ZALL 卓尔

Zall Group Ltd.
卓爾集團股份有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2098

Interim Report 2016

Contents

About

Zall Group Ltd.

The principal business activities of Zall Group Ltd. (formerly known as Zall Development Group Ltd., the "Group") is to develop and operate integrated wholesale trading platforms supported with logistics and warehousing, E-commerce and finance services. The Group's traditional business, property development will be only a part of the principal businesses and the Group will develop a cloud market trading and service system combining online and offline business, on the basis of physical market, logistics and property and regarding Zall Cloud Market as an opportunity, and actively promote cross-border trading, customer-end service, integrated logistics, financial services, arrangement of intelligent payment hardware and system integration, to form the world's largest B2B trading platform and database for consumer goods.

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 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)*
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, 21st Floor 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)*
Nomination Committee	Mr. Wu Ying *(Chairman) (Appointed on 29 February 2016)* Mr. Cui Jinfeng 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

Corporate Information (Continued)

Company Secretary	Mr. Chan Yik Pun *(Appointed on 8 September 2016)*
Company Website	http://www.zallcn.com/
Authorized Representatives	Mr. Cui Jinfeng Mr. Chan Yik Pun *(Appointed 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.
Principal Bankers	Bank of Communications China Construction Bank China Minsheng Banking Corp., Ltd. Hankou Bank Industrial and Commercial Bank of China

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors of Zall Group Ltd. ("Zall" or the "Company"), I am pleased to present the interim report of the Company and its subsidiaries (together, the "Group") for the period ended 30 June 2016.

In the first half of 2016, the Group has expedited its integrated business layout by means of organic growth and mergers and acquisitions during the period with the aim to build an intelligent and synergistic commercial trading ecosystem. In respect of the e-commerce sector, the Group has become the largest shareholder of Lightinthebox; in the finance sector, the Group has established Zall Financial Services Group; while in the intelligent hardware sector, the Group has announced to acquire the controlling interests in Sinocan International Technologies Co., Ltd (now renamed "Zall Fintech Co., Ltd"). Embedding a wholesale market and the internet in one, the Group's "Zall Cloud Market" program is supported by all the related business ecosystems to link up logistics, finance, data, software and service for mapping itself in the arenas of intelligent trading, internet of things and cross-border trading, in order to realise a business relationship that features synergetic interaction, mutual support and joint development. As such, the Group continues on the track of transition from a traditional real estate development enterprise to an e-commerce enterprise.

During the period, the Group's biggest project, North Hankou International Trade Centre was also greeted by historic opportunities. Following the opening of the No.1 Light Rail Line, the North Hankou Transport Terminus also commenced operation in June this year, representing the largest and most versatile transportation complex in Wuhan. The sound and convenient transportation and logistics conditions have further enhanced the status of the project in the logistics and trade centre in central China. The passenger flow of the trade centre has been increasing with the continuous improvement of logistics conditions, which has in turn promoted the growth of the Group's property lease business. In addition, the Group's online business has also made considerable progress with both the trade volume and turnover standing at outstanding levels, founding favourable conditions for the generation of recurring cash flows in the future.

Looking ahead, with increasing uncertainties in the global and domestic economies and financial landscape, it is anticipated that future financing opportunities will increase as the Chinese government continue to follow a loose monetary policy. The Group will maintain sound financial policies and strike a balance between investment and financing through adjusting their scale and pace in order to secure a sustainable and adequate cash flow level. The Group will continue to establish its business ecosystem through mergers and acquisition activities, which will be paralleled by efforts to explore new channels of debt financing or equity financing with the objectives of lowering the gearing ratio and borrowing costs while maximising the return to the shareholders.

Yan Zhi
Co-chairman

Hong Kong, 31 August 2016

Management Discussion and Analysis

BUSINESS REVIEW

On-going Strategic Transformation

In 2016, the Group furthered the efforts to build up the advantages of its core businesses by becoming increasingly online-oriented and by pressing ahead with the online-to-offline (O2O) integration of its core businesses, all in a bid to transform the Group from a traditional property developer into a service-oriented and Internet-based e-commerce enterprise in a sustainable way. Major strategies included:

(1) The development of the e-commerce business was well under way with the implementation of the Cloud Market plan, which aims at expanding the businesses of e-commerce, Internet finance, logistics information and data services by capitalising on the Group's advantages in terms of data bank through its established services of transaction, warehousing, logistics and finance of large-scale commercial, trade and logistics centres. The Cloud Market plan is comprised of three online transaction and service platforms, namely Zallgo(卓爾購), Zalljinfu(卓金服)and Zallsoon(卓集送)(formerly Zallfuhui(卓服匯)). The considerable growth, which was evidenced by a surging business volume, of these three platforms has largely consolidated Zall e-commerce's leading position in the Chinese consumer products e-commerce wholesale market;

(2) In March 2016, the Group announced the acquisition of 30% equity interests in 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)(蘭亭集勢). Being the Group's first move in its pursuit of the cross-border e-commerce business, such acquisition was expected to promote the integration of the domestic and international trading businesses of both parties, and realise the combination and link-up of the parties' online and offline resources. The acquisition was completed during the period;

(3) In April 2016, the Group announced the acquisition of the controlling interests in Zall Fintech Co., Ltd（深圳卓爾智聯科技股份有限公司）("Zall Fintech") (formerly Sinocan International Technologies Co., Ltd（深圳市匯茂科技股份有限公司）. The principal business activities of Zall Fintech are mobile payment system, touchscreen display system and intelligent POS terminal solution. The Group is of the view that Zall Fintech can enhance the Group's existing value-added services, particularly in the areas of e-commence and financial services, and enlarge the Group's future client base, and hence boost the Group's revenue and value in the long run. Such acquisition is not completed yet and pending upon the satisfaction of the conditions precedent;

(4) In June 2016, the Group announced the acquisition of the entire equity interests in Harvest Financial Leasing Co., Ltd.（嘉實融資租賃有限公司）("HFL") and Hangzhou Jiuyu Asset Management Co., Ltd.（杭州九魚資產管理有限公司）and 90% equity interests in Harvest Financial Information Services (Hangzhou) Co., Ltd.（嘉實金融信息服務(杭州)有限公司）("HFS"). At the same time, the Group also announced the establishment of Zall Financial Services Group（卓爾金融服務集團）as a professional financial platform for the provision of relevant financial services. The acquisitions, the completion of which is taking place, will allow the Group to obtain the supply chain financial leasing license and, thus, will support the rapid growth of the Group's supply chain financial service business.

Apart from the above, the Group will continue to refine a plan regarding the e-commerce and financial businesses by conducting further acquisitions, and leverage synergies with the Group's existing resources.

The Group's businesses are currently categorised into offline businesses and online businesses as follows:

Offline businesses

North Hankou International Trade Centre is the flagship project of the Group. Leveraging the well-established platform which comprises a large number of tenants, North Hankou International Trade Centre has seen new breakthroughs in its development of foreign trade and its restructuring towards e-commerce. In the first half of 2016, the redevelopment of the entire Hanzheng Street and the relocation of the merchants therefrom to North Hankou International Trade Centre progressed at a fast pace, and lease agreements have been entered into between nearly 1,000 merchants from various markets on Hanzheng Street and the North Hankou market since April 2016. The relocation has contributed to the prosperous development of the North Hankou International Trade Centre with flourishing and growing number and size of chambers of commerce and industry associations and more and more sales fairs being orgranised for different industries. The fairs and shows achieved great success. For instance, the 2nd Hubei Hotel Supplies Trade Show（湖北省第二屆酒店用品博覽會）recorded sales of RMB517 million over three days, while the 4th North Hankou Art and Stationery Supplies Trade Show（漢口北第四屆文化用品博覽會）achieved sales of RMB600 million in two days. With the establishment of the Hubei Import and Export Incubation Market Base（湖北省進出口孵化市場基地）and the Hubei Pilot Market for Domestic and Foreign Trade（湖北省內外貿結合試點市場）, North Hankou International Trade Centre, which is recognised as a National E-commerce Demonstration Base（國家級電子商務示範基地）by the Ministry of Commerce of the PRC, will continue to develop into the largest e-commerce cluster in Central China.

