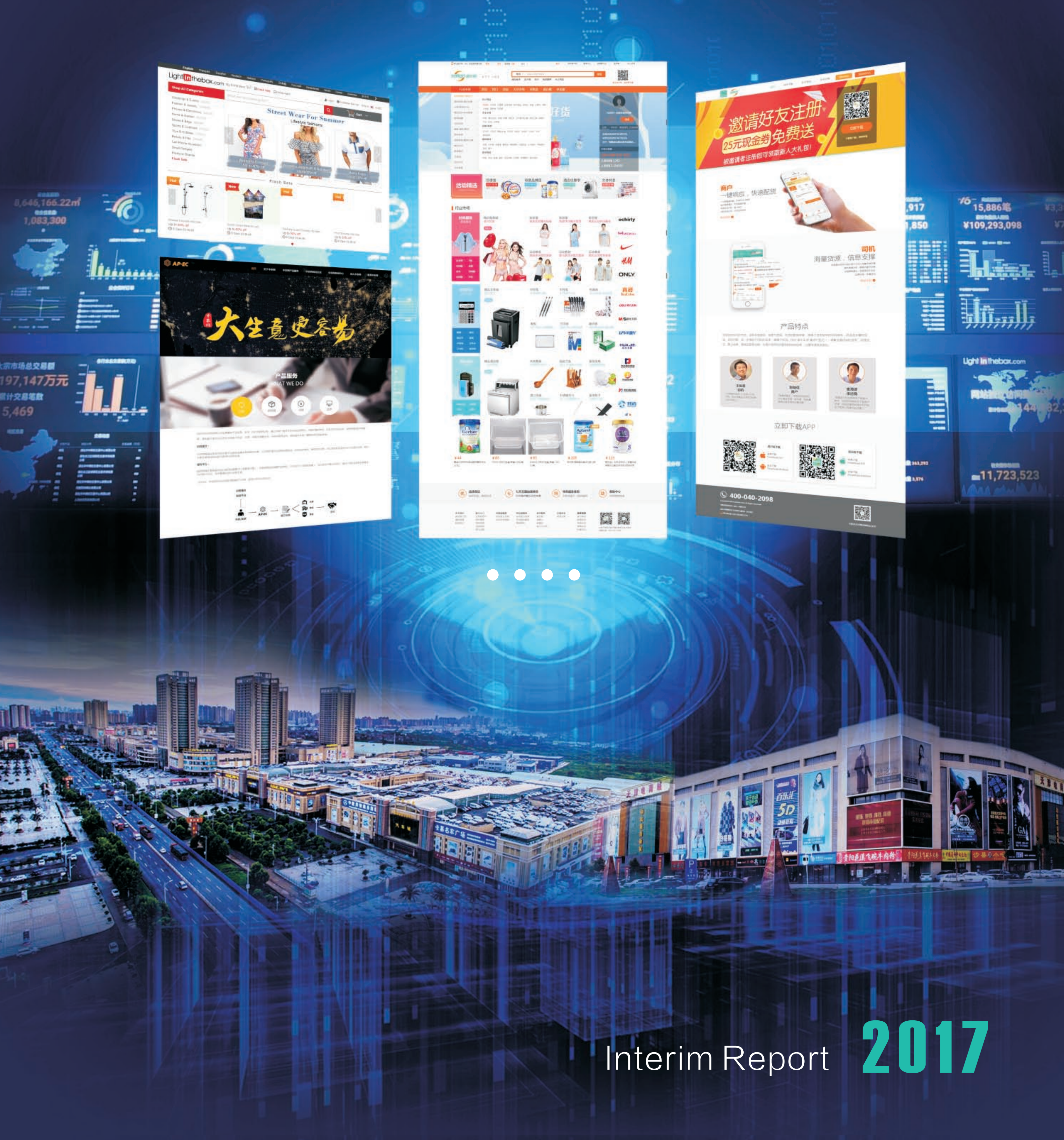
Zall Group Ltd.
卓爾集團股份有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2098



Interim Report 2017

About

Zall Group Ltd.

The Group is a leading developer and operator of large-scale, consumer product-focused wholesale shopping malls in the PRC. The Group also provide supply chain management and trading services, e-commerce services, financial services, warehousing and logistics services for its customers in the online and offline wholesale markets.

Contents

Corporate Information

DIRECTORS

Executive Directors	Mr. Yan Zhi *(Co-chairman and Chief Executive Officer)* Dr. Gang Yu *(Co-chairman)* Mr. Wei Zhe, David *(Re-designated on 28 June 2017)* Mr. Cui Jinfeng Mr. Wang Chuang Mr. Peng Chi
Independent Non-Executive Directors	Mr. Cheung Ka Fai Mr. Wu Ying Mr. Zhu Zhengfu
Registered Office	Cricket Square Hutchins Drive P. O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head Office in the PRC	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 Mr. Wei Zhe, David *(Resigned on 28 June 2017)* Mr. Zhu Zhengfu *(Appointed on 28 June 2017)*
Nomination Committee	Mr. Wu Ying *(Chairman)* Mr. Yan Zhi Mr. Wei Zhe, David *(Resigned on 28 June 2017)* Mr. Cheung Ka Fai *(Appointed on 28 June 2017)*
Remuneration Committee	Mr. Zhu Zhengfu *(Chairman) (Appointed on 28 June 2017)* Mr. Wei Zhe, David *(Chairman) (Resigned on 28 June 2017)* Mr. Peng Chi Mr. Wu Ying

Risk Management Committee	Mr. Zhu Zhengfu *(Chairman)* Mr. Cui Jinfeng Mr. Cheung Ka Fai
Company Secretary	Mr. Lung Shei Kei
Company Website	http://www.zallcn.com/
Authorized Representatives	Mr. Cui Jinfeng Mr. Lung Shei Kei
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	SMP Partners (Cayman) Limited 3rd Floor, Royal Bank House 24 Shedden Road P.O. Box 1586 Grand Cayman KY1-1110 Cayman Islands
Legal Advisor	Sidley Austin P.C. Woo & Co.
Principal Bankers	China Construction Bank China Minsheng Banking Corp., Ltd. 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 six months ended 30 June 2017.

With the arrival of the new era of intelligent trade and industrial internet, the Group was decisive in transformation, adapted to changes and clearly unveiled its strategic transformation goal in 2015 of building an intelligent trading ecosphere in 2015. On one hand, the Group took advantage of its offline market services and logistic infrastructure in developing online trade, data and financial services. On the other hand, the Group made use of new technologies, new commercial landscape and new business model for the transformation and upgrade of the traditional wholesale trade, achieving organic growth and creating an intelligent commercial trading ecosphere. With its strengths established in the offline market, Zallgo (卓爾購) has become the largest online and offline integrated wholesale trading platform in less than two years since launching. The platform covers more than 20 cities nationwide with over 200,000 registered merchants. The transaction amount increase continuously. This is our first step in entering the B2B e-commerce matrix in China, laying a solid foundation for e-commercialization for the Group.

The Group expanded its business layout through mergers and acquisitions for building synergistic intelligent commercial ecosphere. The Group became the largest shareholder of LightInTheBox Holding Co., Ltd. ("LightInTheBox"), a cross-border e-commerce platform in April last year. After linking up the domestic and foreign e-commerce channels, the Group acquired a 50.6% equity interest in Shenzhen Sinoagri E-commerce Co., Ltd. ("Shenzhen Sinoagri"), the largest e-commerce company engaged in agricultural products in China, and became its controlling shareholder on 28 June this year. Upon the acquisition of Shenzhen Sinoagri, the Group now possesses the B2B e-commerce transaction capability in the scale of hundred billion renminbi and has become a 1st-tier player in the e-commerce market of China, which means that the Group has achieved critical success in the development of internet transformation for creating a global intelligent trading ecosphere and obtained remarkable results from the transformation strategy in two years' time. In the future, the Group will give full play to Shenzhen Sinoagri's strengths on trading, personnel, management and technology, and integrate its platforms, in group's ecosphere, such as consumer goods, agricultural goods, foodstuffs and oil as well as non-ferrous metal, so as to create synergy and enhance the overall trading and operational capability of the Group, driving the rapid growth of each of its platforms.

As for North Hankou Trading Center, the flagship project of the Group, following commencement of the operation of the North Hankou Transport Terminal last year and the joint approval of the project by eight ministries and commissions of the State as the only state-level procurement and trading market in central and western China, the advantage of the project being the trading logistic hub in central China is further enhanced. During the period, the project made a major breakthrough with the relocation of all the shops in Hanzheng Street, and operators of the women's apparel market in Hanzheng Street have moved into the project, which formed a multi-industrial chain and ecosphere integrated with marketing and design, processing and sales under one roof, which has sped up the cluster development of North Hankou market. At the same time, the Group provided financing, online trading and supply chain management support to the merchants settled there, assisting the transformation and upgrade of those merchants from the traditional wholesale business to become branded and specialized stores for merchandises of Wuhan to enter the international market.

Looking forward, the Group will continue to embrace the opportunities brought by the era of internet, and maintain its unique advantage of large offline wholesale market. The online and offline transaction volume will be augmented through informatization, intelligentization and globalization of business transactions and the linking up of online and offline wholesale platforms. Also, the transaction cost of users will be reduced with our more convenient supply chain management, supply chain financial services as well as storage and transportation service, speeding up to create an intelligentized trading system and achieving the strategic goal of building a leading intelligent trading ecosphere worldwide.

Yan Zhi
Co-chairman

Hong Kong, 31 August 2017

BUSINESS REVIEW AND PROSPECTS

Since the Group announced its thorough transformation from a traditional property developer to a service-oriented and internet-based e-commerce enterprise in 2015, the Group decisively changed its business nature in accordance with the situations. Through business restructuring and strategic mergers and acquisitions, the Group has been progressively reducing the proportion of property development, developed online trade, data and featured financial service by virtue of its offline market service and logistics facilities, and created a commercial ecosphere of intelligent transactions for traditional wholesale and trading industry with new technology, new format and new model. Since its transformation, the Group has established the largest consumer product wholesale online and offline platform in the PRC that made the Group become one of the first tier participants in the PRC's e-commerce industry.

