Zall Heng	
Current assets	383,656
Non-current assets	16,762
Current liabilities	(367,954)
Non-current liabilities	(7,664)
Equity	24,800
Included in the above assets and liabilities:	
Cash and cash equivalents	1,322
Current financial liabilities (excluding trade and other payables and provisions)	(934)
Non-current financial liabilities (excluding trade and other payables and provisions)	(7,664)

16 INTERESTS IN JOINT VENTURES (Continued)

	2016 RMB'000
Revenue	2,672,464
Loss for the year	(200)
Other comprehensive income	—
Total comprehensive income	(200)
Reconciled to the Group's interest in Wuhan Zall Heng	
Gross amounts of Wuhan Zall Heng's net assets	24,800
Group's effective interest	60%
Group's share of Wuhan Zall Heng's net assets	14,880
Carrying amount in the consolidated financial statements	14,880

Management considers that the joint ventures of the Group will not have significant impact to financial position and performance of the Group as at 31 December 2016.

17 INTERESTS IN ASSOCIATES

The following list contains only the particulars of material associates:

				Proportion of ownership interest			
Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
LightIn the Box Holding Co,. Ltd.("LightIn the Box")	Incorporated	Cayman/Overseas	137,820,605 ordinary shares of USD0.000067 each	32.58%	—	32.58%	E-commerce (Note 1)

Note 1 On 17 March 2016, Zall Cross-border E-commerce Investment Company Limited ("Zall Cross-border E-commerce", an indirect wholly-owned subsidiary of the Company) and the LightInTheBox Holding Co., Ltd. ("LightInTheBox", a company incorporated under the laws of the Cayman Islands with limited liability, whose American Depositary Shares are listed on the New York Stock Exchange) entered into the subscription agreement, pursuant to which LightInTheBox conditionally agreed to issue and Zall Cross-boarder E-commerce conditionally agreed to subscribe for the subscription securities which comprise, in aggregate, (i) 42,500,000 shares of LightInTheBox (to be issued pursuant to the Subscription Agreement) and (ii) the warrants to be issued by LightInTheBox pursuant to the Subscription Agreement entitling the holder thereof to subscribe up to 7,455,000 shares of LightInTheBox.

After the completion of the subscription on 30 March 2016, the Group owned 30% of the issued share capital of LightInTheBox. During 2016, Zall Development (HK) Holding Company Limited ("Zall Hong Kong", an indirect wholly-owned subsidiary of the Company) purchased another 2,409,866 shares of LightInTheBox in the public market, which made the Group's equity interest in LightInTheBox increased to 32.58%.

The associate is accounted for using the equity method in the consolidated financial statements.

17 INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of the material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2016 RMB'000
Gross amounts of the associates	
Current assets	789,001
Non-current assets	331,494
Current liabilities	(363,256)
Equity	757,239
Revenue	1,962,749
Loss for the year	(79,162)
Other comprehensive income	—
Total comprehensive income	(79,162)
Dividend received from the associate	—
Reconciled to the Group's interests in the associate	
Gross amount of net assets of the associate	757,239
Group's effective interest	32.58%
Group's share of net assets of the associate	246,752
Goodwill	280,370
Carrying amount in the consolidated financial statements	527,122

Information of the associate that are not individually material:

	2016 RMB'000
Carrying amount of individually immaterial associate in the consolidated financial statements	2,535
Amount of the Group's share of the associate's	
Loss from continuing operations	(4,165)
Other comprehensive income	—
Total comprehensive income	(4,165)

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

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 RMB'000	2015 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 29(a)).

20 PROPERTIES UNDER DEVELOPMENT

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

	2016 RMB'000	2015 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 29(a)).

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

	2016 RMB'000	2015 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

21 COMPLETED PROPERTIES HELD FOR SALE

	2016 RMB'000	2015 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 RMB'000	2015 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 29(a)).

22 FINISHED GOODS

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

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

23 TRADE AND OTHER RECEIVABLES, PREPAYMENTS

	2016 RMB'000	2015 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 RMB'000	2015 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

The details on Group's credit policy are set out in note 35(a).

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.

24 RESTRICTED CASH

	2016 RMB'000	2015 RMB'000
Restricted cash	550,453	441,650

Included in restricted cash was an aggregate carrying amount of RMB263,600,000 (2015: RMB304,500,000) pledged for certain bank loans granted to the Group (note 29(a)).

25 CASH AND CASH EQUIVALENTS

	2016 RMB'000	2015 RMB'000
Cash at bank and on hand	273,262	243,470

The Group maintains a segregated trust account with a licensed bank to hold customers' monies arising from its online third party payment service business. The Group hasn't classified the customers' monies as bank balance as such customers' monies is not available for use by the Group.