In respect of foreign trade, North Hankou Imported Goods Display Centre "萬國優選" has come into operation, showcasing a comprehensive array of imported goods including mother and child care products, food and beverages, wines, daily chemical products, fruits and seafood. Following the visit paid by a delegation of trade representatives from Thai enterprises, it is agreed that the co-operation with North Hankou Imported Goods Display Centre will be strengthened to increase the amount of local Thai products directly imported to Wuhan.

In respect of the restructuring towards e-commerce, the North Hankou E-commerce Base is recognised as a National E-commerce Demonstration Base（國家級電子商務示範基地）, and the North Hankou E-commerce Mall has commenced operation, which along with e-commerce buildings, venture centres for university students and salons for e-commerce maker, has developed into a comprehensive complex with considerable scale. Capitailsing on its real estate advantages in the offline market, the Group launched the Vanguard Online Shop Support Scheme（萬家網店扶持計劃）jointly with Alibaba Group in the Wuhan industrial belt. The scheme has attracted more than 3,000 online wholesalers to expand their businesses through the North Hankou E-commerce Base, bringing in a monthly transaction amount of over RMB800 million. Following the roll-out of the North Hankou version of the ICBC e-Buy platform, more than 4,000 merchants in North Hankou have subscribed to the service.

Management Discussion and Analysis (Continued)

In respect of transport infrastructure, the North Hankou Transport Terminal went into operation in June 2016. The terminal is the largest integrated transport complex in Wuhan, offering the most comprehensive transport services for the region. On the first day of operation, it already serves as the stations or stops of 100 intercity bus routes with more than 300 arrivals and departures. In the remainder of the year, 200 more regional lines will be expected to stop at the terminal and it is expected to serve buses running in most part of 17 provinces and municipalities including Zhejiang, Fujian, Henan, Anhui and Hunan. The North Hankou Transport Terminal is connected with Line 1 of the Wuhan Light Rail and a public transport terminal is under planning, so as to facilitate seamless transfers between long-distance passenger travels, daily commuting and rail travels. In addition, the Liudian Interchange was opened to traffic in June 2016. The opening of such transport infrastructures is of great significance as it further improves the commercial and trade logistics network in North Hankou and enhances the advantages of North Hankou as a transportation hub, giving North Hankou the capability to expand its passenger flow and logistics network into other parts of the province as well as eastern, central and western China.

Apart from North Hankou International Trade Centre, the construction works of the main part of Tianjin Zall E-commerce Mall were completed and part of the commercial and trade zones, the interior decorative works of which were completed, have commenced operation. Haining Leather City（海寧皮革城）, which has commenced operation in Tianjin, has become the largest market in northern China specialising in fur trade. In addition, Fur Clothing New Market（動批服裝新城）was opened for business on 30 April 2016. Imported Goods Display Centre "萬國優選" located in Jingzhou Zall E-commerce Mall also started to operate during the period. Haining Leather City will commence operation in September 2016 and is expected to become the largest market in Jingzhou specialising in fur trade.

Online businesses

The Group's has formulated a cross-platform closed loop ecosystem, the "Cloud Market" ("Zall Cloud Market"), by intergrating three major online platforms, namely Zallgo, Zalljinfu and Zallsoon, which offer online trading, financing support, intelligent logistics and other links of wholesale trade, respectively, and allow merchants to enjoys big data integration services. Zall Cloud Market aims at a full integration of physical wholesale market and e-commerce based on the foundation and advantages in terms of property, customers, logistics and data of the offline physical commerce and trade markets in North Hankou. The three major online trading and service platforms, namely Zallgo, Zallsoon and Zalljinfu, were launched to form a commerce and trade logistics closed loop that covers areas including online wholesale, information management, supply chain financing and intelligent logistics property services. After over half a year of development, improvement, online promotion and marketing, a brand new business model with an increasing number of commerce and trade customers and a close co-ordination between online operation and offline execution has been established. This model now covers all the key wholesale markets across China with a nationwide wholesale trade network radiating from Hubei.

In addition, Mr. Wei Zhe, David, was appointed as independent non-executive director of the Group on 11 April this year. With extensive experience in e-commerce and operational management as management member of multi-national corporations such as Alibaba.com Limited, he will be able to offer invaluable insight on the Group's development.

Being the archetype of B2B trading service platform, Zallgo was listed among the "Top-10 Reputable Firms" ranking in the FMCG industry of China at the first China Internet plus FMCG Industry Forum, receiving wide recognition from industry peers and merchants. As at 30 June 2016, the coverage of Zallgo encompassed over 400 key wholesale markets and over 40,000 merchants across China with a combined transaction amount of RMB15.5 billion.

Management Discussion and Analysis (Continued)

Through the integration of resource advantages and product advantages of traditional financial institutions and other financial institutions, the Group created a Cloud Market O2O financial ecosystem. Zalljinfu is the supply chain financial service platform under Zall Cloud Market. It supports the development of a large number of upstream and downstream small- and medium-sized enterprises on the supply chains of major corporations by providing a wide array of services, such as extracting trade behaviour and transaction records using big data, granting credit facilities, financing, capital settlement and other services by co-operating with banks and other financial institutions. It can effectively solve the financing problems of small- and medium-sized wholesale merchants. Currently, its principal activities include Zallbangdai（卓幫貸）, Zallbangchou（卓幫籌）and Zalldanbao（卓擔保）, which provide facility matching services with financial institutions, an exchange platform between merchants and guarantee services respectively. Furthermore, the Group integrates e-commerce and financing and fosters a symbiotic business environment through acquisitions. As at 30 June 2016, the number of registered users on Zalljinfu reached 80,000 and the total financing amount with the platform was RMB2.2 billion, of which 97% were from Zallbangdai and 3% were from Zallbangchou.

As for the logistic business, the Group created Zallsoon, a logistics information platform and a trading platform. With the wholesale market which has concentrated logistics demand as the starting point and offering outstanding freight forwarding services as its business philosophy, Zallsoon is attuned to the characteristics of logistics transactions, created a logistics information platform and a 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 make the services transparent and simple. Zallsoon's smartphone APP offers accurate logistics, handy calling and freight exchange services to owners of cargo, freight-forwarding enterprises and owners of vehicles. Capitalising on the wealth of offline and online cargo sources from key physical wholesale markets across China and Zall Cloud Market, Zallsoon can quickly match and provide information to transportation service users and providers and also realise real-time tracking for transportation across the whole country. With a new "Internet Plus" logistics service model, the powerful database allows vehicles to pick up additional cargoes on the way to and back from their destinations, thereby lowering their empty rates and minimising the resources and time used by the owners of cargoes and vehicles. Zallsoon has opened three branch city stations in Zhengzhou, Tianjin and Changsha and intends to open 16 more branch city stations by the end of the year. By extending from Hubei to the whole country, Zallsoon is now a new engine of the transformation of the domestic logistics industry. It also acts an important link in Zall Cloud Market by bringing Zall Cloud Market to every corner of China and taking an important step towards becoming the largest online and offline integrated wholesale trading platform in the country. As at the end of June, Zallsoon had a daily average order number of 20,000, a total transportation capacity of nearly 10,000 vehicles, 35,000 registered members and a total logistic service amount of RMB500 million.

RESULTS OF OPERATION

Operating revenue

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000 (Restated)
Sale of properties	509,160	485,130
Rental income	94,889	43,209
Others	22,023	11,021
	626,072	539,360

Revenue of the Group increased by approximately 16.1% from RMB539.4 million for the six months ended 30 June 2015 to RMB626.1 million for the six months ended 30 June 2016. The increase was primarily due to (i) increase in the sales of properties of RMB24.0 million; (ii) increase in rental income of RMB51.7 million; and (iii) increase in revenue derived from construction contracts of RMB11.6 million during the period.

Sale of properties

Revenue from the sale of properties increased by approximately 5.0% from RMB485.1 million for the six months ended 30 June 2015 to RMB509.1 million for the six months ended 30 June 2016.

The Group's revenue from sales of properties was generated from the sale of wholesale shopping mall units and retails units.