Currently, the Group has constructed solid online and offline infrastructure. Mega trade and logistics centers, such as North Hankou International Trade Centre and Tianjin E-commerce Mall, is establishing the largest physical trading service system for e-commerce in China. Leveraged on the advantage of the ever-growing physical wholesale market as well as on properties, customers, logistics and data, and through online trade and service platforms such as Zallgo, Zallsoon (卓集送) and Zallfuhui (卓服滙), the Group quickly achieved the online transformation of wholesale trading for merchants by the provision of logistics, warehousing and other comprehensive value-added services. Through cross-industry mergers and acquisitions, the Group has become the largest shareholder of LightInTheBox, a cross-border e-commerce platform, and Shenzhen Sinoagri, the largest e-commerce company of agricultural products in China, through which the Group has built an open and highly efficient trading platform. Meanwhile, based on the supply chain financial services portfolio of Zall Financial Services Group Limited ("Zall Financial Services"), the Group provided comprehensive financial services such as financing, insurance, leasing, credit investigation and payment for merchants in the ecosphere. The Group also set up five supply chain management and trading companies including Wuhan Zhuoyitong Supply Chain Management Co., Ltd. ("Zhuoyitong") (卓易通), North Hankou Import Export Services Co., Ltd. and Zall Heng Supply Chain Management (Wuhan) Co., Ltd. ("Wuhan Zall Heng") (武漢卓恒) successively to provide merchants with wholesale distribution, import and export and other supply chain management services. Through the global logistics business launched by Zallsoon and LanTingZhiTong (蘭亭智通), the trading platform is provided with strong support and services through a complete, efficient and convenient service chain, which has formed an increasingly effective service chain.

Management Discussion and Analysis (Continued)

Consumer product-focused wholesale platform

North Hankou International Trade Centre, the flagship project of the Group leveraging on the advantages of Wuhan as the national integrated transportation hub, is committed to providing one-stop services including office, exhibition, logistics, finance, manufacturing and export. After 10 years of development, North Hankou International Trade Center currently has developed and developing area of approximately 600 million square meters, covering 20 major specialized markets including Footwear and Leatherware Mall, Brand Clothing Mall, Small Goods Mall, Hotel Supplies Mall, Textile and Accessory Mall, Curtains World, Automobiles World and Hardware and Lighting Mall, with approximately 28,000 wholesalers as at 30 June 2017. It has become the largest commercial trade logistics centre across central and western China, and the only national pilot market for procurement trade in central and western China. Since 2011, North Hankou has been actively responding to the relocation decision and deployment of Hanzheng Street, and continuously enhanced the construction in storage, logistics, industrial park and ancillary facilities to fully support the relocation of Hanzheng Street. In the first half of the year, women's apparel market was relocated from Hanzheng Street to North Hankou International Trade Centre and the Group organized a grand store-opening event for the women's apparel market and North Hankou shoes wholesale market. To support these merchants, a large number of well-known Chinese-style women's brands and other large and medium-sized manufacturers have been stationed in North Hankou Industrial City, which, together with North Hankou Textile and Accessory City and Brand Clothing City, support each other in three main platforms, namely manufacturing, raw materials and distribution to form a modern cluster of clothing industry by integrating production, supply and marketing. As at 30 June 2017, the North Hankou Industrial City has housed 81 merchants, with contract sales area reaching 220,000 square meters.

Tianjin E-commerce Mall, the flagship project of the Group in northern China with total planned area of 3,000,000 square meters and gross floor area of 612,000 square meters, the main construction work for Phase 1 has been completed, part of the commercial and trade zone and e-commerce zone has commenced operation. Under the background of cooperative development in Beijing-Tianjin-Hebei region and easing the Beijing non-capital core function, Tianjin E-commerce Mall has been taking in more and more large wholesale markets from Beijing. Following the grand opening of Haining Leather City and Dongpi Clothing Wholesale New Market, the Small Goods Mall has been undergoing trial operation during the period. In July 2017, Tianjin E-commerce Mall held a welcoming event for the overall relocation of Jingwen Apparel Shopping Centers and Tianjin Big Alley Apparel Wholesale Market, more than 1,000 merchants from Jingwen Apparel Shopping Centers and more than 500 merchants from Tianjin Big Alley Apparel Wholesale Market signed contract to station in Tianjin E-commerce Mall, it is expected that Jinwen E-commerce Mall will commence operation in March 2018.

Zallgo, as the Group's online wholesale platform with focus on servicing the offline markets (which mainly include fast moving consumer goods, hotel supplies, stationary and sporting goods, apparel and shoes, curtains and building materials and household products), provides a full set of O2O industry solutions and services, transforms offline trading into online trading and regional trading into whole network trading and combines the functions of online trading, automatic logistics matching and supply chain financial services, the efficiency of wholesale trading is greatly enhanced and logistics costs reduced. As at 30 June 2017, Zallgo, the largest online and offline integrated wholesale trading platform in China, has covered 27 cities across the nation, at which there have been 1,223 national major wholesale markets, more than 210,000 merchants and approximately 800,000 registered users with accumulative transaction amount of approximately RMB98.9 billion.

Supply chain management and trading business

With the rapid development of the Group's e-commerce business, large number of buyers and sellers have gathered under Zallgo and the commodity market business leading to substantial amount of synchronized information flow within the supply chain, and created high demand for supply chain management and trading services. In the second half of 2016, the Group established various subsidiaries and joint ventures to operate the supply chain management business and provide other value-added services. The Group serves as a supply chain service provider and trader for up-stream suppliers and down-stream customers through supply chain management business, which in turn results into a substantial growth of supply chain management and trading business. Such business will enable the Group to establish closer connections between both supply and demand sides of the supply chain. Through provision of supply chain management service and comprehensively utilizing the service and tools such as management, finance, information, transportation and storage, the Group provides new kind of supply chain solutions in terms of logistics, trade flow, information flow and capital flow to customers and implements such solutions for the clients. In particular, such integrated supply chain management services include planning and design, procurement agency, distribution agency, inventory warehousing management, fund settlement and information systems with the ultimate purpose of helping customers to optimize supply chain and capital operation efficiency, control trading risk in procurement and inventory and reduce operating costs. In the non-ferrous metals sector, Wuhan Zall Heng and its subsidiaries operate import and export trading, domestic trading and re-export trading, to undertake the sales and procurement demand of international and domestic large-sized non-ferrous metal enterprises and engage in supply chain business of standardized non-ferrous metals such as electrolytic copper, electrolytic nickel and aluminum ingots. In the first half of 2017, such companies realised sales revenue of approximately RMB3.161 billion and established stable cooperative business relationship with nearly 50 upstream and downstream corporate clients. In May 2017, the Group increased its equity interests in Wuhan Zall Heng to 65%. As a result, Wuhan Zall Heng became a non-wholly subsidiary of the Company. In the field of grain and agricultural products, Wuhan Zall Agriculture Supply Chain Management Co., Ltd. has established stable cooperative business relationship with nearly 10 upstream and downstream clients since its incorporation last year. In future, the Group will expand its supply chain management business to include more kinds of service, and seek to carry out and expand the business of supply chain management and trading in relation to non-ferrous metals, oil and foodstuffs, fast moving consumer products and chemical and ceramics products.

On 28 October 2016, the Group entered into a conditional agreement to acquire up to approximately 60.49% of the equity interest of Shenzhen Sinoagri at a consideration of approximately HKD2.591 billion. During the six months period ended 30 June 2017, the Group accomplished the first completion of acquisition of majority equity interests of 50.6% in Shenzhen Sinoagri and became the controlling shareholder of Shenzhen Sinoagri. On 27 June 2017, the Group announced to enter into a framework agreement to further acquire 8.36% equity interests in Shenzhen Sinoagri at a consideration of approximately RMB307 million. Shenzhen Sinoagri mainly engages in upstream and downstream business along the agricultural product chain and provides whole supply chain service solution in the fields of information, trading, settlement, logistics and financing. Shenzhen Sinoagri focuses on vertical segmentation of bulk agricultural products and has established mature operating model in several categories, including sugar, cocoon silk, wood panel and apple, of which the commodity flow volume has accounted for approximately 30% of the total volume in the PRC. Its trading members include a substantial majority of the participants in the industry, and it serves the function as a resources allocation center and pricing indicator in the industry. During the period, Shenzhen Sinoagri realized operating income of approximately RMB15.429 billion, representing an increase of 75% as compared to the same period of 2016. Shenzhen Sinoagri's business has maintained rapid growth and continued to be the market leader in domestic agricultural product B2B e-commence industry. With years of operation in B2B vertical e-commerce business, Shenzhen Sinoagri has developed mature B2B trading platform and rich experience in supply chain management, which will become a new driving force for the Group's deployment in agricultural product e-commence business. Meanwhile, leveraging on the Group's experience and resources, Shenzhen Sinoagri will further enhance its whole industrial chain service and earnings growth, accelerate to achieve the strategic objective in "building new agricultural ecosystem".

Supply chain finance, warehousing and logistics services

As for supply chain finance service, Zall Financial Services, a subsidiary of the Group, provides one-stop financial services including comprehensive supply chain finance, finance leasing, factoring and guarantees, serves as a key milestone to improve the ecosphere of Zall's intelligent transactions and enhancing its supply chain financial services. Its principal businesses include the provision of guarantees, finance leasing, commercial factoring and direct financing to e-commerce customers. As at 30 June 2017, the internet financial platform of Zall Financial Services had a total of approximately 200,200 registered members with total financing amount of approximately RMB856 million.

As for warehousing services, Zallfuhui, a subsidiary of the Group, focuses on the online and offline warehouse goods custody services for enterprises, wholesale markets and various types of social dealers, financial products regulatory business as well as warehouse leasing and upgrading support. Capitalizing on various professional management system and its abundant customer resources in the wholesale market, Zallfuhui provides supply chain system support and implements standard management of warehouses according to the demand for warehouse from the wholesale markets and merchants. Its marginal benefits are expanded by an unified warehousing and distribution system to reduce merchant warehouse management costs and improve efficiency. As at 30 June 2017, Zallfuhui's platform recorded a turnover of approximately RMB2,490 million and its logistics orders amounted to 77,000. The cloud warehouses under its management have covered 28 cities with an area of approximately 8.64 million square meters.

As for logistics services, Zallsoon, a subsidiary of the Group, mainly focuses on wholesale market merchants and achieves connection between cargo owner and vehicle owner, and provides comprehensive delivery information (for goods delivery) for the cargo owners and transaction services. Also, it helps vehicle owners enhance the efficiency of goods delivery and reduces the frequency of empty return trip on one hand, and facilitates the vehicle owners to identify their vehicles on the other, which finally reduces the logistics costs of both parties. As at 30 June 2017, Zallsoon has provided services to about 150,000 cargo owners with over 30,000 active drivers on its platform. Total orders in aggregate amounted to nearly 7 million for the year, and with a highest single date order volume over 70,000, the cargo supply covered 10 cities including Wuhan, Shanghai, Nanjing, Guangzhou, Shenzhen, Tianjin, Xuzhou, Dongguan and Zhengzhou. In future, focusing on large customers in the same city and long trip business by providing customized logistics solutions to designated large customers and long trip customers will be Zallsoon's development objective and strategy. Meanwhile, it will commence financing lease business to secure a stable and controllable core transportation capacity for the platform, which will indirectly improve the platform and increase the number of orders from large customers.