26 RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH USED IN OPERATIONS:

	Note	2016 RMB'000	2015 RMB'000
Profit before taxation		2,348,207	2,274,146
Adjustments for:			
Amortisation	5(c)	7,035	3,389
Depreciation	5(c)		
— property, plant and equipment		21,558	12,412
— disposal group held for sale		—	398
Loss on disposal of non-current assets classified as held for sale	4	25	—
Loss on disposal of investment properties	4	13,094	—
Gain on disposal of fixed assets		(54)	—
Gain on early redemption of convertible bonds	4	—	(123,849)
Finance income	5(a)	(3,643)	(5,740)
Finance costs	5(a)	192,339	264,909
Fair value change on embedded derivative component of the convertible bonds		—	17,027
Increase in fair value of investment properties and non-current assets classified as held for sale	12/27	(111,298)	(439,584)
Fair value gain upon transfer of completed properties held for sale to investment properties	12(a)(ii)	(1,164,399)	(798,158)
Fair value change on financial assets held for trading	4	(1,118,017)	(348,358)
Gain on sale of financial assets held for trading	4	—	(540)
Gain on disposal of 10% interest of Zall Shenyang and Zall Xiaogan	4	—	(4,016)
Share of loss/(profits) of joint ventures	16	163	(10,315)
Share of loss of associates	17	24,441	—
Equity settled share-based payment expenses	5(b)	—	1,733
Amortisation of deferred income	30	(15,983)	(83,176)

26 RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH USED IN OPERATIONS: (Continued)

	Note	2016 RMB'000	2015 RMB'000
Amortisation of deferred income included in disposal Group held for sale		—	(6,636)
Dividend from financial assets at fair value through profit or loss	4	(6,805)	—
Gain on disposal of subsidiaries	39	(95,561)	(353,708)
Gain on remeasurement of previously held interest upon step acquisition of subsidiaries		—	(265,870)
Gain on bargain purchase of subsidiaries	40	(4,660)	(101,423)
		86,442	32,641
Increase in properties under development, completed properties held for sale, inventories		(565,592)	(3,320,798)
(Increase)/decrease in trade and other receivables, prepayments		(790,663)	475,534
Increase in long term receivables	18	(85,311)	(208,659)
Increase in trade and other payables		1,134,153	1,690,315
Increase in other deferred income — disposal group held for sale		—	733
Cash used in operations		(220,971)	(1,330,234)

27 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2016, the directors revisited the Group's investment property portfolio and committed to a plan to sell certain units of its investment properties. Such investment properties are available for immediate sale in its present condition and the directors consider that its sales is highly probable. As at 31 December 2016, the non-current assets classified as held for sale and the liabilities directly associated with such assets are as follows:

Non-current assets classified as held for sale

	2016 RMB'000	2015 RMB'000
Cost	37,203	37,910
Fair value adjustments	115,502	115,990
	152,705	153,900

Liabilities directly associated with non-current assets classified as held for sale

	2016 RMB'000	2015 RMB'000
Deferred tax liabilities	38,038	38,231

At 31 December 2016, there was no pledge of non-current assets classified as held for sale.

28 TRADE AND OTHER PAYABLES

	2016 RMB'000	2015 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 RMB'000	2015 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 as set out in note 37(ii) 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 as set out in note 1(y)(i).

29 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 RMB'000	2015 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 RMB'000	2015 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 RMB'000	2015 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).

29 BANK LOANS AND LOANS FROM OTHER FINANCIAL INSTITUTIONS (Continued)

(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. Further details of the Group's management liquidity risk are set out in note 35(b).

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 the Ultimate Controlling Party of the Company.

(f) As at 31 December 2016, certain secured bank loans of the Group totaling HKD500,000,000 (equal to RMB447,255,000) (31 December 2015: Nil) was secured by 888,000,000 ordinary shares of the Group held by Immediate Parent and guaranteed by Ultimate Controlling Party.

30 DEFERRED INCOME

The deferred income is analysed as follows:

	Government grants RMB'000 (i)	Sale and leaseback arrangement RMB'000 (ii)	Total RMB'000
Balance at 1 January 2015	123,974	29,031	153,005
Changes for the year:			
Additions through acquisition of subsidiaries	—	19,262	19,262
Amortisation	(70,435)	(12,741)	(83,176)
Decrease arising from disposal of subsidiaries	(37,739)	—	(37,739)
Other decrease	(15,800)	—	(15,800)
Balance at 31 December 2015	—	35,552	35,552
Less: deferred income due within 1 year	—	(15,983)	(15,983)
Non-current portion of deferred income at 31 December 2015	—	19,569	19,569
Balance at 1 January 2016	—	35,552	35,552
Changes for the year:			
Amortisation	—	(15,983)	(15,983)
Balance at 31 December 2016	—	19,569	19,569
Less: deferred income due within 1 year	—	(15,468)	(15,468)
Non-current portion of deferred income at 31 December 2016	—	4,101	4,101

(i) During the year ended 31 December 2014, the Group received RMB37,739,000 from a local government office, namely Finance Office of Yangdian Town of Xiaogan City（孝感市楊店鎮財政所財政局）. Pursuant to a written notice issued by Finance Office of Yangdian Town of Xiaogan City（孝感市楊店鎮財政所財政局）dated 18 May 2014, such grant is for subsidising the infrastructure construction of a project undertaken by one of the Group's subsidiaries, namely Zall Trading Development (Xiaogan) Ltd ("Zall Xiaogan").

During the year ended 31 December 2014, the subsidiary named Zall Jingzhou received RMB70,435,000 from a local government office, namely Stated Owned Assets Management Center of Jingzhou District of Jingzhou City（荊州市荊州區國有資產經營中心）. Pursuant to a written notice issued by Stated-owned Assets Management Centre of Jingzhou District of Jingzhou City dated 31 December 2015, such grant is for subsidising the promotion activities undertake by Zall Jingzhou and the amount is amortised in profit and loss.