The increase in revenue was mainly attributed to offsetting impact of (i) the increase in the revenue derived from No.1 Enterprise Community — Chengsha, Tianjin Zall E-commerce Mall and Jingzhou Zall City of RMB223.3 million; and (ii) the decrease in the revenue derived from other projects including North Hankou Project, No. 1 Enterprise Community — Wuhan, Zall Life City — Zall Hupan Haoting and Wuhan Salon of RMB199.3 million during the period.

Rental income

The Group's rental income increased significantly by approximately 119.7% from RMB43.2 million for the six months ended 30 June 2015 to RMB94.9 million for the six months ended 30 June 2016. The increase was primarily due to an increase in the rental area in the North Hankou Project and an increase in rent per square meter during the period.

Cost of sales

The Group's cost of sales mainly includes construction costs of properties sold, rental expenses and cost incurred for construction contracts. Cost of sales of the Group increased by approximately 46.3% from RMB273.5 million for the six months ended 30 June 2015 to RMB400.2 million for the six months ended 30 June 2016. The increase in cost of sales was in line with the increase of properties GFA sold during the period.

Gross profit

Gross profit of the Group decreased by approximately 15.0% from RMB265.9 million for the six months ended 30 June 2015 to RMB225.9 million for the six months ended 30 June 2016. The Group's gross profit margin decreased from 49.3% in first half year of 2015 to 36.1% in first half year of 2016 mainly due to the changes in the combination of the properties delivered during the period. In first half year of 2016, the revenue generated from North Hankou Project was mainly related to sale of industrial premises in North Hankou Industrial City, of which the gross profit margin was lower than the sale of wholesale shopping mall units and auxiliary facilities units in North Hankou International Trade Centre for the same period in 2015.

Other income

Other income of the Group increased significantly from RMB75.5 million for the six months ended 30 June 2015 to RMB930.7 million for the six months ended 30 June 2016. The other income increased by approximately RMB855.2 million, which was mainly attributable to the increase of the fair value change on financial assets at fair value through profit or loss amounted to approximately RMB854.1 million.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately 9.9% from RMB66.2 million for the six months ended 30 June 2015 to RMB59.6 million for the six months ended 30 June 2016. The decrease was primarily due to the offsetting effect of (i) an increase of RMB4.8 million and RMB3.7 million in advertising promotion expenses and staff costs respectively; and (ii) a decrease of RMB18.2 million in the promotion expenses incurred in respect of the Zall Football Club, which was disposed during the second half year of 2015.

Administrative and other expenses

Administrative and other expenses of the Group increased slightly by approximately 4.1% from RMB64.2 million for the six months ended 30 June 2015 to RMB66.8 million for the six months ended 30 June 2016. The increase was primarily due to the offsetting effect of (i) an increase of RMB5.8 million in properties tax due to the increase in the rental of North Hankou Project during the period; (ii) increase in stamp duty of RMB4.1 million due to increase in signed contract amount during the period; (iii) a decrease of RMB3.5 million in entertainment, travelling and related expenses; (iv) a decrease of RMB2.2 million in rental expenses; and (v) a decrease of RMB1.7 million in equity settled share-based payment expenses due to all pre-IPO share options was either exercised or forfeited during the second half year of 2015.

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 six months ended 30 June 2016, the Group recorded fair value change of investment properties and non-current assets classified as held for sale of RMB106.3 million (for six months ended 30 June 2015: RMB550.7 million) and fair value gain upon transfer of completed properties held for sale to investment properties of RMB626.4 million (for six months ended 30 June 2015: RMB817.9 million). The decrease of fair value gain of RMB635.9 million in total was attributable to the slowdown in the increment of the fair value of the investment properties and the decrease of GFA in completed properties held for sale transferred to investment properties during the period.

Share of (losses)/profits of joint ventures

No share of profit from Wuhan Big World Investment and Development Co., Ltd ("Wuhan Big World Investment") for the six months ended 30 June 2016, as the entity became a subsidiary of the Group after business combination during the second half year of 2015.

Share of losses of associates

Share of losses of associates for the six months ended 30 June 2016 mainly consisted of share of three months loss of LightInTheBox which has become an associate of the Group upon the acquisition of 30% of its shareholdings in the end of March of 2016. The Group's equity interest of LightInTheBox increase to 30.8% after purchased another 1,126,930 shares of LightInTheBox in the public market during June 2016.

Gain on disposal of subsidiaries

For the six months ended 30 June 2016, the Group disposed its subsidiary, namely Wuhan Panlong Zall Properties Co., Ltd, and recognised an gain of RMB95.6 million during the period.

Fair value change on the embedded derivative component of the convertible bonds

During the six months ended 30 June 2016, no fair value change on the embedded derivative component of the convertible bonds was recognised as the convertible bonds was fully redempted in second half year of 2015.

Finance income and costs

For the six months ended 30 June 2016, interest income of RMB3.1 million (for six months ended 30 June 2015: RMB1.5 million) was credited to the consolidated statement of profit or loss.

For the six months ended 30 June 2016, a net finance cost of RMB64.7 million (for six months ended 30 June 2015: RMB172.1 million) was charged to the consolidated statement of profit or loss. The decrease was mainly attributable to an offsetting effect of (i) increase in interest expenses incurred on bank loans and loans from other financial institutions and other borrowing costs and (ii) decrease in interest expenses related to the convertible bonds, which was fully redempted in second half year of 2015.

Income tax

Income tax decreased by approximately 43.9% from RMB568.3 million for the six months ended 30 June 2015 to RMB319.0 million for the six months ended 30 June 2016. The decrease was mainly due to the offsetting effect of (i) the increase in current PRC corporate income tax of RMB4.8 million as the taxable profit increased; (ii) the decrease of current PRC LAT of RMB3.5 million due to the decrease in profit on properties sales; and (iii) the decrease of deferred tax of RMB250.5 million mainly due to the decrease in temporary differences from fair value changes of investment properties. As a result, the Group's effective tax rate was decreased from approximately 32.7% for the six months ended on 30 June 2015 to approximately 17.8% for the six months ended on 30 June 2016.

Profit for the period

For the six months ended 30 June 2016, the Group recorded a net profit of RMB1,472.8 million. Profit attributable to equity shareholders of the Company was RMB1,463.3 million, representing a increase of approximately 25.0% over the amount of RMB1,171.1 million for the six months ended 30 June 2015.

Liquidity and capital resources

As at 30 June 2016, cash and cash equivalents of the Group was RMB378.2 million (31 December 2015: RMB243.5 million). The Group's cash and cash equivalents consist primarily of cash on hand and bank balances.

Capital expenditure

For the six months ended 30 June 2016, the Group's total expenditure in respect of property, plant and equipment and investment properties under development amounted to RMB30.3 million and RMB32.6 million (six months ended 30 June 2015: RMB1.4 million and RMB187.8 million), respectively.

Bank loans and loans from other financial institutions

As at 30 June 2016, the Group's total long-term and short-term loans was RMB7,549.6 million, representing a increase of RMB1,154.8 million over the amount of RMB6,394.8 million as at 31 December 2015. Majority of the loans were denominated in RMB, being the functional currency of the Group.

Net gearing ratio

As at 30 June 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 62.0% (31 December 2015: 60.2%).

Foreign exchange risk

The Group's sales were primarily denominated in RMB, being the functional currency of the Group's major operating subsidiaries. Accordingly, the Board expects any future exchange rate fluctuation will not have any material effect on the Group's business. As at 30 June 2016, the Group did not use any financial instruments for hedging purpose.

Charge on assets

As at 30 June 2016, the Group had pledged certain of its assets with a total book value of RMB13,651.4 million (31 December 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 period, the Group's wholly owned subsidiary, Wuhan North Hankou Guarantee Investment Company Limited ("Wuhan Guarantee Investment") is principally engaged in provision of business start-up loan guarantee and personal loan guarantee for small and medium sized enterprises 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 30 June 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 RMB102.5 million (31 December 2015: RMB103.4 million) and RMB1,137.0 million (31 December 2015: RMB1,455.9 million), respectively.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, the Group employed a total of 1,178 full time employees (31 December 2015: 979). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2016, the employees benefit expenses were RMB35.7 million (for six months ended 30 June 2015: RMB26.9 million). The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires.

Disclosure of Other Information

INFORMATION ON 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 (as defined below) 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 may be issued upon exercise of options which may be granted under the Share Option Scheme shall not in aggregate exceed 1,050,000,000 shares, representing 9.77% of the number of shares in issue as at the date of this interim report.