INVESTMENT PORTFOLIO

The portfolio of listed equity investments of the Group as at 30 June 2017 and 31 December 2016 were as follows:

As at 30 June 2017

Stock code	Name of investee company	Number of shares held	Effective shareholding interest	Acquisition cost RMB'000	Carrying amount as at 30 June 2017 RMB'000	Unrealised holding (loss)/gain arising on revaluation for the six months ended 30 June 2017 RMB'000	Dividend received for the six months ended 30 June 2017 RMB'000
00607.HKEX	Fullshare Holdings Limited ("Fullshare")	695,497,500	3.53%	773,985	1,883,345	(359,200)	10,207
00658.HKEX	China High Speed Transmission Equipment Group Co., Ltd. ("China Transmission")	13,630,000	0.83%	94,280	101,144	6,864	–
					1,984,489	(352,336)	10,207

As at 31 December 2016

Stock code	Name of investee company	Number of shares held	Effective shareholding interest	Acquisition cost RMB'000	Carrying amount as at 31 December 2016 RMB'000	Unrealised holding gain arising on revaluation for the six months ended 30 June 2016 RMB'000	Dividend received for the year ended 30 June 2016 RMB'000
00607.HKEX	Fullshare	680,480,000	3.45%	734,920	2,203,480	917,479	6,805

The performance and prospect of the major investments during the six months ended 30 June 2017 are as follows:

As at 30 June 2017, the Group held approximately 695,497,500 (31 December 2016: 680,480,000) shares in Fullshare, representing approximately 3.53% of its entire issued share capital (31 December 2016: 3.45%). Fullshare is listed on the main board of the Stock Exchange. Its principle activities are property development, tourism, investment, provision of healthcare products and services business and new energy business. The Group recognised an unrealised holding loss of approximately RMB359.2 million for the six months ended 30 June 2017 (for the six months ended 30 June 2016: unrealised holding gain of RMB917.5 million). The carrying amount of investment in Fullshare accounts for approximately 4.18% of the Group's total assets as at 30 June 2017 (31 December 2016: 7.41%). The Group would like to emphasize that the unrealised holding loss: (i) did not cover other aspects of the Group's results for the six months ended 30 June 2017 and (ii) is non-cash in nature and relates to the change in fair value of the Group's investment in Fullshare that are volatile in nature. The Group is of the view that the unrealised holding loss will not adversely affect the Group's operating financial positions. The Group will closely monitor the performance of its investment and adjust its investment plan and portfolio when necessary.

As at 30 June 2017, the Group held approximately 13,630,000 shares in China Transmission, representing approximately 0.83% of its entire issued share capital. China Transmission is listed on the main board of the Stock Exchange. Its principle activities are research, design, development, manufacture and distribution of various types of mechanical transmission equipment for a broad range of applications in wind power generation and industrial use. The Group recognised an unrealised holding gain of approximately RMB6.9 million for the six months ended 30 June 2017. The carrying amount of investment in China Transmission accounts for approximately 0.22% of the Group's total assets as at 30 June 2017. The Group believes that China Transmission's growth momentum remains strong and expects its investment in China Transmission will continue to generate return for the Group. The Group will closely monitor the performance of its investment and adjust its investment plan and portfolio based on the liquidity planning.

RESULTS OF OPERATION

Operating revenue

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Revenue from property development and related services:		
Sales of properties	200,119	509,160
Rental income	94,960	94,889
Revenue from construction contracts	15,453	11,611
Others	13,079	9,001
Revenue from E-commerce and financial services business	35,208	1,019
Revenue from supply chain management and trading business	1,958,912	—
Others	5,787	392
	2,323,518	626,072

Revenue of the Group increased significantly by approximately 271.1% from RMB626.1 million for the six months ended 30 June 2016 to approximately RMB2,323.5 million for the six months ended 30 June 2017. The increase was primarily due to the offsetting effect of (i) the decrease in the revenue from sales of properties; (ii) the increase in revenue from construction contracts; (iii) the revenue contribution from E-commerce and financial service business; and (iv) the revenue contribution from supply chain management and trading business.

Sale of properties

Revenue from the sale of properties decreased by approximately 60.7% from approximately RMB509.2 million for the six months ended 30 June 2016 to approximately RMB200.1 million for the six months ended 30 June 2017.

The Group's revenue from sales of properties was generated from the sales of industrial plants units, auxiliary facilities units, office and retails units and residential apartments. The decrease in revenue from sales of properties was mainly attributed to the decrease in the gross floor area delivered of the properties and the change in combination of properties sold which resulted in the lower average selling price for the six months ended June 2017.

Rental income

The Group's rental income increased slightly by approximately 0.1% from approximately RMB94.9 million for the six months ended 30 June 2016 to approximately RMB95.0 million for the six months ended 30 June 2017. The rental areas in the North Hankou International Trade Centre has been increased during the period while its effect is offset by the effect of a slightly decrease in rent per square meter resulted by the change in combination of properties rented.

Revenue from construction contracts

The Group's revenue from construction contract to build certain properties on behalf of a third party increased by approximately 33.1% from approximately RMB11.6 million for the period ended 30 June 2016 to approximately RMB15.5 million for the period ended 30 June 2017. The revenue was recognised according to the actual cost incurred for the six months ended 30 June 2017. The increase was primarily due to projects being at their completion stage.

Revenue from E-commerce and financial services business

The Group's revenue from E-commerce and financial services business has contributed approximately 1.5% of the Group's total revenue for the six months ended 30 June 2017. It mainly represents the contribution from Zhong Bong Commercial Factoring Co., Ltd. and the contribution from Zhong Bong Financial Leasing Co., Ltd., Hangzhou Jiuyu Asset Management Co., Ltd. and Harvest Financial Information Services (Hangzhou) Co., Ltd. which were acquired by the Group in the second half year of 2016.

Revenue from supply chain management and trading business

The Group's revenue from supply chain management and trading business has contributed approximately 84.3% of the Group's total revenue for the six months ended 30 June 2017. The contribution is due to (i) the first completion of acquisition of a majority equity interest in Shenzhen Sinoagri, a company principally engaged in B2B e-commerce for the trading of agricultural products, services including supply chain management and supply chain finance, as a result of which the financial results of Shenzhen Sinoagri was consolidated into the Group's financial results, and (ii) an increase in the Group's equity interest from 60% to 65% in Wuhan Zall Heng, as a result of which the financial results of Wuhan Zall Heng was consolidated into financial results of the Group Wuhan Zall Heng is principally engaged in the provision supply chain management services and solutions for the supply of non-ferrous metals during the six months ended 30 June 2017.

Cost of sales

Cost of sales of the Group increased significantly by approximately 452.2% from approximately RMB400.2 million for the six months ended 30 June 2016 to approximately RMB2,210.0 million for the six months ended 30 June 2017. The increase is primarily due to the recognition of cost of inventories of approximately RMB1,958.1 million from the supply chain management and trading business since the first completion of acquisition of a majority equity interest in Shenzhen Sinoagri and increase in the Group's equity interest in Wuhan Zall Heng during the six months ended 30 June 2017.

Gross profit

Gross profit of the Group decreased by approximately 49.7% from approximately RMB225.9 million for the six months ended 30 June 2016 to approximately RMB113.5 million for the six months ended 30 June 2017. The Group's gross profit margin decreased from 36.1% in first half year of 2016 to 4.9% in first half year of 2017 mainly due to the changes of the revenue portfolio of the Group since the first completion of acquisition of a majority equity interest in Shenzhen Sinoagri and increase in the Group's equity interest in Wuhan Zall Heng during the six months ended 30 June 2017. Given the characteristics of initial development of the supply chain management and trading business, it has contributed higher revenue but lower profit margin.

Other net (loss)/income

Other income of the Group decreased significantly from approximately RMB930.7 million for the six months ended 30 June 2016 to other net loss of approximately RMB344.6 million for the six months ended 30 June 2017. The other income decreased by approximately RMB1,275.3 million was mainly due to the decrease in the fair value change on financial assets at fair value through profit or loss amounted to approximately RMB1,281.5 million.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 24.7% from RMB59.6 million for the six months ended 30 June 2016 to approximately RMB74.3 million for the six months ended 30 June 2017. The increase was primarily due to the increase of approximately RMB8.7 million and approximately RMB4.4 million in advertising promotion expenses and staff costs respectively.

Administrative and other expenses

Administrative and other expenses of the Group increased by approximately 44.4% from RMB66.8 million for the six months ended 30 June 2016 to approximately RMB96.6 million for the six months ended 30 June 2017. The increase was primarily due to (i) the increase in office expenses of approximately RMB6.1 million; (ii) increase in staff costs of approximately RMB14.8 million and (iii) increase in consultancy fee of approximately RMB5.2 million.

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 independent property valuers. For the six months ended 30 June 2017, the Group recorded fair value change of investment properties and non-current assets classified as held for sale of approximately RMB141.8 million (for six months ended 30 June 2016: approximately RMB106.3 million) and fair value gain upon transfer of completed properties held for sale to investment properties of approximately RMB1,984.8 million (for six months ended 30 June 2016: approximately RMB626.4 million). The increase fair value gain of approximately RMB1,393.9 million in total was mainly attributable from the increased number of wholesale shopping mall units and auxiliary facilities units retained for rental purpose.

Share of loss of joint ventures

Share of loss of joint ventures of the Group increased by 685.7% from approximately RMB21 thousand for the six months ended June 2016 to approximately RMB165 thousand for the six months ended June 2017. The increase is primarily due to the Group's share of loss from 60% equity interest of Wuhan Zall Heng from January to May 2017. Wuhan Zall Heng was established in September 2016, and was held as joint venture by the Group, prior to the Group's further acquisition of an additional 5% equity interest in Wuhan Zall Heng which then became a non-wholly owned subsidiary of the Company in May 2017.

Share of loss of associates

Share of loss of associates increased by 208.1% from approximately RMB5.0 million for the six months ended June 2016 to approximately RMB15.4 million for the six months ended July 2017. The increase is primarily due to equity interest held in LightInTheBox increased from 30.8% to 33.7% and the Group's share of six-month loss of LightInTheBox for the six months ended 30 June 2017. The Group only share of three months loss of LightInTheBox for the six months ended 30 June 2016, as the Group acquired the equity interest of LightInTheBox since March 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 approximately RMB95.6 million. For the six months ended 30 June 2017, the Group did not dispose any of its subsidiaries.

Finance income and costs

For the six months ended 30 June 2017, interest income of approximately RMB1.8 million (for six months ended 30 June 2016: approximately RMB3.1 million) was credited to the consolidated statement of profit or loss.