(ii) In conjunction with certain sale contracts entered into by the Group for sale of properties, the Group subsequently leased back certain sold properties from the respective buyers under operating leases for a term of 5 years at an agreed rental rate. Upon recognition of the sale of such properties, a portion of the sale proceeds, which represents the excess of sale price over fair value of such properties, is recognised as deferred income and amortised over the respective lease terms.

(Expressed in Renminbi unless otherwise indicated)

31 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees'relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at 15-20% of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

32 EQUITY SETTLED SHARE-BASED PAYMENTS

On 1 June 2010, Zall Hong Kong, a wholly owned subsidiary of the Group, adopted a share option scheme (the "2010 Share Option Scheme") to invite certain eligible participants to take up options (the "2010 Share Options") to subscribe for 1% shares of the to-be-listed company that will be incorporated as part of the Reorganisation of the Company at an exercise price of RMB227,047 per share and total number of outstanding share options is 100. Pursuant to the 2010 Share Option Scheme documents, the 2010 Share Options cannot be vested until after an initial public offering occurs.

Pursuant to the relevant terms of the 2010 Share Option Scheme, the 2010 Share Options will be converted into share options of the Company with the exercise price and number of employee share options to be adjusted proportionately upon the exchange of the options.

Pursuant to the option exchange letters executed by each of the grantees in favour of the Company and Zall Hong Kong on 20 June 2011 (the date of modification), the 2010 Share Options were converted into share options of the Company. Accordingly, 100 share options under the 2010 Share Option Scheme were converted into 29,750,000 share options (before share subdivision) of Pre-IPO Share Option Scheme issued by the Company with same terms and conditions, except that the respective exercise prices were adjusted on a proportionate basis. The conversion of the share options was considered a modification to the 2010 Share Options. The modification did not result in any incremental value in respect of the fair value of the share option at the date of modification.

(a) The terms and conditions of the grants are as follows:

			Number of Pre-IPO Share options granted		
Date granted	Vesting date	Expiry date	Directors	Employees	Total
20 June 2011	13 July 2011	12 July 2016	2,037,875	937,125	2,975,000
20 June 2011	13 July 2012	12 July 2016	3,056,812	1,405,688	4,462,500
20 June 2011	13 July 2013	12 July 2016	4,075,750	1,874,250	5,950,000
20 June 2011	13 July 2014	12 July 2016	5,094,688	2,342,812	7,437,500
20 June 2011	13 July 2015	12 July 2016	6,113,625	2,811,375	8,925,000
			20,378,750	9,371,250	29,750,000

(Expressed in Renminbi unless otherwise indicated)

32 EQUITY SETTLED SHARE-BASED PAYMENTS (Continued)

(b) The number and weighted average exercise price of Pre-IPO Share Option on an as adjusted basis are as follows:

	2015	
	Weighted average exercise price HKD	Number of share options
Outstanding at 1 January	0.8710	29,155,000
Forfeited before the Share Subdivision	0.8710	(297,500)
Effect of Share Subdivision	0.2903	57,715,000
Forfeited after the Share Subdivision	0.2903	(1,338,750)
Exercised during the year	0.2903	(85,233,750)
Outstanding at 31 December	0.2903	—
Exercisable at 31 December	0.2903	—

In 2015, all options have been exercised.

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial (Cox, Ross, Rubinstein) option pricing model with the following assumption:

	2015
Fair value of share option and assumptions	
Fair value at measurement date	RMB1.39
Share price (before Share Subdivision)	—
Share price (after Share Subdivision)	HKD2.410
Exercise price (before Share Subdivision)	HKD0.871
Expected volatility (expressed as weighted average volatility used in modeling under binomial lattice model)	56%
Option life	6 years
Expected dividends	Nil
Risk free interest rate	1.92

33 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2016 RMB'000	2015 RMB'000
Current tax assets:		
PRC CIT	9,260	8,168
PRC LAT	25,953	21,279
	35,213	29,447
Current tax liabilities:		
PRC CIT	174,485	154,354
PRC LAT	71,987	31,900
	246,472	186,254

(b) Deferred tax assets and liabilities recognised:

(i) The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Provision for PRC LAT RMB'000	Fair value adjustments for investment properties RMB'000	Tax loss RMB'000	Others RMB'000	Total RMB'000
Deferred tax arising from:					
At 1 January 2015	(1,462)	(2,235,882)	1,718	64,776	(2,170,850)
Credited/(charged) to profit or loss	3,787	(139,189)	22,945	(31,644)	(144,101)
Other Increase	—	—	—	(1,424)	(1,424)
Increase due to acquisition of subsidiaries	1,049	(352,582)	768	(288,872)	(639,637)
Decrease due to disposal of subsidiaries	(772)	—	(2,641)	(12,819)	(16,232)
At 31 December 2015	2,602	(2,727,653)	22,790	(269,983)	(2,972,244)
Deferred tax arising from:					
At 1 January 2016	2,602	(2,727,653)	22,790	(269,983)	(2,972,244)
Credited/(charged) to profit or loss	8,636	(200,563)	(6,048)	16,117	(181,858)
Increase due to acquisition of subsidiaries	—	—	—	(2,219)	(2,219)
Decrease due to disposal of investment properties	—	12,959	—	—	12,959
At 31 December 2016	11,238	(2,915,257)	16,742	(256,085)	(3,143,362)

33 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognised: (Continued)

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).