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"); and

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

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

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

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

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

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

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

8. *The basis of determining the exercise price*

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

9. *The remaining life of the Share Option Scheme*

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 30 June 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. As at 30 June 2016, all the options were either exercised or lapsed and no further option could be granted under the Pre-IPO Share Option Scheme.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

During the six months ended 30 June 2016, no right to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any director or their respective spouse or minor children, nor were any such rights exercised by them; nor 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.

Disclosure of Other Information (Continued)

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

As at 30 June 2016, the interests or short positions of each director and chief executive of the Company in the shares, underlying shares or debentures of the Company or its any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are being taken or deemed to have taken under such provision of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

(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)	Interest of a controlled corporation	8,058,333,000	74.99%
Yan Zhi	Beneficial owner	56,613,000	0.53%
Gang Yu	Beneficial owner	160,344,000	1.49%
Cui Jinfeng	Beneficial owner	1,312,500	0.01%

Note: The 8,058,333,000 shares are held by Zall Development Investment Company Limited, a company which is wholly owned by Yan Zhi.

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2016.

Save as disclosed above, as at 30 June 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) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO), or which were 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.

Disclosure of Other Information (Continued)

SUBSTANTIAL SHAREHOLDERS

So far as is known to any director, as at 30 June 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 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 Company Limited	Beneficial owner	8,058,333,000[(1)]	74.99%
Ji Changqun	Deemed interest in controlled corporation	949,224,000[(2)]	8.83%
Magnolia Wealth International Limited	Deemed interest in controlled corporation	949,224,000[(2)]	8.83%
Fullshare Holdings Limited	Deemed interest in controlled corporation	949,224,000[(2)]	8.83%
Rich Unicorn Holdings Limited	Beneficial owner	949,224,000[(2)]	8.83%

Notes:

(1) Zall Development Investment Company Limited is a company wholly owned by 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 58.32% by Magnolia Wealth International Limited, which in turn is wholly owned by Ji Changqun. Ji Changqun also directly owns 5.95% 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 30 June 2016.

Save as disclosed above, as at 30 June 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.

Disclosure of Other Information (Continued)

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintain a stringent corporate governance practices and procedures and has adopted the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules as its corporate governance code upon its listing on the Stock Exchange. In the opinion of the Board, save for the deviations as disclosed below, the Company has complied with the code provisions as set out in the CG Code throughout the period ended 30 June 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 period ended 30 June 2016, the Company did not separate the roles of chairman and chief executive officer of the Company and Mr. Yan Zhi acted as the co-chairman and also acts as the chief executive officer of the Company. The Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies currently and in the foreseeable future. The Group will nevertheless review the structure from time to time in light of the prevailing circumstances.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code for dealing in securities of the Company by the directors. The Board confirms that, having made specific enquiries with all directors, all directors have complied with the required standards of the Model Code throughout the period ended 30 June 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period ended 30 June 2016, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CONNECTED TRANSACTIONS

During the six months ended 30 June 2016, the Group had the following connected transactions with its connected persons:

(a) Sub-license agreement with CIG Yangtze Corporate and Project Finance Limited ("CIG")

On 4 October 2013, Zall Development (HK) Holding Company Limited ("Zall Hong Kong"), a subsidiary of the Company, entered into a sub-license agreement (the "Sub-license Agreement") with CIG, a wholly-owned subsidiary of CIG Yangtze Ports PLC, pursuant to which CIG agreed to sub-lease from Zall HK the office premises situated at Suite 1606, 16th floor of Two Exchange Square, Central, Hong Kong for the period from 9 October 2013 to 31 May 2016 at a monthly sub-license fee of HKD34,402. The Sub-license Agreement was ended on 31 May 2016. On 29 April 2016, Zall HK entered into a new Sub-license agreement with CIG, pursuant to which CIG agreed to sub-lease from Zall HK the office premises situated at Suite 2101, 21th floor of Two Exchange Square, Central, Hong Kong for the period from 1 June 2016 to 31 May 2019 at a monthly sub-license fee of HKD52,301. The total amount of the sub-license fee for the period ended 30 June 2016 was HKD224,311 (equivalent to approximately RMB189,818) (six month ended 30 June 2015: HKD206,412, equivalent to approximately RMB162,805).

CIG is held indirectly as to 74.81% by Mr. Yan Zhi ("Mr. Yan Zhi"), one of the Company's controlling shareholders, and is a connected person of the Company for the purpose of the Listing Rules. The transaction under both Sub-license Agreements constitute 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 0.1%, 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.76 of the Listing Rules.

The sub-license fee received from CIG under the both Sub-license Agreements was determined on an arm's length basis and reflected the prevailing market rent at that time. Both Sub-license Agreements were entered into on normal commercial terms, and the terms of which are no less favorable to the Group than terms available to or from independent third parties.

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

On 28 September 2014, Zall Development (Wuhan) Co., Ltd. ("Zall Wuhan", an indirect 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 Wuhan 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 no less favorable to the Group than terms available to or from independent third parties.

Wuhan Zall Yuexi is held indirectly as to 99.5% 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 HKD3,000,000, 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.76 of the Listing Rules.

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 24 to the unaudited interim financial statements constitutes a connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49, 14A.71 and 14A.72 of the Listing Rules.

AUDITORS

The interim financial report for the six months ended 30 June 2016 is unaudited and has not been reviewed by the auditors, but has been reviewed by the audit committee of the Company (the "Audit Committee").

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for the respective financial year but is derived from those financial statements. As a result of the equity swap agreement with Zall Holdings Company Limited, certain comparative figures relating to period ended 30 June 2015 have been restated to account for as disposal and acquisitions, instead of business combination under common control. The auditors have expressed an unqualified opinion on those financial statements in their report dated 31 March 2016.

Disclosure of Other Information (Continued)

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 has reviewed the Group's unaudited condensed consolidated interim results and financial report for the six months ended 30 June 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. 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.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016. (six months ended 30 June 2015: Nil).

DIRECTORS

As at the date of this interim report, the executive Directors are Mr. Yan Zhi, Dr. Gang Yu, Mr. Cui Jinfeng, Mr. Wang Chuang and Mr. Peng Chi and the independent non-executive Directors are Mr. Cheung Ka Fai, Mr. Wu Ying and Mr. Wei Zhe, David.

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

Hong Kong, 31 August 2016

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2016 RMB'000	2015 RMB'000 Restated
Revenue	3	626,072	539,360
Cost of sales		(400,182)	(273,498)
Gross profit		225,890	265,862
Other income	4	930,744	75,541
Selling and distribution expenses		(59,621)	(66,176)
Administrative and other expenses		(66,846)	(64,228)
Profit from operations before changes in fair value of investment properties		1,030,167	210,999
Increase in fair value of investment properties and non-current assets classified as held for sale	10	106,324	550,708
Fair value gain upon transfer of completed properties held for sale to investment properties	10	626,390	817,901
Profit from operations after changes in fair value of investment properties		1,762,881	1,579,608
Share of (losses)/profits of joint ventures		(21)	10,336
Share of losses of associates	11	(4,994)	—
Gain on disposal of subsidiaries	25	95,561	308,551
Fair value change on embedded derivative component of the convertible bonds		—	11,347
Finance income	5(a)	3,120	1,504
Finance costs	5(a)	(64,670)	(172,123)
Profit before taxation	5	1,791,877	1,739,223
Income tax	6	(319,044)	(568,312)
Profit for the period		1,472,833	1,170,911
Attributable to:			
Equity shareholders of the Company		1,463,367	1,171,131
Non-controlling interests		9,466	(220)
Profit for the period		1,472,833	1,170,911
Earnings per share (Note)			
Basic (RMB)	8	0.136	0.112
Diluted (RMB)	8	0.136	0.111

Note: Earnings per share for six moths ended 30 June 2015 has been retroactively adjusted for the Share Subdivision (note 8) and the adjustments mentioned in note 27.