For the six months ended 30 June 2017, a net finance cost of approximately RMB160.3 million (for six months ended 30 June 2016: approximately RMB64.7 million) was charged to the consolidated statement of profit or loss. The increase was mainly attributable to the increase in interest expenses incurred on bank loans and loans from other financial institutions and other borrowing costs.

Income tax

Income tax increased by approximately 51.6% from approximately RMB319.0 million for the six months ended 30 June 2016 to approximately RMB483.6 million for the six months ended 30 June 2017. The increase was mainly due to the offsetting effect of (i) the decrease in current PRC corporate income tax of approximately RMB35.8 million as the taxable profit decreased; (ii) the decrease of current PRC LAT of approximately RMB16.4 million due to the decrease in profit on properties sales; and (iii) the increase in deferred tax of approximately RMB216.8 million mainly due to the increase in temporary differences from fair value changes of investment properties. As a result, the Group's effective tax rate was increased from 17.8% for the six months ended 30 June 2016 to approximately 31.2% for the six months ended 30 June 2017.

Profit for the period

For the six months ended 30 June 2017, the Group recorded a net profit of approximately RMB1,066.9 million. Profit attributable to equity shareholders of the Company was approximately RMB1,074.6 million, representing a decrease of approximately 26.6% over the amount of approximately RMB1,463.4 million for the six months ended 30 June 2016.

Liquidity and capital resources

The Group has consistently maintained sufficient working capital. As at 30 June 2017, the Group had net current assets of approximately RMB4,908.3 million (31 December 2016: approximately RMB5,657.8 million) and net assets of approximately RMB17,545.3 million (31 December 2016: approximately RMB12,139.2 million). As at 30 June 2017, the Group's equity attributable to equity shareholders of the Company amounted to approximately RMB16,757.4 million (31 December 2016: approximately RMB12,104.5 million), comprising issued capital of approximately RMB32.3 million (31 December 2016: approximately RMB29.7 million) and reserves of approximately RMB16,725.1 million (31 December 2016: approximately RMB12,074.8 million).

Cash position

The Group's cash and cash equivalents consist primarily of cash on hand and bank balances which are primarily held in RMB denominated accounts with banks in the PRC. The Group's cash and cash equivalents increased by approximately 414.1% from approximately RMB273.3 million as at 31 December 2016 to approximately RMB1,405.0 million as at 30 June 2017. The increase was mainly attributable to the consolidation of the cash and cash equivalents of Wuhan Zall Heng and Shenzhen Sinoagri since May and June 2017 respectively.

Bank loans and loans from other financial institutions

The Group's total long-term and short-term loans increased by approximately 14.6% from approximately RMB8,393.9 million as at 31 December 2016 to approximately RMB9,618.0 million as at 30 June 2017. The increase was mainly attributable to the consolidation of the bank loans and loans of Wuhan Zall Heng and Shenzhen Sinoagri since May and June 2017 respectively. Majority of the loans were denominated in RMB, being the functional currency of the Group.

Net gearing ratio

The Group's net gearing ratio sharply declined from 62.5% as at 31 December 2016 to 33.7% as at 30 June 2017. The decrease in net gearing ratio was mainly due to (i) the shareholders' funds in the Company has been increased due to the issuance of new shares and consideration shares under the general mandate and acquisition of Shenzhen Sinoagri, respectively (ii) the Group's financial position and net gearing ratio have been strengthen upon the first completion of the acquisition of Shenzhen Sinoagri. The net gearing ratio is 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.

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 2017, the Group did not use any financial instruments for hedging purpose. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

Charge on assets

As at 30 June 2017, the Group had pledged certain of its assets with a total book value of RMB20,264.5 million (31 December 2016: RMB16,253.1 million) and a total book value of RMB4,955.1 million (31 December 2016: Nil) for the purpose of securing certain of the Group's bank borrowings and bills payables respectively.

Material acquisitions and disposals of subsidiaries or associated companies

In May 2017, Zall Development Wuhan Co., Ltd ("Zall Wuhan"), a wholly-owned subsidiary of the Company entered into an acquisition agreement with an individual and revised certain contractual terms of a joint venture arrangement, pursuant to which Zall Wuhan agreed to further acquire 5% equity interests in Wuhan Zall Heng, which was formerly held as a join venture, at a consideration of RMB1,250,000. Upon completion of the aforesaid acquisition, Wuhan Zall Heng became a non-wholly owned subsidiary of the Company on 23 May 2017.

On 28 October 2016, Zall Development (BVI) Holding Company Limited ("Zall Development (BVI)"), a wholly-owned subsidiary of the Company entered into an acquisition agreement, pursuant to which Zall Development (BVI) conditionally agreed to purchase 60.49% equity interest of the Shenzhen Sinoagri at a consideration up to HKD2.591 billion, which will be satisfied by way of allotment and issue of the consideration shares. The transaction is required to complete in two tranches. On 28 June 2017, the first tranche of the acquisition was completed and, 517,227,000 consideration shares was allotted and issued to the vendors in exchange for approximately 50.6% equity interest of Shenzhen Sinoagri, and as a result of which Shenzhen Sinoagri became a non-wholly owned subsidiary of the Company.

Segment reporting

Details of the segment reporting of the Group for the six months ended 30 June 2017 are set out in note 3 of the interim condensed consolidated financial statements.

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 2017, 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 approximately RMB46.1 million (31 December 2016: approximately RMB148.8 million) and approximately RMB1,170.0 million (31 December 2016: approximately RMB1,881.8 million), respectively.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, the Group employed a total of 1,255 full time employees (30 June 2016: 1,178). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2017, the employees benefit expenses were approximately RMB67.4 million (for six months ended 30 June 2016: approximately RMB35.7 million). The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires.

The Group has also adopted a share option scheme (the "Share Option Scheme") and a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants, including the Directors, and full-time or part-time employees, executives or officers of the Group who had contributed to the success of the Group's operations. As at 30 June 2017, there was no outstanding share options under the Share Option Scheme and Pre-IPO Share Option Scheme.

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 and a Pre-IPO Share Option Scheme for the purpose of providing incentives and rewards to Eligible Participants who contribute to the success of the Group's operations. All the options issued under the Pre-IPO Share Option Scheme were either exercised or lapsed since 31 December 2015 and no further option could be granted under the scheme.

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 9.04% 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 2017, no options had been granted under the Share Option Scheme.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

During the six months ended 30 June 2017, 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.

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

As at 30 June 2017, 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:

Interests in shares of the Company

Name of director	Nature of interest	Number of ordinary shares in the Company	Approximate percentage of shareholding in the existing share capital (Note 5)	Approximate percentage of shareholding in the enlarged share capital (Note 6)
Yan Zhi (Note 1)	Interest in a controlled corporation	7,542,545,268	64.91%	64.61%
Yan Zhi	Beneficial owner	56,613,000	0.49%	0.48%
Gang Yu	Beneficial owner	156,660,000	1.35%	1.34%
Wei Zhe, David (Note 2)	Interest in a controlled corporation	267,489,000	2.30%	2.29%
Wei Zhe, David (Note 3)	Interest in a controlled corporation	42,981,000	0.37%	0.37%
Wei Zhe, David (Note 4)	Beneficial owner	10,746,000	0.09%	0.09%
Cui Jinfeng	Beneficial owner	1,312,500	0.01%	0.01%

Notes:

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

2. The interests in the 267,489,000 underlying Shares is held by EJC Group Limited pursuant to the acquisition agreement dated 28 October 2016 (the "Acquisition Agreement") entered into between, among others, EJC Group Limited, Zall Development (BVI) and the Company. EJC Group Limited is a company incorporated in the British Virgin Islands with limited liability and Mr. Wei is the controlling shareholder of EJC Group Limited. The consideration share have been issued on 28 June 2017.

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

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

5. The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2017 (11,619,945,750 ordinary share).

6. The percentage represents the number of underlying shares interested divided by the enlarged issued share capital of the Company assuming the full issuance of the 53,727,000 consideration shares issuable under the the VKC Consultancy Shares and the Incentive Shares. Please refer to the Company's circular dated 15 February 2017 for further details of the above.

Save as disclosed above, as at 30 June 2017, 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.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any director, as at 30 June 2017, 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	Beneficial owner	7,542,545,268(1)	64.91%
Ji Changqun	Interest in controlled corporation	949,224,000(2)	8.17%
Magnolia Wealth International Limited	Interest in controlled corporation	949,224,000(2)	8.17%
Fullshare Holdings Limited	Interest in controlled corporation	949,224,000(2)	8.17%
Rich Unicorn Holdings Limited	Beneficial owner	949,224,000(2)	8.17%

Notes:

(1) Zall Development Investment 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 approximately 46.58% by Magnolia Wealth International Limited, which in turn is wholly owned by Ji Changqun. Ji Changqun also directly owns approximately 4.78% 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 2017.

Save as disclosed above, as at 30 June 2017, the Company had not been notified by any person, other than a director or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") as its corporate governance code of practices upon the listing of its shares on the Stock Exchange. In the opinion of the Board, save for the deviation to code provision A.2.1 below, the Company had complied with the code provisions as set out in the CG Code throughout the six months ended 30 June 2017.

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 six months ended 30 June 2017, 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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code for dealing in securities of the Company by the Directors during the six months ended 30 June 2017. The Board confirms that, having made specific enquiries with all Directors, all Directors have complied with the required standards of the Model Code for the six months ended 30 June 2017.

RELEASE OF SHARE PLEDGE

As disclosed in the announcement of the Company dated 24 November 2016, Zall Development Investment, a company wholly owned by Mr. Yan Zhi (the controlling shareholder of the Company), pledged 888,000,000 Shares (the "Charged Shares") in favor of Industrial Bank Co., Ltd. Hong Kong Branch (the "Lender") as security for a term loan facility (the "Loan") provided by the Lender to the Company.

On 31 May 2017, the Company repaid the Loan in full to the Lender, and the Company was notified by the Mr. Yan Zhi that the Charged Shares were released and the relevant procedures for the release of the relevant share pledge were completed on 31 May 2017. For further details, please refer to the announcement of the Company dated 31 May 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2017, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

ISSUE OF CONSIDERATION SHARES

On 28 October 2016, an acquisition agreement (the "Acquisition Agreement") was entered into between, among others, (1) EJC Group Limited, Great Morning Holding Limited, Chan Kit and Chan Nanjula Wai Po (collectively, the "Vendors"), (2) Zall Development (BVI), a wholly-owned subsidiary of the Company, and (3) the Company, in relation to the proposed acquisition by the Group of the respective shares representing the entire issued shares of Superu Company Limited, Perfect International Limited, Sweet Returns Holdings Limited, Ronald Development International Limited and Sweet Returns Investment Limited, at consideration of up to HK$2.591 billion, which would be satisfied by way of allotment and issue of up to 618,321,000 consideration Shares at an issue price of HK$4.19 per Share to the Vendors.