(ii) Reconciliation to the consolidated statement of financial position

	2016 RMB'000	2015 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	168,837	202,504
Net deferred tax liabilities recognised in the consolidated statement of financial position	(3,312,199)	(3,174,748)
	(3,143,362)	(2,972,244)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(w), the Group has not recognised deferred tax assets in respect of unused tax losses of RMB495,868,000 as at 31 December 2016 (2015: RMB364,698,000). The directors consider it is not probable that future taxable profits against which the losses can be utilised will be available from these subsidiaries.

The unrecognised tax losses will expire in the following years:

	2016 RMB'000	2015 RMB'000
2016	—	17,224
2017	28,473	32,202
2018	68,531	70,662
2019	49,944	50,138
2020	145,633	194,472
2021	203,287	—
	495,868	364,698

(d) Deferred tax liabilities not recognised

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 Agreement, 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.

33 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

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.

As at 31 December 2016, the aggregate amounts of PRC undistributed profits of the Group's PRC subsidiaries in respect of which the Group has not provided for dividend withholding tax were approximately RMB3,328,254,000 (2015: RMB2,052,242,000).

34 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the reporting period are set out below:

Company

	Note	Share capital RMB'000	Share premium RMB'000	Equity settled share-based payment reserve RMB'000	Exchange reserve RMB'000	Retained profits/ (loss) RMB'000	Total equity RMB'000
At 1 January 2015		29,071	1,179,689	38,690	(43,577)	(109,118)	1,094,755
Changes in equity for 2015:							
Total comprehensive income for the year		—	—	—	9,626	(68,078)	(58,452)
Placing of new shares	34(b)(ii)	421	121,926	—	—	—	122,347
Dividend declared during the year	34(f)(i)	—	(582,785)	—	—	—	(582,785)
Equity settled share-based transaction	34(b)(i)	235	60,763	(38,690)	—	—	22,308
At 31 December 2015 and 1 January 2016		29,727	779,593	—	(33,951)	(177,196)	598,173
Changes in equity for 2016:							
Total comprehensive income for the year		—	—	—	22,132	(24,021)	(1,889)
At 31 December 2016		29,727	779,593	—	(11,819)	(201,217)	596,284

34 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) 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.

	Note	2016 Number of shares ('000)	2016 Amount HKD'000	2015 Number of shares ('000)	2015 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.

34 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

(ii) PRC statutory reserve

Pursuant to the Articles of Association of the Group's PRC subsidiaries and relevant statutory regulations, appropriations to the statutory reserve fund were made at 10% of profit after tax determined in accordance with accounting rules and regulations of the PRC until the reserve balance reaches 50% of the registered capital. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the PRC subsidiaries provided that the balance after such conversion is not less than 25% of their registered capital, and is non-distributable other than in liquidation.

(iii) Exchange reserve

The exchange reserve comprises all relevant exchange differences arising from the translation of the financial statements of operations with functional currency other than Renminbi. The reserve is dealt with in accordance with the accounting policy set out in note 1(z).

(iv) Equity settled share-based payment reserve

Equity settled share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group in accordance with the accounting policy adopted for share-based payments in note 1(v)(ii).

(v) Other reserve

Other reserve is resulted from transactions with owners in their capacity as the equity owners. The balance comprises capital reserve surplus/deficit arising from the difference between the disposal/acquisition consideration and its net assets value at the respective date of disposal/acquisition.

(vi) Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment immediately before its reclassification as investment property.

34 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Capital management

The Group's primary objective when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its property development projects, provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital, by pricing properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

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

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, and obligations under finance leases) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity, other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends.

During 2016, the Group's strategy, which was unchanged from 2015, was to maintain the adjusted net debt-to-capital ratio not exceed 75%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The Group's adjusted net debt-to-capital ratio at 31 December 2016 and 2015 was as follows:

	Note	2016 RMB'000	2015 RMB'000
Current liabilities:			
Bank loans and loans from other financial institutions	29	2,332,654	1,682,081
Non-current liabilities:			
Bank loans and loans from other financial institutions	29	6,061,268	4,712,680
Total debt		8,393,922	6,394,761
Less: Restricted cash	24	550,453	441,650
Cash and cash equivalents	25	273,262	243,470
Adjusted net debt		7,570,207	5,709,641
Total equity attributable to equity shareholders of the Company		12,104,547	9,468,468
Less: Accumulated fair value change from convertible bonds		—	(13,663)
Adjusted capital		12,104,547	9,482,131
Adjusted net debt-to-capital ratio		62.54%	60.21%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

34 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(e) Distributable reserves

As at 31 December 2016, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 of the Cayman Islands, amounted to approximately RMB566,557,000 (2015: RMB568,446,000), which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. After the end of the reporting period, there is no proposed dividends (2015: Nil).

(f) 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 Limited ("Zhen An Cayman") 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.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investment in other entities and movement in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents, restricted cash, trade and bill receivables and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash and cash equivalents and restricted cash held by the Group are mainly deposited in financial institutions such as commercial banks which maintain sound reputation and financial situation. The credit risk is considered low and the Group has exposure limit to any single financial institution.