The notes on pages 28 to 48 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 21.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2016 RMB'000	2015 RMB'000 Restated
Profit for the period		1,472,833	1,170,911
Other comprehensive income for the period (after tax and reclassification adjustments):	7		
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of:			
— financial statements of subsidiaries outside the Mainland China, net of nil tax		(21,371)	(3,496)
Other financial assets: net movement on fair value reserve		—	4,013
Total comprehensive income for the period		1,451,462	1,171,428
Attributable to:			
Equity shareholders of the Company		1,441,996	1,171,648
Non-controlling interests		9,466	(220)
Total comprehensive income for the period		1,451,462	1,171,428

The notes on pages 28 to 48 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2016 — unaudited
(Expressed in Renminbi)

	Note	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Non-current assets			
Property, plant and equipment	9	164,690	224,338
Investment properties	10	13,658,400	12,519,200
Interest in associates	11	502,904	—
Interest in joint ventures		89,305	89,326
Deferred tax assets		227,825	202,504
Long-term receivables	12	220,959	208,659
		14,864,083	13,244,027
Current assets			
Financial assets at fair value through profit or loss	13	2,014,958	1,083,176
Properties under development	14	3,299,087	4,010,176
Completed properties held for sale	15	4,286,310	3,736,630
Current tax assets		29,964	29,447
Trade and other receivables, prepayments	16	1,495,252	827,143
Restricted cash		405,471	441,650
Cash and cash equivalents	17	378,172	243,470
		11,909,214	10,371,692
Non-current assets classified as held for sale		153,705	153,900
		12,062,919	10,525,592
Current liabilities			
Trade and other payables	18	3,865,101	3,629,542
Bank loans and loans from other financial institutions	19	2,610,774	1,682,081
Current tax liabilities		237,182	186,254
Deferred income		15,725	15,983
Liabilities directly associated with non-current assets classified as held for sale		38,311	38,231
		6,767,093	5,552,091
Net current assets		5,295,826	4,973,501
Total assets less current liabilities		20,159,909	18,217,528

Consolidated Statement of Financial Position (Continued)

At 30 June 2016 — unaudited
(Expressed in Renminbi)

	Note	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Non-current liabilities			
Bank loans and loans from other financial institutions	19	4,938,867	4,712,680
Deferred income		11,835	19,569
Deferred tax liabilities		3,447,214	3,174,748
		8,397,916	7,906,997
NET ASSETS		11,761,993	10,310,531
CAPITAL AND RESERVES			
Share capital		29,727	29,727
Reserves		10,880,737	9,438,741
Total equity attributable to equity shareholders of the Company		10,910,464	9,468,468
Non-controlling interests		851,529	842,063
TOTAL EQUITY		11,761,993	10,310,531

Approved and authorised for issue by the board of directors on 31 August 2016.

Yan Zhi
Co-chairman/Executive Director

Cui Jinfeng
Executive Director

The notes on pages 28 to 48 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016 — unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company											
	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	Fair value reserve RMB'000	Revaluation reserve RMB'000	Retaind profit RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance 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 the six months ended 30 June 2015:												
Profit for the period, as restated	—	—	—	—	—	—	—	—	1,171,131	1,171,131	(220)	1,170,911
Other comprehensive income	—	—	—	—	—	(3,496)	4,013	—	—	517	—	517
Total comprehensive income, as restated	—	—	—	—	—	(3,496)	4,013	—	1,171,131	1,171,648	(220)	1,171,428
Transfer to PRC statutory reserve	—	—	3,148	—	—	—	—	—	(3,148)	—	—	—
Equity settled share-based transaction	—	—	—	—	1,733	—	—	—	—	1,733	—	1,733
Arising from disposal of subsidiaries	—	—	(17,324)	—	—	—	—	—	17,324	—	(596,528)	(596,528)
Dividends declared in respect of the current period	—	(582,785)	—	—	—	—	—	—	—	(582,785)	—	(582,785)
Balance at 30 June 2015 and 1 July 2015, as restated	29,071	596,904	167,402	(104,334)	40,423	(18,812)	4,013	36,946	7,756,884	8,508,497	47,491	8,555,988
Changes in equity for the six months ended 31 December 2015:												
Profit for the period	—	—	—	—	—	—	—	—	866,596	866,596	8,481	875,077
Other comprehensive income	—	—	—	—	—	(45,534)	(4,013)	—	—	(49,547)	—	(49,547)
Total comprehensive income	—	—	—	—	—	(45,534)	(4,013)	—	866,596	817,049	8,481	825,530
Placing of new shares	421	121,926	—	—	—	—	—	—	—	122,347	—	122,347
Transfer to PRC statutory reserve	—	—	84,104	—	—	—	—	—	(84,104)	—	—	—
Equity settled share-based transaction	235	60,763	—	—	(40,423)	—	—	—	—	20,575	—	20,575
Arising from acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	805,691	805,691
Arising from disposal of subsidiaries	—	—	(66)	—	—	—	—	—	66	—	—	—
Capital withdrawn by non-controlling interest	—	—	—	—	—	—	—	—	—	—	(19,600)	(19,600)
Balance 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 six months ended 30 June 2016 — unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company										
	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	Retaind profit RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance 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 the six months ended 30 June 2016:											
Profit for the period	–	–	–	–	–	–	–	1,463,367	1,463,367	9,466	1,472,833
Other comprehensive income	–	–	–	–	–	(21,371)	–	–	(21,371)	–	(21,371)
Total comprehensive income	–	–	–	–	–	(21,371)	–	1,463,367	1,441,996	9,466	1,451,462
Arising from disposal of subsidiaries	–	–	–	52	–	–	–	(52)	–	–	–
At 30 June 2016	29,727	779,593	251,440	(104,282)	–	(85,717)	36,946	10,002,757	10,910,464	851,529	11,761,993

The notes on pages 28 to 48 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2016 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2016 RMB'000	2015 RMB'000 Restated
Cash generated from/(used in) operations		7,174	(571,971)
PRC taxes paid		(21,408)	(75,259)
Net cash used in operating activities		(14,234)	(647,230)
Payment for the purchase of property, plant and equipment	9	(30,278)	(1,415)
Cash receipt from disposal of property, plant and equipment		117	—
Increase in restricted cash		(8,500)	(31,000)
Cash receipt from disposal of subsidiaries	25	29,984	527,167
Cash receipt from acquisition of subsidiaries		—	14,086
Payment for investment in associates		(507,898)	—
Payment for investment in warrant to subscribe ordinary shares		(7,528)	—
Advance to acquisition of subsidiaries		(159,009)	—
Dividends received from financial assets at fair value through profit or loss		6,805	—
Other cash flow arising from investing activities		3,120	1,504
Net cash (used in)/generated from investing activities		(673,187)	510,342
Repayment of convertible bonds issued		—	(70,915)
Proceeds from new bank loans		1,978,180	2,580,600
Repayment of bank loans		(823,300)	(687,651)
Interest and other borrowing costs paid		(293,632)	(272,293)
Proceeds from loans from the Immediate Holding Company	24(b)	156,558	—
Repayment of loans from the Immediate Holding Company	24(b)	(118,513)	—
Advances to acquisition of non-controlling interest in a subsidiary		(100,000)	—
Other cash flow generated from/(used in) financing activities		44,679	(31,201)
Net cash generated from financing activities		843,972	1,518,540
Net increase in cash and cash equivalents		156,551	1,381,652
Cash and cash equivalents at 1 January		243,470	262,340
Effect of foreign exchange rate changes		(21,849)	(3,483)
Cash and cash equivalents at 30 June	17	378,172	1,640,509

The notes on pages 28 to 48 form part of this interim financial report.

Notes to the Unaudited Interim Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

(a) The interim financial information have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 31 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for 1) new accounting policy applied by the Group as set out in note 1(b); and 2) the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Zall Group Ltd. (the "Company") and its subsidiaries (together the "Group") since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial information is unaudited and has not been reviewed by the auditors, but has been reviewed by the audit committee of the Company (the "Audit Committee").

(b) Associates

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.

An investment in an associate 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). 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. 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 period are recognized 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 recognized 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, 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.

1 BASIS OF PREPARATION (Continued)

(b) Associates (Continued)

Unrealized profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized 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, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group.