On 28 June 2017, the first completion under the Acquisition Agreement took place, and 267,489,000, 169,410,000 and 80,328,000 consideration Shares were issued to EJC Group Limited, Great Morning Holding Limited and CHAN Ki, respectively at the issue price of HK$4.19 per Share.

Further details of the Acquisition Agreement and the first completion thereunder were disclosed in the circular of the Company dated 15 February 2017 and the announcement of the Company dated 28 June 2017, respectively.

SUBSCRIPTION OF NEWS SHARES UNDER GENERAL MANDATE

On 30 May 2017, the Company entered into a share subscription agreement OBOR Global Innovation Fund SPC – OBOR Innovation Technology Fund SP (the "Subscriber"), pursuant to which the Subscriber conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue, an aggregate of 357,141,000 Shares, at a subscription price of HK$4.2 per Share. The aforesaid share subscription was completed on 16 June 2017. For further details, please refer to the announcements of the Company dated 31 May 2017 and 16 June 2017.

DEED OF NON-COMPETITION

As further set out in the circular of the Company dated 31 December 2014 (the "Restructuring Circular"), the Group previously carried out certain restructuring of its businesses (the "Restructuring") to, among others, dispose of certain of its non-core businesses to its controlling shareholders. After the Restructuring and until the Group has disposed of or realised all its remaining non-core property projects, the business owned/controlled by the controlling shareholders may overlap with the business of the Group in terms of business nature (but not necessarily in direct competition). As such, a revised deed of non-competition dated 30 June 2015 (superseding the original deed of non-competition dated 20 June 2011) was entered into by the Company's controlling shareholders in favour of the Company (as superseded, the "Deed of Non-Competition"), pursuant to which each of the controlling shareholders of the Company has undertaken to the Company that he/she/it will not and will procure that his/her/its associates (other than members of the Group) not to, engage in any of the Group's businesses including (without limitation), developing and operating large-scale, consumer product focused wholesale shopping malls in China.

As at 30 June 2017, except North Hankou Zall Life City – Phase II, all of the Remaining Non-core Projects (as defined in the Restructuring Circular) have been disposed. North Hankou Zall Life City – Phase II is a residential project with gross floor area of approximately 214,000 square meters in North Hankou region. As satisfiable profit and cash flow could be generated from this project, the Group has hold back the project and sold part of it based on the market circumstances. As at 30 June 2017, approximately 103,000 square meters was pre-sale and the construction is expected to be completed in 2019.

Further details of the Restructuring and the Deed of Non-Competition were disclosed in the Restructuring Circular.

CONNECTED TRANSACTIONS

During the six months ended 30 June 2017, the Group had the following connected transactions with its connected persons:

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

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

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

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

During the six month ended 30 June 2017, the Group received rental income of RMB1,652,764.

(b) Lease agreement with Wuhan Z-Bank Ltd. ("Wuhan Z-Bank")

On 18 May 2017, Wuhan North Hankou Trade Market Investment Co., Ltd. ("North Hankou Trade Market", an indirect wholly-owned subsidiary of the Company) and Wuhan Z-Bank, 30% of equity interest of which was directly owned by Zall Holdings Limited ("Zall Holdings"), which was held as to 99.95% by Mr. Yan, entered into a lease agreement (the "Lease Agreement"), pursuant to which North Hankou Trade Market agreed to rent a premises with an area of 4,897.5 square metres to Wuhan Z-Bank at a monthly rent of RMB1,493,737.5 for a term of 3 years. The rental fee received from Wuhan Wuhan Z-Bank 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 Z-Bank is owned directly as to 30% by Zall Holdings, which is held as to 99.95% by Mr. Yan, one of the Company's controlling shareholders, and is a connected person of the Company under the Listing Rules. Accordingly, Wuhan Z-Bank is an associate of Mr. Yan and is therefore a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules, and the entering into of the Lease Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

During the six month ended 30 June 2017, the Group received rental income of RMB2,234,468.

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 29 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 2017 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 2016 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. The auditors have expressed an unqualified opinion on those financial statements in their report dated 31 March 2017.

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 2017 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. Zhu Zhengfu. 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 2017 (six months ended 30 June 2016: Nil).

DIRECTORS

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

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

Hong Kong, 31 August 2017

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017 — unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
	Note	2017 RMB'000	2016 RMB'000
Revenue	3	2,323,518	626,072
Cost of sales		(2,209,969)	(400,182)
Gross profit		113,549	225,890
Other net (loss)/income	4	(344,612)	930,744
Selling and distribution expenses		(74,329)	(59,621)
Administrative and other expenses		(96,554)	(66,846)
(Loss)/profit from operations before changes in fair value of investment properties		(401,946)	1,030,167
Increase in fair value of investment properties and non-current assets classified as held for sale	10	141,782	106,324
Fair value gain upon transfer of completed properties held for sale to investment properties	10	1,984,811	626,390
Profit from operations after changes in fair value of investment properties		1,724,647	1,762,881
Share of loss of joint ventures		(165)	(21)
Share of loss of associates	11	(15,385)	(4,994)
Gain on disposal of subsidiaries		—	95,561
Finance income	5(a)	1,780	3,120
Finance costs	5(a)	(160,300)	(64,670)
Profit before taxation	5	1,550,577	1,791,877
Income tax	6	(483,648)	(319,044)
Profit for the period		1,066,929	1,472,833
Attributable to:			
Equity shareholders of the Company		1,074,614	1,463,367
Non-controlling interests		(7,685)	9,466
Profit for the period		1,066,929	1,472,833
Earnings per share			
Basic (RMB)	8	0.100	0.136
Diluted (RMB)	8	0.100	0.136

The notes on pages 31 to 60 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 26.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2017 RMB'000	2016 RMB'000
Profit for the period		**1,066,929**	1,472,833
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 in other jurisdictions		51,586	(21,371)
Total comprehensive income for the period		**1,118,515**	1,451,462
Attributable to:			
Equity shareholders of the Company		1,126,200	1,441,996
Non-controlling interests		(7,685)	9,466
Total comprehensive income for the period		**1,118,515**	1,451,462

The notes on pages 31 to 60 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2017 — unaudited
(Expressed in Renminbi)

	Note	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Non-current assets			
Property, plant and equipment	9	211,626	113,815
Investment properties	10	18,564,070	14,624,055
Interests in associates	11	531,174	529,657
Interests in joint ventures	30	113,495	104,163
Intangible assets	12	913,930	8,691
Deferred tax assets		198,600	168,837
Long-term receivables	13	309,423	293,970
Goodwill	14	1,065,672	15,783
		21,907,990	15,858,971
Current assets			
Financial assets at fair value through profit or loss	15	5,239,968	2,208,721
Inventories			
— Properties under development	16	4,548,299	3,544,027
— Completed properties held for sale	17	2,384,244	4,258,591
— Finished goods	18	612,032	35,310
Current tax assets		34,846	35,213
Trade and other receivables, prepayments	19	3,364,074	2,829,146
Loans receivable	20	2,749,186	—
Amounts due from related parties	21(a)	71,993	1,250
Restricted cash		2,563,701	550,453
Cash and cash equivalents	22	1,404,976	273,262
		22,973,319	13,735,973
Non-current assets classified as held for sale		200,593	152,705
		23,173,912	13,888,678
Current liabilities			
Financial liabilities at fair value through profit or loss	15	62,096	—
Trade and other payables	23	13,292,110	4,966,336
Amounts due to related parties	21(b)	197,817	631,881
Bank loans and loans from other financial institutions	24	4,390,564	2,332,654
Current tax liabilities		258,148	246,472
Deferred income		9,784	15,468
Liabilities directly associated with non-current assets classified as held for sale		55,136	38,038
		18,265,655	8,230,849
Net current assets		4,908,257	5,657,829
Total assets less current liabilities		26,816,247	21,516,800

Consolidated Statement of Financial Position (Continued)

At 30 June 2017 — unaudited
(Expressed in Renminbi)

	Note	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Non-current liabilities			
Bank loans and loans from other financial institutions	24	5,227,415	6,061,268
Deferred income		13,477	4,101
Deferred tax liabilities		4,030,101	3,312,199
		9,270,993	9,377,568
NET ASSETS		17,545,254	12,139,232
CAPITAL AND RESERVES			
Share capital	26(b)	32,269	29,727
Reserves		16,725,117	12,074,820
Total equity attributable to equity shareholders of the Company		16,757,386	12,104,547
Non-controlling interests		787,868	34,685
TOTAL EQUITY		17,545,254	12,139,232

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

Yan Zhi
Co-chairman, Executive Director

Cui Jinfeng
Executive Director

The notes on pages 31 to 60 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017 — 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	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)	—	—	—
Balance at 30 June 2016 and 1 July 2016	29,727	779,593	251,440	(104,282)	(85,717)	36,946	10,002,757	10,910,464	851,529	11,761,993
Changes in equity for the six months ended 31 December 2016:										
Profit for the period	—	—	—	—	—	—	585,584	585,584	(1,846)	583,738
Other comprehensive income	—	—	—	—	(21,745)	—	—	(21,745)	—	(21,745)
Total comprehensive income	—	—	—	—	(21,745)	—	585,584	563,839	(1,846)	561,993
Transfer to PRC statutory reserve	—	—	163,112	—	—	—	(163,112)	—	—	—
Arising from acquisition of non-controlling interests	—	—	—	616,163	—	—	—	616,163	(816,163)	(200,000)
Arising from acquisition of subsidiaries	—	—	—	—	—	—	—	—	3,246	3,246
Disposal of equity interest in a subsidiary without losing control	—	—	—	14,081	—	—	—	14,081	(2,081)	12,000
Balance at 31 December 2016	**29,727**	**779,593**	**414,552**	**525,962**	**(107,462)**	**36,946**	**10,425,229**	**12,104,547**	**34,685**	**12,139,232**

	Attributable to equity shareholders of the Company									
	Share capital RMB'000	Share premium RMB'000	PRC statutory reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Revaluation reserve RMB'000	Retaind profit RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017	29,727	779,593	414,552	525,962	(107,462)	36,946	10,425,229	12,104,547	34,685	12,139,232
Changes in equity for the six months ended 30 June 2017:										
Profit for the period	—	—	—	—	—	—	1,074,614	1,074,614	(7,685)	1,066,929
Other comprehensive income	—	—	—	—	51,586	—	—	51,586	—	51,586
Total comprehensive income	—	—	—	—	51,586	—	1,074,614	1,126,200	(7,685)	1,118,515
Issuance of new shares	1,038	1,305,453	—	—	—	—	—	1,306,491	—	1,306,491
Arising from acquisition of subsidiaries	1,504	2,218,644	—	—	—	—	—	2,220,148	769,868	2,990,016
Withdrawal of capital investment by a non-controlling equity holder	—	—	—	—	—	—	—	—	(9,000)	(9,000)
Balance at June 2017	32,269	4,303,690	414,552	525,962	(55,876)	36,946	11,499,843	16,757,386	787,868	17,545,254