In respect of trade and bill receivables generated from property development and related business, credit risk is minimised as the Group normally receives full payment from buyers before the transfer of property ownership.

In respect of other receivables due from third parties, the Group reviews the exposures and manages them based on the need of operation.

Except for the financial guarantees given by the Group as set out in note 37, the Group does not provide any other guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 23.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(b) Liquidity risk

Cash management of the Company and its subsidiaries are substantially centralised at the Group level. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group will in due course commence refinancing of its bank loans which are due for maturity in December 2016. Based on the Group's past ability to obtain external financing and good relationship with a number of financial institutions, the Group expects to have adequate source of funding to finance and manage its liquidity position.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities excluding receipts in advance, which the Group expects to settle by delivery of completed properties. The contractual maturities are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2016					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans and loans from other financial institution	2,363,436	3,299,577	2,568,347	967,128	9,198,488	8,393,922
Trade and other payables (excluding receipts in advance)	4,480,117	18,872	—	—	4,498,989	4,498,989
	6,843,553	3,318,449	2,568,347	967,128	13,697,477	12,892,911

As shown in the above analysis, bank loans of the Group amounting to RMB2,332,654,000 were due to be repaid during 2017.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

	2015					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans and loans from other financial institution	2,131,346	1,486,972	3,281,756	950,326	7,850,400	6,394,761
Trade and other payables (excluding receipts in advance)	2,688,669	15,741	—	—	2,704,410	2,704,410
	4,820,015	1,502,713	3,281,756	950,326	10,554,810	9,099,171

(c) Interest rate risk

The Group's interest rate risk arises primarily from cash and cash equivalents, restricted cash, receivables generated from financial services business and borrowings issued at variable rates.

The Group does not anticipate significant impact to cash and cash equivalents, pledged deposits and the receivables because the interest rates of bank deposits and the receivables are not expected to change significantly.

The interest rates and terms of repayment of bank loans of the Group are disclosed in note 29 to the consolidated financial statements. The Group does not carry out any hedging activities to manage its interest rate exposure.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowing (as defined above) at the end of the reporting period.

	2016		2015	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Bank loans and loans from other financial institutions	4.35%-12.40%	2,327,889	4.60%-16.41%	2,579,000
Trade payables	7.40%-12.00%	370,339	—	—
Variable rate borrowings:				
Bank loans and loans from other financial institutions	4.75-13.00%	6,066,033	6.00-9.00%	3,815,761
Total borrowings		8,764,261		6,394,761
Fixed rate borrowings as a percentage of total borrowings		31%		40%

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2016, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately RMB22,748,000 (2015: decrease/increase profit after tax by approximately RMB14,309,000) in response to the general increase/decrease in interest rates, which has not taken into account of interest capitalization to property for sales.

The sensitivity analysis above indicates the instantaneous change in the Group's profit/loss after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of each reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and the retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expenses or income of such a change in interest rates. The analysis is performed on the same basis as 2015.

(d) Currency risk

The Group is exposed to foreign currency risk primarily on bank deposits and bank loans to which the transactions relate. The currencies giving rise to this risk are primarily Hong Kong dollars ("HKD").

(i) Exposure to currency risk

The following table details the Group's exposure at the end of each reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

	2016 Hong Kong Dollars RMB'000	2015 Hong Kong Dollars RMB'000
Cash and cash equivalents	11,157	7,483
Bank loans and loans from other financial institutions	(843,543)	—
Loans from the Immediate Parent	(469,512)	(572,943)
Net exposure arising from recognised assets and liabilities	(1,301,898)	(565,460)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2016			2015		
	Increase (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000	Increase (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000
Hong Kong Dollars	5%	65,095	65,095	5%	28,333	28,333
Hong Kong Dollars	(5%)	(65,095)	(65,095)	(5%)	(28,333)	(28,333)

The foreign currency sensitivity analysis is calculated based on the major net foreign currency exposure of the Group as at the reporting date, assuming 5% shift of RMB against HKD on the profit after tax and retained profits and excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2015.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 19). Other than unquoted securities held for strategic purposes, all of these investments are listed.

The Group's listed investments are listed on the Stock Exchange of Hong Kong. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the stock market Index, as well as the Group's liquidity needs.

At 31 December 2016, it is estimated that an increase/(decrease) of 10% in the relevant stock market index (for listed investments), with all other variables held constant, would have increased/decreased the Group's profit after tax (and retained profits) as follows:

	2016		2015	
		Effect on profit after tax and retained profits RMB'000		Effect on profit after tax and retained profits RMB'000
Change in the relevant equity price risk variable:				
Increase	10%	220,348	10%	108,318
Decrease	(10)%	(220,348)	(10)%	(108,318)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

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 at 31 December 2016	Fair value measurements as at 31 December 2016 categorised into			Fair value at 31 December 2015	Fair value measurements as at 31 December 2015 categorised into		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements Assets:								
Financial assets at fair value through profit or loss								
Listed equity securities	2,203,480	2,203,480	—	—	1,083,176	1,083,176	—	—
Derivative financial instruments: Warrant	5,241	—	5,241	—	—	—	—	—

During the year ended 31 December 2015 and 2016, there were no transfers between Level 1 and Level 2, or 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.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the warrant to subscribe ordinary shares of LightInTheBox is determined using binomial tree model. The binomial tree model utilizes the binomial lattice of the underlying asset by incorporating in the terms and structures of the option.