— Annual Improvements to IFRSs 2012-2014 Cycle

— Amendments to IAS 1, Presentation of financial statements: Disclosure initiative

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

Annual Improvements to IFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, IAS 34, Interim financial reporting, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

Amendments to IAS 1, Presentation of financial statements: Disclosure initiative

The amendments to IAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

3 REVENUE AND SEGMENT REPORTING

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

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000 Restated
Sales of properties	509,160	485,130
Rental income	94,889	43,209
Others	22,023	11,021
	626,072	539,360

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.

The Group's operations are not subject to seasonality fluctuations.

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial data and 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. No segment information is presented in respect of the Group's operating segment as the Group is mainly engaged in one segment in the PRC. The Group started to develop its e-commerce, internet finance and logistics information and data services in the second half of 2015. Since these operations were newly set up, the revenue and profit generated from these operations are less than 10% of the combined revenue and profits of all reporting segments. The total assets of these operations are also less than 10% of the combined assets of all reporting segments. Hence management did not separately disclose segment information regarding these operations.

4 OTHER INCOME

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000 Restated
Loss on early redemption of convertible bonds	—	(10,642)
Loss on disposal of non-current assets classified as held for sale	(597)	—
Fair value change on financial assets at fair value through profit or loss	924,254	70,133
Dividend from financial assets at fair value through profit or loss	6,805	—
Government grants	32	2,500
Football club related revenue	—	12,374
Others	250	1,176
	930,744	75,541

5 PROFIT BEFORE TAXATION

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

	Six months ended 30 June 2016 RMB'000	Six months ended 30 June 2015 RMB'000 Restated
(a) Finance (income)/costs		
Finance income		
Interest income	(3,120)	(1,504)
Finance costs		
Interest on convertible bonds	—	151,435
Interest on bank loans and loans from other financial institutions	280,342	254,211
Other borrowing costs	9,404	3,113
Less: Amounts capitalised into properties under development and investment properties under development	(229,387)	(239,981)
	60,359	168,778
Bank charge and others	3,832	3,900
Net foreign exchange loss/(gain)	479	(555)
	64,670	172,123
(b) Staff costs		
Salaries, wages and other benefits	30,966	20,621
Contributions to defined contribution retirement plans	4,712	4,553
Equity settled share-based payment expenses	—	1,733
	35,678	26,907
(c) Other items		
Amortisation	—	4,223
Depreciation	8,901	5,108
Operating lease charges	14,373	18,080
Cost of construction contract	12,299	—
Cost of properties sold (i)	358,476	255,342

(i) Cost of properties sold is after netting off benefits from government grants of Nil (six months ended 30 June 2015: RMB5,697,000).

6 INCOME TAX

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Current tax		
PRC Corporate Income Tax ("PRC CIT")	37,603	32,832
PRC Land Appreciation Tax ("PRC LAT")	34,215	37,763
	71,818	70,595
Deferred tax		
Origination and reversal of temporary differences	247,226	497,717
	319,044	568,312

(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 period (six months ended 30 June 2015: Nil).

(ii) PRC CIT

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

(iii) PRC LAT

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

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

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

6 INCOME TAX (Continued)

(iv) Withholding tax

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

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

(v) The Group has reviewed the investment properties project, namely Tianjin Zall E-Commerce Mall held by Zall Development (Tianjin) Co.,Ltd 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 these part of properties will be operated through selling the operating right for a term of 20 years. As a result, no deferred LAT relating to these properties amounting are accrued during the six months ended 30 June 2016 accordingly.

7 OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
		Restated
Exchange differences on translation of:		
— financial statements of subsidiaries outside the Mainland China, net of nil tax	**(21,371)**	(3,496)
Other financial assets: net movement on fair value reserve	**—**	4,013
Other comprehensive income	**(21,371)**	517

8 EARNINGS PER SHARE

The par value of the ordinary shares of the Company was initially at HKD0.01 per share. With effect from 19 October 2015, each of the then existing issued and unissued shares of the Company was subdivided into 3 subdivided shares of HKD0.0033̇ each (each defined as "Subdivided Share"), after an ordinary resolution was passed at the annual general meeting of the Company held on 16 October 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 HKD0.0033̇ each.

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ("EPS") for the period ended 30 June 2015 has been retroactively adjusted for the Share Subdivision.

(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 RMB1,463,367,000 (six months ended 30 June 2015: RMB1,171,131,000, as restated) and the weighted average of 10,745,577,750 ordinary shares (six months ended 30 June 2015: 10,500,000,000 ordinary shares, as restated).

8 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

There were no diluted potential shares in existence during the period ended 30 June 2016. The calculation of diluted earnings per share for the period ended 30 June 2015 is based on the consolidated profit attributable to ordinary equity shareholders of the Company of RMB1,171,131,000 divided by the weighted average number of ordinary shares of 10,559,403,000 shares after adjusting for the effects of deemed issue of shares under the Company's Pre-IPO Share Option Scheme and the effect of Share Subdivision.

For the period ended 30 June 2015, the effect of conversion of convertible bonds was anti-dilutive.

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired items of property, plant and equipment with aggregate costs of RMB30,278,000 (six months ended 30 June 2015: RMB1,415,000). Items of property, plant and equipment with a net book value of RMB33,000 was disposed of during the six months ended 30 June 2016 (six months ended 30 June 2015: Nil), resulting in a gain on disposal of RMB84,000 (six months ended 30 June 2015: Nil).

The buildings are all situated on land in the PRC held under medium-term leases.

As at 30 June 2016, certain building of the Group with carrying value of RMB19,635,000 was without building ownership certificate (31 December 2015: RMB20,272,000). The Group was in progress of applying for the relevant building ownership certificates.

10 INVESTMENT PROPERTIES

The Group's investment properties portfolio (including the investment properties recorded under "Non-current assets" and the investment properties classified as held for sale under "Current assets") carried at fair value were revalued as at 30 June 2016 by Savills Valuation and Professional Services Limited ("Savills"), an independent firm of surveyors. The valuation were carried out by Savills with reference to market value of property interest, which intended to be the estimated amount for which a property should be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. In valuing the property interest in the PRC, Savills has adopted the investment approach (income approach) by taking into account the current rental income of the property interest and the reversionary potential of the tenancy, and also adopted the direct comparison approach and made reference to the recent transactions for similar premises in the proximity. Adjustments have been made for the differences in transaction dates, building age, floor area etc., between the comparable properties and the subject property. In addition, the directors also revisited its investment property strategy on a regular basis, and when considered appropriate based on the facts and circumstances, transferred certain completed properties held for sale to investment properties upon 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. In the circumstance, a fair value change on those properties was recognised in the consolidated statement of profit or loss upon the transfer.

During the period ended 30 June 2016, a fair value gain totaling RMB732,714,000 (six months ended 30 June 2015: RMB1,368,609,000), and deferred tax thereon of RMB246,551,000 (six months ended 30 June 2015: RMB502,167,000), had been recognised in the consolidated statement of profit or loss for the period in respect of investment properties.

Certain bank loans granted to the Group were jointly secured by investment properties and investment properties under development with an aggregate book value of RMB8,691,240,000 (31 December 2015: RMB7,201,560,000) (note 19).

The Group's investment properties are held on leases of between 40 to 50 years in the PRC.

11 INTEREST IN ASSOCIATES

The movement of carrying amount of associates is as below:

Name of associate	Note	Balance at 31 December 2015 RMB'000	Initial investment RMB'000	Aggregate amounts of the Group's share of those associates' losses RMB'000	Balance at 30 June 2016 RMB'000
LightInTheBox	*(a)*	—	501,198	(3,968)	497,230
SCITECH Shanghai	*(b)*	—	6,700	(1,026)	5,674
Total amount		—	507,898	(4,994)	502,904

(a) 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 LightInTheBox entered into the subscription agreement, pursuant to which LightInTheBox conditionally agreed to issue and Zall Crossboarder 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, the Group owned 30% of the issued share capital of LightInTheBox. During June 2016, Zall Development (HK) Holding Company Limited ("Zall Hong Kong", an indirect wholly-owned subsidiary of the Company) purchased another 1,126,930 shares of LightInTheBox in the public market, which made the Group's equity interest in LightInTheBox increase to 30.8%. The directors of the Company considered the Group was able to exert a significant influence over LightInTheBox, thus, the investment was accounted for as an investment in associate and subsequently accounted for using the equity method.