The notes on pages 31 to 60 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2017 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2017 RMB'000	Six months ended 30 June 2016 RMB'000
Cash (used in)/generated from operations		(1,086,494)	7,174
PRC taxes paid		(17,671)	(21,408)
Net cash used in operating activities		(1,104,165)	(14,234)
Payment for the purchase of property, plant and equipment	9	(1,422)	(30,278)
Payment for the purchase of intangible assets		(684)	—
Cash receipt from disposal of property, plant and equipment		—	117
Cash receipt from disposal of intangible assets		62	—
Increase in restricted cash		—	(8,500)
Cash receipt from disposal of subsidiaries		—	29,984
Cash receipt from acquisition of subsidiaries	30	1,237,163	—
Payment for investment in associates		(15,823)	(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	4	10,207	6,805
Purchase of financial assets at fair value through profit or loss		(133,636)	—
Refund of deposit from an insurance company		1,000,000	—
Other cash flow arising from investing activities		1,780	3,120
Net cash generated from/(used in) investing activities		2,097,647	(673,187)
Proceeds from placing new shares		1,306,492	—
Proceeds from new bank loans		1,972,158	1,978,180
Repayment of bank loans		(2,344,848)	(823,300)
Interest and other borrowing costs paid		(593,971)	(293,632)
Proceeds from loans from the Immediate Holding Company	29(b)	—	156,558
Repayment of loans from the Immediate Holding Company	29(b)	(469,512)	(118,513)
Advances to acquisition of non-controlling interest in a subsidiary		—	(100,000)
Withdrawal capital investment by non-controlling equity holder		(9,000)	—
Loans from third parties		140,000	—
Repayment of loan from a third party		(140,000)	—
Increase in restricted cash		227,143	—
Other cash flow generated from financing activities		—	44,679
Net cash generated from financing activities		88,462	843,972
Net increase in cash and cash equivalents		1,081,944	156,551
Cash and cash equivalents at 1 January		273,262	243,470
Effect of foreign exchange rate changes		49,770	(21,849)
Cash and cash equivalents at 30 June	22	1,404,976	378,172

The notes on pages 31 to 60 form part of this interim financial report.

1 BASIS OF PREPARATION

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 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 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 2016 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 financial information relating to the financial year ended 31 December 2016 that is included in the interim financial report as comparative information does not constitute the company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

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").

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are development and operating of large-scale consumer product-focused wholesale shopping malls and the related value-added business, such as warehousing, logistics, E-commerce and financial services. The Group has commenced to engage in supply chain management and trading business after acquisition of several subsidiaries in 2017 (note 30).

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

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Revenue from property development and related services:		
Sales of properties	200,119	509,160
Rental income	94,960	94,889
Revenue from construction contracts	15,453	11,611
Others	13,079	9,001
Revenue from E-commerce and financial services business	35,208	1,019
Revenue from supply chain management and trading business	1,958,912	–
Others	5,787	392
	2,323,518	626,072

For the six months ended 30 June 2017, there are two customers with whom transactions have exceeded 10% of the Group's revenue amounted to RMB851,597,000.

For the six months ended 30 June 2016, there was no single customer with whom transaction have exceeded 10% of the Group's revenue.

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

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by mixture of both business lines (product and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Property development and related services: this segment develops and operates large-scale consumer product-focused wholesale shopping malls and the related value-added business, such as warehousing and logistics.

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

– Supply chain management and trading: this segment mainly engaged in trading of agricultural products and non-ferrous metals.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2017 and 2016 is set out below.

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities

	Property development and related services		E-commerce and financial services		Supply chain management and trading		Total	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
For the six months ended								
Revenue from external customers and reportable segment revenue	323,611	624,661	35,208	1,019	1,958,912	—	2,317,731	625,680
Reportable segment profit/(loss)	29,001	131,152	(63,209)	(24,509)	(6,871)	—	(41,079)	106,643
As at 30 June/31 December								
Reportable segment assets	27,997,047	27,461,674	1,154,203	1,020,848	8,351,709	53,627	37,502,959	28,536,149
Reportable segment liabilities	12,728,010	14,019,953	2,660,550	2,490,295	10,105,319	67,554	25,493,879	16,577,802

(ii) Reconciliations of reportable segment revenue and profit or loss

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Revenue		
Reportable segment revenue	2,317,731	625,680
Other revenue	5,787	392
Consolidated revenue (note 3(a))	2,323,518	626,072
Profit		
Reportable segment (loss)/profit derived from the Group's external customers	(41,079)	106,643
Other net (loss)/income	(344,612)	930,744
Gain on disposal of subsidiaries	—	95,561
Finance income	1,780	3,120
Finance costs	(160,300)	(64,670)
Net increase in fair value of investment properties	2,126,593	732,714
Share of loss of associates	(15,385)	(4,994)
Share of loss of joint ventures	(165)	(21)
Unallocated head office and corporate expenses	(16,255)	(7,220)
Consolidated profit before taxation	1,550,577	1,791,877

4 OTHER NET (LOSS)/INCOME

		Six months ended 30 June	
	Note	2017 RMB'000	2016 RMB'000
Fair value change on financial assets at fair value through profit or loss			
– Fair value change on listed equity securities	15	(352,336)	917,479
– Fair value change on derivative financial instrument	15	(4,893)	6,775
Dividend from financial assets at fair value through profit or loss		10,207	6,805
Gain on remeasurement of previously held interest upon step acquisition of a subsidiary	30(b)	177	—
Government grants		—	32
Loss on disposal of non-current assets classified as held for sale		—	(597)
Others		2,233	250
		(344,612)	930,744

5 PROFIT BEFORE TAXATION

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

		Six months ended 30 June	
		2017 RMB'000	2016 RMB'000
(a)	**Finance (income)/costs**		
	Finance income		
	Interest income	(1,780)	(3,120)
	Finance costs		
	Interest on bank loans and loans from other financial institutions	369,218	280,342
	Other borrowing costs	18,049	9,404
	Less: Amounts capitalised into properties under development and investment properties under development	(231,586)	(229,387)
		155,681	60,359
	Bank charge and others	2,726	3,832
	Net foreign exchange loss	1,893	479
		160,300	64,670
(b)	**Staff costs**		
	Salaries, wages and other benefits	60,936	30,966
	Contributions to defined contribution retirement plans	6,415	4,712
		67,351	35,678
(c)	**Other items**		
	Amortisation	2,335	—
	Depreciation	13,523	8,901
	Operating lease charges	9,533	14,373
	Cost of construction contract	15,453	12,299
	Cost of finished goods sold	1,958,099	—
	Cost of properties sold	161,421	358,476

6 INCOME TAX

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Current tax		
PRC Corporate Income Tax ("PRC CIT")	1,777	37,603
PRC Land Appreciation Tax ("PRC LAT")	17,831	34,215
	19,608	71,818
Deferred tax		
Origination and reversal of temporary differences	464,040	247,226
	483,648	319,044

(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 2016: 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% (six months ended 30 June 2016: 25%), unless otherwise specified.

Pursuant to the rules and regulations applicable to encouraged industries in the PRC western development strategy, Guangxi Sugar Market Network Co., Ltd., (a subsidiary of Shenzhen Sinoagri E-commerce Co., Ltd. ("Shenzhen Sinoagri") acquired by the Group on 28 June 2017) which is principally engaged in modern logistics in the western of China, is subject to PRC corporate income tax at a preferential tax rate of 9% for the year ended 31 December 2017. The application of tax holiday will be reviewed by the tax authority annually.

(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.

7 OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Exchange differences on translation of:		
— financial statements of subsidiaries in other jurisdictions	51,586	(21,371)

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of approximately RMB1,074.6 million (six months ended 30 June 2016: approximately RMB1,463.4 million) and the weighted average of 10,779,102,000 ordinary shares (six months ended 30 June 2016: 10,745,577,750 ordinary shares).

(b) Diluted earnings per share

There were no diluted potential shares in existence during the period ended 30 June 2017 and 2016.

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment with aggregate costs of RMB1,422,000 (six months ended 30 June 2016: RMB30,278,000) and with aggregate costs of RMB104,897,000 (six months ended 30 June 2016: Nil) from business combination. There is no disposal of items of property, plant and equipment during the period ended 30 June 2017.

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

As at 30 June 2017, certain building of the Group with carrying value of RMB18,998,000 was without building ownership certificate (31 December 2016: RMB19,635,000). 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 2017 by Jones Lang Lasalle ("JLL") and Savills Valuation and Professional Services Limited ("Savills"), independent firms of surveyors. The valuation were carried out by JLL and 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, JLL and Savills have 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 2017, a fair value gain totaling RMB2,126,593,000 (six months ended 30 June 2016: RMB732,714,000), and deferred tax thereon of RMB688,020,000 (six months ended 30 June 2016: RMB246,551,000), 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 RMB16,679,646,000 (31 December 2016: RMB9,341,927,000) (note 24).

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

11 INTERESTS IN ASSOCIATES

The movement of carrying amount of associates is as below:

Name of associates	Note	As at 31 December 2016 RMB'000	Investment during the period RMB'000	Acquired from business combination RMB'000	Aggregate amounts of the Group's share of those associates' losses RMB'000	As at 30 June 2017 RMB'000
LightInTheBox Holding Co., Ltd. ("LightInTheBox")	(a)	527,122	15,823	—	(13,725)	529,220
SCITECH Shanghai Business Management Limited ("SCITECH Shanghai")	(b)	2,535	—	—	(1,660)	875
Shenzhen Egu E-Commerce Co., Ltd.	(c)	—	—	1,079	—	1,079
Total amount		529,657	15,823	1,079	(15,385)	531,174

(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 Cross-border 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.

Upon the completion of the subscription, the Group owned 30% of the issued share capital of LightInTheBox. As at 30 June 2017, Zall Development (HK) Holding Company Limited, an indirect wholly-owned subsidiary of the Company, held a further 4,007,478 shares of LightInTheBox through further purchases in the public market, which resulted in the Group's equity interest in LightInTheBox increased to 33.74%. The directors of the Company considered the Group was able to exert a significant influence over LightInTheBox. Thus, the investment was individually accounted for as an investment in associate and subsequently accounted for using the equity method.

(b) On 29 January 2016, Zall Development (Wuhan) Co., Ltd. ("Zall Wuhan") together with Tibet Urban Development Investment Limited Company and SCITECH (Shanghai) Commercial Investment Management Limited set up a company named 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.