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015 and 31 December 2016.

36 COMMITMENTS

(a) Operating lease commitment

— The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	162,369	141,265
After 1 year but within 5 years	168,428	227,592
Above 5 years	3,089	12,081
	333,886	380,938

The Group leases out a number of building facilities under operating leases. The leases typically run for an initial period of 1 to 10 years, with an option to renew the leases after that date at which time all terms are renegotiated. Further details of the carrying value of the investment properties are contained in note 12.

— *At 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:*

	2016 RMB'000	2015 RMB'000
Within 1 year	47,779	69,549
After 1 year but within 5 years	14,462	49,558
	62,241	119,107

The Group leases a number of building facilities under operating leases. The leases typically run for an initial period of 5 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

During the year ended 31 December 2016, RMB40,144,000 (2015: RMB32,860,000) were recognised as an expense in the consolidated statement of profit or loss in respect of leasing of building facilities.

(b) Capital commitments on development costs

As at 31 December 2016, the Group's capital commitments in respect of investment properties under development and properties under development are as follows:

	2016 RMB'000	2015 RMB'000
Contracted but not provided for		
— Investment properties under development	84,554	213,865
— Properties under development	756,625	2,300,903
	841,179	2,514,768

37 CONTINGENT LIABILITIES

Guarantees

	2016 RMB'000	2015 RMB'000
Bank financial guarantees (i)	56,829	74,790
Other non-bank financial guarantees (ii)	91,940	28,650
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (iii)	1,881,805	1,455,909
	2,030,574	1,559,349

(i) One of the Group's wholly-owned subsidiary named Wuhan Guarantee Investment is principally engaged in provision of loan guarantee services to enterprises, and provision of business start-up loan guarantee and personal loan guarantee to entrepreneurs in the PRC.

(ii) During the year ended 31 December 2015, the Group, through its wholly owned subsidiary Zall Jinfu started to operate peer-to-peer lending business through Zall Jinfu (its website is www.zalljinfu.com). Zall Jinfu is an internet platform to provide loan information and borrowers can obtain funding from lenders through Zall Jinfu.

As set out in note 40, the Group acquired HFS, who operates peer-to-peer lending business through an internet platform namely Jia Shiliu (its website is jia16.com).

Wuhan Guarantee Investment, has provided guarantee to lenders (beneficiary of the guarantee) in relation to the peer-to-peer lending business through Zall Jinfu and Jia Shiliu. Pursuant to the relevant agreements, Wuhan Guarantee Investment, Zall Jinfu and HFS charged the borrowers for guarantee fees and service fee respectively. These fees are charged based on the loan amount.

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 in accordance with the terms stipulated in the relevant agreements.

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

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

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

38 MATERIAL RELATED PARTY TRANSACTIONS

The directors consider that all the below related party transactions during the year ended 31 December 2016 were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

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

Controlling Equity Owners refers to Mr. Yan Zhi and his wife – Ms. Chen Lifen.

(a) Transactions with key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 is as follows:

	2016 RMB'000	2015 RMB'000
Wages, salaries and other benefits	6,660	4,607
Contribution to defined benefit retirement scheme	162	130
Equity settled share-based payment expenses	—	1,484
	6,822	6,221

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

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

In September 2016, Zall Cloud Market (an indirect wholly-owned subsidiary of the Company), Mr Yan Zhi and Dr Gang Yu (co-chairman of the Group) entered into a disposal agreement, pursuant to which Zall Cloud Market agreed to sell 15% and 25% of 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.

38 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Acquisition of non-controlling interests

In July 2016, the Group acquired remaining 40% interest in Wuhan Big World Investment and Wuhan Big World management at a cash consideration of RMB200,000,000.

(d) Other transactions and balances with related parties

Related party transactions

	2016 RMB'000	2015 RMB'000
Net proceeds from Immediate Parent	—	572,943
Net repayment to Immediate Parent	(142,227)	—
Net proceeds from Ultimate Controlling Party	3,900	—
Net proceeds from other related parties	8,919	365,400
Receipts from other related parties	18,789	—
Payments to other related parties	(9,870)	(65,000)
Rental income from other related parties (i)	2,119	1,989
Loan guaranteed by a related party (Note 29(e))	180,000	200,000
Loan guaranteed by Immediate Parent and Ultimate Controlling Party (Note 29(f))	447,255	—

(i) During the year ended 31 December 2016, the Group received rental income of RMB466,087 (2015: RMB335,750) from CIG Yangtze Port PLC, a company of which Mr. Yan Zhi is the ultimate controlling equity owner. CIG Yangtze Port PL is considered as a connected person of the Group as defined under Chapter 14A of the Listing Rules.

During the year ended 31 December 2016, the Group received rental income of RMB1,652,764 (2015: RMB1,652,764) from Wuhan Zall YueXi, a subsidiary of Zall Holdings.

Balance

Balance with related parties were mainly resulting from the funding arrangements between these parties. Balances at 31 December 2016, and major terms of these balances are disclosed in notes 23 and 28.

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

The related party transactions in respect of lease agreements with Zall Yuexi and CIG Yangtze Port PLC and disposal of equity interest in Zallsoon above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Connected Transaction" of the Directors' Report.