(b) On 29 January 2016, Zall Wuhan together with Tibet Urban Development Investment Limited Company and SCITECH (Shanghai) Commercial Investment Management Limited set up a company named SCITECH (Shanghai) Business Management Limited Company ("SCITECH Shanghai"), of which Zall Wuhan owned 33.5% equity interest. The directors of the Company considered the Group was able to exert a significant influence over SCITECH Shanghai, thus, the investment was accounted for as an investment in associate and subsequently accounted for using the equity method.

12 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 30 June 2016, is RMB 220,959,000 (31 December 2015: RMB208,659,000).

The gross amount due from customers for contract work at 30 June 2016 that is expected to be recovered after more than one year is RMB220,959,000 (31 December 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.

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Financial assets held for trading		
— Listed equity securities	2,000,655	1,083,176
Derivative financial instrument		
— Warrant (note 11(a))	14,303	—
	2,014,958	1,083,176

As at 30 June 2016, financial assets held for trading with an aggregate carrying value of RMB2,000,655,000 (31 December 2015: Nil) were pledged for certain bank loan granted to the Group (note 19).

14 PROPERTIES UNDER DEVELOPMENT

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Properties under development for sale	985,927	1,547,967
Properties held for future development for sale	2,313,160	2,462,209
	3,299,087	4,010,176

As at 30 June 2016, certain properties under development with an aggregate carrying value of RMB950,204,000 (31 December 2015: RMB1,203,573,000) was pledged for certain bank loans granted to the Group (note 19).

15 COMPLETED PROPERTIES HELD FOR SALE

All completed properties held for sale are located in the PRC on leases between 40 to 70 years. All completed properties held for sale are stated at cost.

Completed properties held for sale with an aggregate carrying value of RMB1,732,393,000 as at 30 June 2016 (31 December 2015: RMB1,455,393,000) were pledged for certain bank loans granted to the Group (note 19).

16 TRADE AND OTHER RECEIVABLES, PREPAYMENTS

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Amounts due from third parties		
Trade and bill receivables	211,380	142,162
Prepaid business tax and other tax	60,228	62,876
Prepayments and other receivables	1,223,644	622,105
	1,495,252	827,143

16 TRADE AND OTHER RECEIVABLES, PREPAYMENTS (Continued)

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:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 3 months	64,802	79,663
3 to 12 months	87,618	35,357
Over 12 months	58,960	27,142
	211,380	142,162

Trade receivables are primarily related to proceeds from the sale of properties and rental income. Proceeds from the sale of properties are made in bank mortgage, lump-sum payments or paid by instalment in accordance with the terms of the corresponding contracts.

The directors are of the view that all trade and bill receivables are neither individually nor collectively considered to be impaired as at 30 June 2016.

Credit risk of trade and bill receivables is minimised as the Group normally receives full payment from buyers before the transfer of property ownership.

17 CASH AND CASH EQUIVALENTS

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Cash at bank and in hand	378,172	243,470

18 TRADE AND OTHER PAYABLES

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Amounts due to third parties		
Trade payables (i)	1,300,019	1,343,703
Receipts in advance (ii)	905,967	925,132
Other payables and accruals	899,727	639,364
	3,105,713	2,908,199
Amounts due to related parties		
Amounts due to a joint venture	148,400	148,400
Amounts due to the Ultimate Controlling Party	610,988	572,943
	3,865,101	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:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Due within 3 months	104,436	283,872
Due after 3 months but within 12 months	507,842	161,692
Due after 12 months	687,741	898,139
	1,300,019	1,343,703

Trade payables mainly represent amounts due to contractors. Payment to contractors is in installments according to progress and agreed milestones.

(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.

19 BANK LOANS AND LOANS FROM OTHER FINANCIAL INSTITUTIONS

At 30 June 2016, the Group's bank loans and loans from other financial institutions were repayable as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within one year or on demand	2,610,774	1,682,081
After 1 year but within 2 years	1,345,055	1,111,556
After 2 year but within 5 years	2,825,804	2,872,944
After 5 years	768,008	728,180
	4,938,867	4,712,680
	7,549,641	6,394,761

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Secured	7,119,641	5,874,761
Unsecured	430,000	520,000
	7,549,641	6,394,761

At 30 June 2016, the bank loans and loans from other financial institutions are all denominated in functional currency of respective subsidiaries now comprising the Group.

Bank loans and loans from other financial institutions bear interest ranging from 4.35% to 13.00% per annum for the six months ended 30 June 2016 (year ended 31 December 2015: 4.6% to 16.41% per annum), and are secured by the following assets:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Restricted cash	276,939	304,500
Investment properties	5,827,715	4,411,031
Investment properties under development	2,863,525	2,790,529
Properties under development	950,204	1,203,573
Completed properties held for sale	1,732,393	1,455,393
Financial assets held for trading	2,000,655	—
	13,651,431	10,165,026

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

(i) 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.

As at 30 June 2016, the bank loans of the Group totaling RMB1,867,525,000 (31 December 2015: RMB2,134,025,000) was not in compliance with the imposed covenants. The directors of the Company are of the view that such bank loans were non-current liability as at 30 June 2016. Such view were based on notices from the corresponding banks, which confirmed that the subsidiaries would not be regarded as having breached the convents and the banks would not demand early repayment from the subsidiaries.

(ii) As at 30 June 2016, the Group had a total of RMB227,000,000 (31 December 2015: RMB475,000,000) of unutilised loan facilities provided by commercial banks in China.

20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

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

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

	Fair value at 30 June 2016	Fair value measurements as at 30 June 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								
— Financial assets held for trading	2,000,655	2,000,655	—	—	1,083,176	1,083,176	—	—
— Derivative financial instrument	14,303	—	14,303	—	—	—	—	—

20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Financial assets and liabilities measured at fair value (Continued)

(i) Fair value hierarchy (Continued)

During the six months ended 30 June 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2015: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

The fair value of warrant to subscribe ordinary shares of LightInTheBox is determined using binomial tree model.

21 DIVIDENDS

No dividend was declared during the six months ended 30 June 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 and Zhen An (Wuhan) Company Limited during the six months ended 30 June 2015.

22 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

As at 30 June 2016, the Group's capital commitments in respect of investment properties under development and properties under development are as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Contracted but not provided for		
— Investment properties under development	228,672	213,865
— Properties under development	968,768	1,758,180
	1,197,440	1,972,045

23 CONTINGENT LIABILITIES

Guarantees

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Bank financial guarantees (i)	71,520	74,790
Other non-bank financial guarantees (ii)	30,940	28,650
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (iii)	1,137,028	1,455,909
	1,239,488	1,559,349

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

(ii) From the second half year of 2015, the Group, through its wholly owned subsidiary Zall Jinfu Information and Technology (Wuhan) Co., Ltd., ("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.

Since 5 September 2015, Wuhan Guarantee Investment (a wholly-owned subsidiary of the Group), has provided guarantee to lenders (beneficiary of the guarantee) in relation to the peer-to-peer lending business through Zall Jinfu. Pursuant to the relevant agreements, Wuhan Guarantee Investment and Zall Jinfu Network charged the borrowers for guarantee fee and service fee respectively. These fee 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.

24 MATERIAL RELATED PARTY TRANSACTIONS

The directors consider that all the below related party transactions during the six months ended on 30 June 2016 and 2015 were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

The Immediate Holding Company refers to Zall Development Investment Company Limited.

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

Controlling Equity Owners refer to Mr. Yan Zhi and 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 is as follows:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Wages, salaries and other benefits	2,783	1,712
Contributions to defined benefit contribution retirement scheme	68	48
Equity settled share-based payment expenses	—	1,484
	2,851	3,244

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

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Transaction and balances with related parties

Transaction

Other related party transactions

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Net proceeds from Immediate Holding Company	**38,045**	—
Receipts from other related parties	—	566,390
Payments to other related parties	—	204,686
Rental income from other related parties (Note)	**1,016**	989

Note: During the six months ended 30 June 2016, the Group received rental income of RMB189,818 (six months ended 30 June 2015: RMB162,805) from CIG Yangtze Port PLC, which also constitutes a connected person of the Group as defined under Chapter 14A of the Listing Rules.

During the six months ended 30 June 2016, the Group received rental income of RMB826,382 (six months ended 30 June 2015: RMB826,382) from Wuhan Zall YueXi.