(c) The associate was acquired from business combination (note 30).

12 INTANGIBLE ASSETS

The intangible assets were mainly acquired through business combination (note 30) including:

– Trademark: registered trademark in PRC;
– Customer Relationship: subscriber accounts and other customer relationship; and
– Favorable Contracts.

12 INTANGIBLE ASSETS (Continued)

The fair value of the acquired intangible assets is computed at the time of the acquisition applying usually one of the following methods:

– Multi-period excess earnings method: under this approach, cash flow associated with the specific intangible assets are determined. Contributory charges of other assets that are being used to generate the cash flows are deducted from these cash flows. The net cash flows are discounted to arrive at the value of the assets.

– Relief from royalty approach: under this approach, the value of the Trademarks depends on the present worth of future economic benefits to be derived from the projected royalty income. Indications of value have been developed by discounting projected future net royalty income to their present worth at discount rate.

– with-and-without method: under this approach, cash flow attributable to incremental cost savings associated with subject asset is estimated. Indications of value have been developed by discounting projected future cost savings to their present worth at discount rate.

Intangible assets are stated at cost less accumulated amortization and any impairment losses and are amortized over their estimated useful economic life, generally applying the straight-line method.

13 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 2017, is RMB309,423,000 (31 December 2016: RMB293,970,000).

The gross amount due from customers for contract work at 30 June 2017 that is expected to be recovered after more than one year is RMB309,423,000 (31 December 2016: RMB293,970,000). The amount of retentions receivable is recorded as "long-term receivables" in the consolidated statement of financial position of the Group.

14 GOODWILL

	RMB`000
Cost and carrying amount:	
At January 1, 2017	15,783
Additions through acquisition of subsidiaries (note 30)	87,330
Arisen through business combination of the Group (i)	962,559
At June 30, 2017	1,065,672

(i) On 23 May and 28 June 2017, the Group completed the acquisition of Zall Heng Supply Chain Management (Wuhan) Co., Ltd. ("Wuhan Zall Heng") and Shenzhen Sinoagri respectively. The Goodwill is arisen from the acquisition of Wuhan Zall Heng and Shenzhen Sinoagri which represented the excess of the aggregate purchase price over the fair value of the net identifiable assets acquired through business combination (note 30).

15 FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Financial assets at fair value through profit or loss		
Listed equity securities		
– Fullshare Holdings Limited ("Fullshare", 00607.HKEX) (i)	1,883,345	2,203,480
– China High Speed Transmission Equipment Group Co., Ltd ("China Transmission", 00658.HKEX)	101,144	—
Derivative financial instrument		
– Warrant	348	5,241
Wealth management products (ii)	2,715,096	—
Forward contracts (iii)	62,096	—
Contingent consideration (iv)	477,939	—
	5,239,968	2,208,721
Financial liabilities at fair value through profit or loss		
Forward contracts (iii)	(62,096)	—

(i) Up to the date of approval of the interim condensed consolidated financial statements, there was no further addition nor disposal of Fullshare. The market value of the Group's equity investments in Fullshare at the date of approval of the interim condensed consolidated financial statements was approximately RMB1,830,528,000 (equivalent to HKD2,169,952,000). In accordance with the respective accounting policy, the change in fair value will be recognised in the statement of profit or loss subsequent to the period end.

(ii) The amount represents short-term investment in wealth management products. As at 30 June 2017, certain wealth management products with an aggregate carrying value of RMB 2,714,804,000 (note 23(iii)) were pledged for bills payable granted to the Group.

(iii) Shenzhen Sinoagri, a non wholly-owned subsidiary acquired by the Group on 28 June 2017, operates an on-line trading platform with value-added services to allow the agricultural products buyers and sellers to settle the trade orders before physical settlement of the products. Forward contracts are generated from this value-added service.

(iv) The amount represents the contingent consideration of acquisition of Shenzhen Sinoagri. The amount is generated as a result of part of the consideration of the acquisition which depends on the post-acquisition financial performance of Shenzhen Sinoagri (note 30).

16 PROPERTIES UNDER DEVELOPMENT

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Properties under development for sale	829,700	805,733
Properties held for future development for sale	3,718,599	2,738,294
	4,548,299	3,544,027

As at 30 June 2017, certain properties under development with an aggregate carrying value of RMB1,451,465,000 (31 December 2016: RMB1,256,818,000) was pledged for certain bank loans granted to the Group (note 24).

17 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 RMB1,798,365,000 as at 30 June 2017 (31 December 2016: RMB3,187,227,000) were pledged for certain bank loans granted to the Group (note 24).

18 FINISHED GOODS

Finished goods in the consolidated statement of financial position comprise:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Supply chain management and trading business		
— Sugar	593,276	—
— Others	18,756	35,310
Total	612,032	35,310

During six months ended 30 June 2017, RMB1,958,099,000 (31 December 2016: RMB165,200,000) has been recognised as an expense in profit or loss.

19 TRADE AND OTHER RECEIVABLES, PREPAYMENTS

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Amounts due from third parties		
Trade and bill receivables	1,729,418	963,307
Less: Allowance for doubtful debts	(11,446)	–
	1,717,972	963,307
Prepaid business tax and other tax	77,373	67,251
Prepayments and other receivables	1,568,729	1,798,588
	3,364,074	2,829,146

19 TRADE AND OTHER RECEIVABLES, PREPAYMENTS (Continued)

(a) Ageing analysis

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

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Within 3 months	909,455	357,788
3 to 12 months	614,787	541,074
Over 12 months	193,730	64,445
	1,717,972	963,307

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

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly.

At 30 June 2017, trade debtors and bills receivables of RMB21,017,000 and RMB25,400,000 from Shenzhen Sinoagri were collectively and individually determined to be impaired respectively. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered.

(c) Trade and bills receivables that are not impaired

As at 31 December 2016, none of the trade and bills receivables that is neither individually nor collectively considered to be impaired was past due. As at 30 June 2017, trade and bills receivables of RMB31,663,000 that is neither individually nor collectively considered to be impaired was past due. The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Neither past due nor impaired	1,651,338	963,307

Receivables that were neither past due nor impaired relate to relevant customers for whom there was no recent history of default.

19 TRADE AND OTHER RECEIVABLES, PREPAYMENTS (Continued)

(d) Bills discounted

Wuhan Zall Heng and Tianjin Zall E-commerce Co., Ltd. ("Tianjin Zall E-commerce"), both are wholly-owned subsidiaries of the Group, entered into discounted bill agreements (the "Agreement") with the banks in the PRC. According to the Agreement, Wuhan Zall Heng and Tianjin Zall E-commerce discounted the bills receivables to these banks in return for the early settlement. As at 30 June 2017, bills receivables amounted to RMB397,706,000 (2016: Nil) were discounted to these banks with the maturity date yet to reach.

20 LOANS RECEIVABLE

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Secured loans receivable	2,786,599	—
Less: Allowance for doubtful debts – individually assessed	(37,413)	—
	2,749,186	—

Loans receivable represent secured loans advanced to third-party borrowers that was secured by the third-party borrowers' inventories, properties or unlisted shares. Loans receivable was generated from acquisition of Shenzhen Sinoagri.

(a) Ageing analysis

At the end of the reporting period, the ageing analysis of loans receivable based on the maturity date and net of allowance for doubtful debts, is as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Within 3 months	1,179,246	—
3 to 12 months	1,529,634	—
Over 12 months	40,306	—
	2,749,186	—

(b) Impairment of loans receivable

Impairment losses in respect of loans receivable to third parties are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against loans to third parties directly.

As at 30 June 2017, loans receivable of RMB189,524,000 was individually determined to be impaired. The individually impaired loans receivable related to customers that were in financial difficulties and management assessed that only a portion of the loans receivables is expected to be recovered.

20 LOANS RECEIVABLE (Continued)

(c) Loans receivable that are not impaired

As at 30 June 2017, loans receivable of RMB3,300,000 that is not individually considered to be impaired was past due. The ageing analysis of loans receivable that are neither past due nor individually considered to be impaired are as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Neither past due nor impaired	2,593,775	—

Loans receivable that were neither past due nor impaired relate to the borrowers for whom there were no recent history of default.

21 AMOUNTS DUE FROM/TO RELATED PARTIES

(a) An analysis of the amounts due from related parties is as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Amounts due from an associate	2,460	—
Amounts due from a joint venture	65	—
Amounts due from other related parties	69,468	1,250
Amounts due from related parties	71,993	1,250

(b) An analysis of the amounts due to related parties is as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Amounts due to joint ventures	171,900	148,400
Amounts due to an associate	19,906	—
Amounts due to the immediate parent	—	469,512
Amounts due to the ultimate controlling party	3,900	3,900
	195,706	621,812
Amounts due to the other related parties	2,111	10,069
Amounts due to related parties	197,817	631,881

The amounts due from/to related parties was unsecured, interest-free and repayable on demand.

22 CASH AND CASH EQUIVALENTS

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Cash at bank and in hand	1,404,976	273,262

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

23 TRADE AND OTHER PAYABLES

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Trade and bills payables (i)(iii)	8,425,120	1,615,321
Receipts in advance (ii)	2,025,089	1,099,228
Other payables and accruals	2,841,901	2,251,787
	13,292,110	4,966,336

(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 2017 RMB'000	At 31 December 2016 RMB'000
Due within 3 months	1,192,985	529,741
Due after 3 months but within 12 months	6,394,562	345,100
Due after 12 months	837,573	740,480
	8,425,120	1,615,321

Trade payables mainly include the amounts due to the suppliers generated from the supply chain management and trading business, amounts due to contractors generated from property development and the amounts due to the lenders generated from peer-to-peer lending business as set out in note 28(ii).

23 TRADE AND OTHER PAYABLES (Continued)

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

(iii) Bills payable were secured by assets of the Group as set out below:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Restricted Cash	2,240,335	–
Financial assets at fair value through profit or loss	2,714,804	–
	4,955,139	–

24 BANK LOANS AND LOANS FROM OTHER FINANCIAL INSTITUTIONS

At 30 June 2017, the Group's bank loans and loans from other financial institutions were repayable as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Within one year or on demand	4,390,564	2,332,654
After 1 year but within 2 years	2,554,658	2,911,698
After 2 year but within 5 years	2,010,337	2,308,936
After 5 years	662,420	840,634
	5,227,415	6,061,268
	9,617,979	8,393,922

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Secured	9,124,060	8,000,338
Unsecured	493,919	393,584
	9,617,979	8,393,922

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

At 30 June 2017, 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 2.5% to 13.00% per annum for the six months ended 30 June 2017 (year ended 31 December 2016: 4.35% to 13.00% per annum), and are secured by the following assets:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Restricted cash	224,600	263,600
Investment properties	13,640,646	7,784,804
Investment properties under development	3,039,000	1,557,123
Properties under development	1,451,465	1,256,818
Completed properties held for sale	1,798,365	3,187,227
Non-current assets classified as held for sale	110,442	—
Financial assets at fair value through profit or loss	—	2,203,480
	20,264,518	16,253,052

(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 2017, the bank loans of the Group totaling RMB2,166,385,000 (31 December 2016: RMB2,612,535,000) 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 2017. 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 2017, the Group had a total of RMB1,396,760,000 (31 December 2016: RMB202,241,000) of unutilised loan facilities provided by commercial banks in China. Certain subsidiaries of the Group issued several guarantees to banks in respect of the banking facilities granted to the Group.