39 DISPOSAL OF SUBSIDIARIES

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**

40 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), Jiuyu Asset Management and 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)

40 ACQUISITION OF SUBSIDIARIES (Continued)

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)

40 ACQUISITION OF SUBSIDIARIES (Continued)

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.

41 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Interests in subsidiaries	15	707,480	707,480
Current assets			
Dividends receivable		515,681	501,139
Cash and cash equivalents		14,320	4,786
		530,001	505,925
Current liabilities			
Short-term loan		447,255	—
Trade and other payables		193,942	615,232
		641,197	615,232
Net current liabilities		(111,196)	(109,307)
Total assets less current liabilities		596,284	598,173
NET ASSETS		596,284	598,173
CAPITAL AND RESERVES	34(a)		
Share capital		29,727	29,727
Reserves		566,557	568,446
TOTAL EQUITY		596,284	598,173

42 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), 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.

(Expressed in Renminbi unless otherwise indicated)

43 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 31 December 2016, the directors consider the immediate Parent and ultimate Controlling Party of the Group to be Zall Development Investment and Mr.Yan Zhi respectively. Zall Development Investment does not produce financial statements available for public use.

44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 7, Statement of cash flows: Disclosure initiative	1 January 2017
Amendments to IAS 12, Income taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to IFRS 2, Share-based payment: Classification and measurement of share-based payment transactions	1 January 2018
IFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

Amendments to IAS 7, Statement of cash flows: Disclosure initiative

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

Amendments to IAS 12, Income taxes: Recognition of deferred tax assets for unrealised losses

The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments. So far, the Group does not expect any significant impact.

IFRS 9, Financial instruments

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, Financial instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of IFRS 9.

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the Group may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to IFRS 9. The Group has not yet decided whether it will irrevocably designate these investments as FVTOCI or classify them as FVTPL. Either classification would give rise to a change in accounting policy as the current accounting policy for available-for-sale equity investments is to recognise fair value changes in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's policies set out in notes 1(g) and 1(m). This change in policy will have no impact on the Group's net assets and total comprehensive income but will impact on reported performance amounts such as profit and earnings per share.

44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

IFRS 9, Financial instruments (Continued)

(a) Classification and measurement (Continued)

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of IFRS 9.

(b) Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12 month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting IFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

(a) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 1(y). Currently, revenue arising from construction contracts and the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

IFRS 15, Revenue from contracts with customers (Continued)

(a) Timing of revenue recognition (Continued)

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the Group adopts IFRS 15 some of the Group's contract manufacturing and residential property development activities that are currently recognised at a point in time may meet the IFRS 15 criteria for revenue recognition over time. This will depend on the terms of the sales contract and the enforceability of any specific performance clauses in that contract, which may vary depending on the jurisdiction in which the contract would be enforced. It is also possible that for the remainder of the Group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

(b) Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers.

Currently, the Group does not apply such a policy when payments are received in advance.

Advance payments are not common in the Group's arrangements with its customers, with the exception of when residential properties are marketed by the Group while the property is still under construction. In this situation, the Group may offer buyers a discount compared to the sales price payable, provided the buyer agrees to pay the balance of the purchase price early.

Currently, the revenue from property sales is recognised when the property is complete, measured at the amount received from the customer, irrespective of whether the customer pays early or on completion. However, under IFRS 15 such advance payment schemes are likely to be regarded as including a financing component.

The Group is in the process of assessing whether this component in the Group's advance payment schemes would be significant to the contract and therefore whether, once IFRS 15 is adopted, the transaction price would need to be adjusted for the purposes of recognising revenue. Any adjustment to the transaction price under IFRS 15, if considered necessary, would result in interest expense being recognised while the construction work is still in progress to reflect the effect of the financing benefit obtained from the customers, with a corresponding increase to revenue on sale of properties recognised when control of the completed property is transferred to the customer.

44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

IFRS 15, Revenue from contracts with customers (Continued)

(c) Sales with a right of return

Currently when the customers are allowed to return the products, the Group estimates the level of returns and makes an adjustment against revenue and cost of sales.

The Group expects that the adoption of IFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

IFRS 16, Leases

As disclosed in note 1(j), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 36(a), at 31 December 2016 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB62,241,000 for properties, the majority of which is payable either within 1 year after the reporting date or between 1 and 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

The Group is considering whether to adopt IFRS 16 before its effective date of 1 January 2019. However, early adoption of IFRS 16 is only permitted if this is no earlier than the adoption of IFRS 15. It is therefore unlikely that IFRS 16 will be adopted before the effective date of IFRS 15, being 1 January 2018.