Balance

Balance with related parties were mainly resulting from the funding arrangements between these parties. Balances at 30 June 2016 and 31 December 2015, and major terms of these balances are disclosed in note 18.

25 DISPOSAL OF SUBSIDIARIES

Disposal of Wuhan Panlong Zall Properties

On 21 June 2016, the Group and a third party entered into a Disposal Agreement, pursuant to which: (i) the Group agreed to sell the entire equity interest in Wuhan Panlong Zall Properties Co.,Ltd. ("Target Company") at a cash consideration of RMB96,035,000; (ii) The counter party agreed to bear the total liabilities of Target Company about RMB133,149,000 as at the agreement date. During the period, the Group has transferred the entire equity interest in Target Company to the counter party.

	Net book value as of the disposal date RMB'000
Properties under development	132,536
Trade and other receivables, prepayments	1
Cash and cash equivalents	16
Trade and other payables	(132,018)
Current tax liabilities	(61)
Net assets	474
Total consideration, to be satisfied in cash	96,035
Consideration received, satisfied in cash	30,000
Net gain on disposal	95,561
Net cash inflow	29,984

26 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(i) Acquisition of interest in Harvest Financial Leasing Co., Ltd. ("HFL"), Hangzhou Jiuyu Asset Management Co., Ltd. ("Jiuyu Asset Management ") and Harvest Financial Information Services (Hangzhou) Co., Ltd. ("HFS")

On 31 May 2016, Zall Jinfu, Harvest Capital Management Co., Ltd. ("Harvest Capital") and New Resource Energy International Private Limited ("New Resource International") entered into the acquisition agreements, pursuant to which Zalljinfu agreed to acquire the entire equity interests in the HFL and Jiuyu Asset Management and 90% equity interests in HFS for an aggregate consideration of RMB137,192,500 (equivalent to approximately HKD161,887,150) and US$7,000,000 (equivalent to approximately HKD54,250,000). Upon completion of the acquisitions, each of HFL, Jiuyu Asset Management and HFS will become subsidiaries of the Company .

The consideration amounted to RMB142,333,000 have been paid during the six months ended on 30 June 2016. The equity interests of HFS and Jiuyu Assets Management have been transfered to Zalljinfu on 28 July 2016. The equity interest of HFL hasn't been transfered as of the report date.

26 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD (Continued)

(ii) Acquisition of JPL Investment and Zall Fintech

On 6 April 2016, Zall Interconnection (BVI) Limited ("Zall BVI", an indirect wholly-owned subsidiary of the Company), entered into the JPL Agreement with Mr. Jiang Yong, pursuant to which Mr. Jiang Yong agreed to sell and Zall BVI agreed to purchase 55% of the entire issued shares of JPL Investment free from all encumbrances together with all rights now and thereafter attaching thereto. The consideration for the sale and purchase under JPL Agreement is HKD59,409,736, which will be satisfied by way of allotment and issuance of Consideration Shares. The Consideration Shares shall be allotted and issued under the General Mandate. Zall Fintech is a company established under the laws of the PRC and the shares of which are listed on the National Equities Exchange and Quotations Co., Ltd. since 1 April 2015. The principal business activities of Zall Fintech are mobile payment system, touchscreen display system and intelligent POS terminal solution. As at the date of Agreement, the equity interest of Zall Fintech is held by JPL Tech SZ Co., Limited ("JPL Tech SZ", an indirect wholly-owned subsidiary of JPL Investment) as to 48.07% and by Shenzhen Huixin Trading Limited ("Huixin Trading") as to 25.89%.

On 6 April 2016, Shenzhen Qianhai Zall Tech Limited ("Zall Tech", an indirect wholly-owned subsidiary of the Company), entered into the Sinocan Agreement with Huixin Trading, pursuant to which Huixin Trading agreed to sell and Zall Tech agreed to purchase 3,335,200 shares in Zall Fintech free from all encumbrances at a consideration of RMB16,676,000 (equivalent to approximately HKD19,974,128).

On 6 April 2016, Zall Tech entered into the Subscription Agreement with Zall Fintech, pursuant to which Zall Tech agreed to subscribe for 12,000,000 shares in Zall Fintech and Zall Fintech conditionally agreed to allot and issue 12,000,000 shares at RMB60,000,000 (equivalent to approximately HKD71,866,616).

Following the completion of the transactions contemplated under the JPL Agreement, the Sinocan Agreement and the Subscription Agreement, Zall Fintech will become a subsidiary of the Company.

The above transactions are not completed as of the report date.

27 COMPARATIVE FIGURES

In the course of the preparation of the Group's annual financial statements for the year ended 31 December 2015 ("2015 annual financial statements"), the directors made certain adjustments which impacted the amounts reported in the Group's interim financial report for the six months ended 30 June 2015. The following tables disclose the impact of these adjustments on the amounts reported for the six months ended 30 June 2015.

Consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2015

	Six months ended 30 June 2015 (as previously reported in the 2015 interim financial report) RMB'000	Adjustments with respect to equity swap and disposal of subsidiaries (see notes 32, 36(b)(ii) and (iii) to the 2015 annual financial statements) RMB'000	Adjustments with respect to classification of investment (see note 15 to the 2015 annual financial statements) RMB'000	Six months ended 30 June 2015 (as restated) RMB'000
Revenue	539,711	(351)	—	539,360
Other income	6,408	(1,000)	70,133	75,541
Administrative and other expenses	(68,717)	4,489	—	(64,228)
Gain on disposal of subsidiaries	79,598	228,953	—	308,551
Finance income	1,619	(115)	—	1,504
Finance costs	(172,130)	7	—	(172,123)
Other comprehensive income for the period (after tax and reclassification adjustments):				
Exchange differences on translation of:				
— financial statements of subsidiaries outside the Mainland China, net of nil tax	4,322	(7,818)	—	(3,496)
Other financial assets: net movement on fair value reserve	74,146	—	(70,133)	4,013
Total amount		224,165	—	

27 COMPARATIVE FIGURES (Continued)

Consolidated statement of changes in equity for the six months ended 30 June 2015

	Six months ended 30 June 2015 (as previously reported in the 2015 interim financial report) RMB'000	Adjustments with respect to equity swap and disposal of subsidiaries (see notes 32, 36(b)(ii) and (iii) to the 2015 annual financial statements) RMB'000	Adjustments with respect to classification of investment (see note 15 to the 2015 annual financial statements) RMB'000	Six months ended 30 June 2015 (as restated) RMB'000
Share premium	1,179,689	(582,785)	—	596,904
Other reserve	97,804	(202,138)	—	(104,334)
Exchange reserve	(10,994)	(7,818)	—	(18,812)
Fair value reserve	74,146	—	(70,133)	4,013
Retaind profit	6,858,103	828,648	70,133	7,756,884
Total amount		35,907	—	

Condensed consolidated cash flow statement for the six months ended 30 June 2015

	Six months ended 30 June 2015 (as previously reported in the 2015 interim financial report) RMB'000	Adjustments with respect to equity swap and disposal of subsidiaries (see notes 32, 36(b)(ii) and (iii) to the 2015 annual financial statements) RMB'000	Adjustments with respect to classification of investment (see note 15 to the 2015 annual financial statements) RMB'000	Six months ended 30 June 2015 (as restated) RMB'000
Cash used in operations	(583,582)	11,611	—	(571,971)
PRC taxes paid	(75,261)	2	—	(75,259)
Other cash flow arising from investing activities	1,619	(115)	—	1,504
Interest and other borrowing costs paid	(272,299)	6	—	(272,293)
Total amount		11,504	—	

The effect of restatements on the Group's basic and diluted earnings per share for the six months ended 30 June 2015 is as follows:

	Six months ended 30 June 2015 (as previously reported in the 2015 interim financial report) RMB	Adjustements with respect to equity swap, disposal of subsidiaries, classification of investment (see note 32, 36(b) (ii), 36b(iii) and 15 to the 2015 annual financial statements) and share subdivision (see note 8) RMB	Six months ended 30 June 2015 (as restated) RMB
Basic earnings per share	0.248	(0.136)	0.112
Dulited earnings per share	0.247	(0.136)	0.111