Major Properties Information

As at 31 December 2016

THE GROUP'S PROPERTY PORTFOLIO SUMMARY — MAJOR PROPERTIES UNDER DEVELOPMENT

	Project	Location	Expected date of completion	Intended use	Site area (sq.m.)	Gross Floor Area (sq.m.)	Group's interest (%)
1	Portion of North Hankou International Trade Center	Liudian and Shekou Villages, Panlongcheng Economics and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Dec-2017	Commercial	476,661	1,069,721	100%
2	No. 1 Enterprise Community (Phase IV)	Te No. 1 Chutian Road, Panlongcheng Economics and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Dec-2018	Residential	401,176	618,883	100%
3	Zall Life City – Hupan Haoting Residences (Phase II)	Panlongcheng Economics and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Dec-2018	Residential	105,453	219,242	100%
4	No.1 Enterprise Community – Changsha (Phase II)	Zhiji Village, Xingangzhen Kaifu District, Changsha, Hunan Province, PRC	Dec-2017	Commercial	120,652	278,352	80%
5	Portion of Jingzhou Zall City	Jinan Zhen, Sanhong Village, Jingzhou District, Jingzhou City, Hubei Province, PRC	Dec-2017	Commercial	137,802	229,006	100%
6	Tianjin E-commerce Mall (Area C)	Xijing District, Qingwu Xuefu Industrial Park, Tianjin City, PRC	Aug-2017	Commercial and residential	30,492	43,660	100%
7	Wuhan Inland Port Centre (Phase I)	Shigang Village, Yangluo Street, Xinzhou District, Wuhan, Hubei Province, PRC	Dec-2017	Logistic Center	235,971	78,731	100%

Major Properties Information (Continued)

As at 31 December 2016

THE GROUP'S PROPERTY PORTFOLIO SUMMARY — MAJOR COMPLETED PROPERTIES HELD FOR SALE

	Project	Location	Existing use	Gross Floor Area (sq.m.)	Group's interest (%)
1	Portion of North Hankou International Trade Center	Liudian and Shekou Villages, Panlongcheng Economics and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Shops and residential	843,666	100%
2	Portion of North Hankou International Trade Center-Automobile Big World	Liudian and Shekou Villages, Panlongcheng Economics and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Shops	131,449	100%
3	Portion of No. 1 Enterprise Community (Phase I, II & III)	Te No. 1 Chutian Road, Panlongcheng Economics Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Office	118,462	100%
4	Zall Life City – Hupan Haoting Residences	Panlongcheng Economics and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Residential	18,207	100%
5	Portion of Jingzhou Zall City	Jinan Zhen, Sanhong Village, Jingzhou District, Jingzhou City, Hubei Province, PRC	Shops	72,195	100%
6	No. 1 Enterprise Community – Changsha (Phase I)	Zhiji Village, Xingangzhen Kaifu District, Changsha, Hunan Province, PRC	Office	54,566	80%

Major Properties Information (Continued)

As at 31 December 2016

THE GROUP'S PROPERTY PORTFOLIO SUMMARY — MAJOR PROPERTIES HELD FOR INVESTMENT

	Project	Location	Stage of completion	Term of land	Approximate gross floor area (sq.m.)	Group's interest (%)
1	Portion of North Hankou International Trade Center	Liudian and Shekou Villages, Panlongcheng Economic and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Completed	Medium	716,086	100%
2	Portion of North Hankou International Trade Center	Te No. 1 Chutian Road, Panlongcheng Economic and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Under development	Medium	3,898	100%
3	Portion of North Hankou International Trade Center	Liudian and Shekou Villages, Panlongcheng Economic and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Completed	Medium	109,150	100%
4	North Hankou Logistics Center	Panlongcheng Economic and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Completed	Medium	25,550	100%
5	North Hankou Logistics Center	Jiangjunlu street, Dongxihu District, Wuhan, Hubei Province, PRC	Under development	Medium	18,354	100%
6	Portion of No. 1 Building of No. 1 Enterprise Community	Te No. 1 Chutian Road, Panlongcheng Economic and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Completed	Medium	6,911	100%
7	Portion of Commercial Street of No. 1 Enterprise Community	No. 18 Julong Road, Panlongcheng Economics and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Completed	Medium	11,597	100%
8	Portion of Tianjin E-commerce Mall (Area A & B)	Phase I, International Trade Centre, Tianjin E-commerce City, 32 Chuangxin Road, Xijing District, Tianjin City, PRC	Under development	Medium	519,458	100%

THE GROUP'S PROPERTY PORTFOLIO SUMMARY — MAJOR NON-CURRENT ASSETS HELD FOR SALE

	Project	Location	Approximate gross floor area (sq.m.)	Group's interest (%)
1	Portion of North Hankou International Trade Center	Liudian and Shekou Villages, Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	12,931	100%

Financial Summary

	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Result					
Turnover	1,213,375	1,029,482	1,986,129	1,581,188	1,489,928
Gross Profit	361,307	271,210	976,104	664,849	1,082,880
Increase in fair value of investment properties and non-current assets classified as held for sale	111,298	439,584	1,831,706	319,141	200,467
Fair value gain upon transfer of completed properties held for sale to investment properties	1,164,399	798,158	325,630	1,423,017	496,888
Profit for the year attributable to:					
Equity shareholders of the Company	2,048,951	2,037,727	1,572,819	1,583,747	1,150,943
Non-controlling interests	7,620	8,261	37,905	45,273	18,022
Profit for the year	2,056,571	2,045,988	1,610,724	1,629,020	1,168,965
Financial position					
Total assets	29,747,649	23,769,619	22,176,014	18,298,116	12,680,414
Total liabilities	17,608,417	13,459,088	13,613,874	11,408,962	7,261,501
Non-controlling interests	34,685	842,063	644,239	586,734	541,461
Total equity attributable to equity shareholders of the Company	12,104,547	9,468,468	7,917,901	6,302,420	4,877,452
Total Equity	12,139,232	10,310,531	8,562,140	6,889,154	5,418,913