(iii) As at 30 June 2017, certain secured bank loans of the Group totaling RMB170,000,000 (31 December 2016: RMB180,000,000) was guaranteed by Zall Holdings Limited, a company owned by the Ultimate Controlling party of the Company.

25 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value

(a) *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 2017	Fair value measurements as at 30 June 2017 categorised into			Fair value at 31 December 2016	Fair value measurements as at 31 December 2016 categorised into		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements								
Assets:								
— Listed equity securities	1,984,489	1,984,489	—	—	2,203,480	2,203,480	—	—
— Derivative financial instrument	348	—	348	—	5,241	—	5,241	—
— Wealth management products (i)	2,715,096	2,715,096	—	—	—	—	—	—
— Forward contract (ii)	62,096	—	62,096	—	—	—	—	—
— Contingent consideration	477,939	—	—	477,939	—	—	—	—
Liabilities:								
— Forward contract	(62,096)	—	(62,096)	—	—	—	—	—

(i) The wealth management products were issued by reputable banks in the PRC. The fair value of these wealth management products were quoted by these banks.

(ii) Shenzhen Sinoagri operates an on-line trading platform with a value-added service to allow the agricultural products buyers and sellers to settle the trade orders before physical settlement of the products. Forward contracts are generated from this value-added service.

(iii) During the six months ended 30 June 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2016: 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.

(b) *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.

The fair value of forward contract is determined under discounted cash flow method.

(Expressed in Renminbi unless otherwise indicated)

25 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(c) Information about level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Input value
Contingent consideration	Black-scholes option pricing model	Discount for lack of marketability	From 11.30% to 27.20%
	Probabilistic method	Occurrence probability of financial forecasts	80% (base case); 10% (bull and bear cases)
		Financial forecasts	Not applicable

The fair value of contingent consideration is determined using probabilistic method based on different scenarios of financial forecasts of Shenzhen Sinoagri and respective occurrence probability. Adjustment for lack of marketability discount has been applied to the fair value of consideration share to account for lock-up undertaking for vendors in the acquisition. The fair value measurement is negatively correlated to the discount for lack of marketability, holding all other variables constant. As at 30 June 2017, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 5% would have increased/decreased the Group's profit after tax and retain profit by 5%.

The movement during the period in the balance of Level 3 fair value measurements is as follows:

Contingent consideration	
At 1Juanary 2017	–
Payment for purchase	477,939
At 30 June 2017	477,939

(d) All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2016 and 30 June 2017.

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

No dividend was declared during the six months ended 30 June 2017 and 2016.

(b) Shares placement

On 16 June 2017, the Company placed 357,141,000 new shares to the Subscriber (an exempted company incorporated with limited liability and registered as a segregated portfolio company under the laws of the Cayman Islands participating in OBOR Innovation Technology Fund SP, a segregated portfolio of OBOR Global Innovation Fund SPC. Its ultimate beneficial owners are independent third parties to the Company) at a price of HKD4.2 per share. Proceeds of RMB1,038,000 (equal to HKD1,190,000) representing the par value of these ordinary shares, were credited to the Company's share capital and the excess of the proceeds over the nominal value of the total number of ordinary shares issued after offsetting share issuance costs of RMB1,305,453,000 (equal to approximately HKD1,498,802,000), were credited to the share premium account of the Company.

(c) Issued ordinary shares to acquire subsidiaries

On 28 June 2017, the Company issued 517,227,000 new shares as consideration to acquire 50.6% equity share of Shenzhen Sinoagri. The ordinary shares were recognised at fair value amounting to RMB2,220,148,000 based on the listed share price of the Company at 28 June 2017 of HKD4.92 per share, of which RMB1,504,000 was credited to the Company's share capital and RMB2,218,644,000 was credited to the Company's share premium. The details of this acquisition transaction are set out in note 30.

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

As at 30 June 2017, the Group's capital commitments in respect of investment properties under development and properties under development are as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Contracted but not provided for		
— Investment properties under development	113,303	84,554
— Properties under development	818,189	756,625
	931,492	841,179

28 CONTINGENT LIABILITIES

Guarantees

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Bank financial guarantees (i)	9,600	56,829
Other non-bank financial guarantees (ii)	36,501	91,940
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (iii)	1,170,036	1,881,805
	1,216,137	2,030,574

(i) One of the Group's subsidiary named Wuhan North Hankou Guarantee Investment Company Limited ("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) During the year ended 31 December 2016, the Group acquired Harvest Financial information Services (Hangzhou) Co,.Ltd ("HFS"), who operates peer-to-peer lending business through an internet platform namely Jia Shiliu (its website is jia16.com).

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

Wuhan Guarantee Investment is required to make payments to reimburse the beneficiary of the guarantee for the loss incurs if a specified borrower fails to make payment when due in accordance with the terms stipulated in the relevant agreements.

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

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

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

29 MATERIAL RELATED PARTY TRANSACTIONS

The directors consider that all the below related party transactions during the six months ended on 30 June 2017 and 2016 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 his wife – Ms. Chen Lifen.

(a) Transactions with key management personnel

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

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Wages, salaries and other benefits	4,599	2,783
Contributions to defined benefit contribution retirement scheme	92	68
	4,691	2,851

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

29 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Transaction and balances with related parties

Transaction

Other related party transactions

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Net proceeds from Immediate Holding Company	—	38,045
Net repayment to the Immediate Holding Company	(469,512)	—
Net proceeds from the ultimate controlling party	—	3,900
Net proceeds from other related parties	(50,536)	—
— Receipts from other related parties	190,289	—
— Payments to other related parties	(240,825)	—
Rental income from other related parties (Note)	4,164	1,016
Loan guaranteed by a related party	170,000	190,000

Note: During the six months ended 30 June 2017, the Group received rental income of RMB276,742 (six months ended 30 June 2016: RMB189,818) 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 2017, the Group received rental income of RMB1,652,764 (six months ended 30 June 2016: RMB826,382) from Wuhan Zall YueXi 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 2017, the Group received rental income of RMB2,234,468 from Wuhan Zhongbang Bank which also constitutes a connected person of the Group as defined under Chapter 14A of the Listing Rules.

Balance

Balance with related parties were mainly resulting from the funding arrangements between these parties. Balances at 30 June 2017 and 31 December 2016, and major terms of these balances are disclosed in notes 19 and 21.

30 ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Shenzhen Sinoagri

On 28 October 2016, Zall Development (BVI) Holding Company Limited ("Zall Development (BVI)"), a wholly-owned subsidiary of the Company entered into an acquisition agreement, pursuant to which Zall Development (BVI) conditionally agreed to purchase 60.49% equity interest of the Shenzhen Sinoagri (the "Acquisition") at the consideration up to HKD2.591 billion, which will be satisfied by way of allotment and issue of the consideration shares. The transaction is required to be completed in two tranches. On 28 June 2017, the first tranche of the Acquisition was completed and, 517,227,000 consideration shares were allotted and issued in exchange for about 50.6% equity interest of Shenzhen Sinoagri. As a result, Shenzhen Sinoagri became a non-wholly owned subsidiary of the Group. In the second tranche, up to 101,094,000 consideration shares will be allotted and issued to exchange up to 9.89% equity interest of Shenzhen Sinoagri.

The Group's business combination activity regarding Shenzhen Sinoagri involve post-acquisition performance-based contingent considerations. IFRS3 (Revised) "Business Combinations" requires the recognition of the fair value of those contingent considerations as of their respective dates of business combination as part of the consideration transferred in exchange for the acquired subsidiaries/businesses. These fair value measurements require, among other things, significant estimation of post-acquisition performance of the acquired subsidiaries/businesses and significant judgment on time value of money. Contingent considerations shall be re-measured at their fair value resulting from events or factors which emerge after the date of business combination, with any resulting gain or loss recognized in the consolidated income statement in accordance with IFRS 3 (Revised).

Shenzhen Sinoagri's principal activities include B2B E-commerce for the trading of agricultural products, services including supply chain management and supply chain finance in the PRC. The Acquisition was approved by the shareholder of the Company on 9 March 2017.

From the post acquisition date to 30 June 2017, Shenzhen Sinoagri contributed revenue of RMB928,356,000 and profit of RMB2,238,000 to the Group's results.

30 ACQUISITION OF SUBSIDIARIES (Continued)

(a) Acquisition of Shenzhen Sinoagri (Continued)

	Pre-acquisition carrying amount RMB'000	Fair value adjustment RMB'000	Recognised value on acquisition RMB'000
Property, plant and equipment	87,966	—	87,966
Interest in associates	1,547	(468)	1,079
Interest in a joint venture	24,233	—	24,233
Intangible assets	316,752	590,200	906,952
Deferred tax assets	32,002	—	32,002
Goodwill	87,330	—	87,330
Financial assets at fair value through profit or loss	2,776,900	—	2,776,900
Inventories	1,534,735	—	1,534,735
Trade and other receivables	756,566	—	756,566
Loans receivable	2,749,186	—	2,749,186
Amounts due from related parties	28,957	—	28,957
Restricted cash	2,240,389	—	2,240,389
Cash and cash equivalents	1,236,374	—	1,236,374
Current tax assets	558	—	558
Financial liabilities at fair value through profit or loss	(62,096)	—	(62,096)
Trade and other payables	(8,933,040)	—	(8,933,040)
Bank loans	(1,588,500)	—	(1,588,500)
Amounts due to related parties	(44,198)	—	(44,198)
Current tax liabilities	(10,043)	—	(10,043)
Deferred tax liabilities	(125,668)	(147,433)	(273,101)
Deferred income	(11,427)	—	(11,427)
Total identifiable net assets acquired	1,098,523	442,299	1,540,822
Non-controlling interests (49.4%)			761,165
Proportion of ownership (50.6%)			779,657
Consideration			
– Equity instruments (517,227,000 ordinary shares) (i)			2,220,148
– Contingent consideration (Note 15)			(477,939)
Total fair value of the consideration			1,742,209
Goodwill arising on acquisition			962,552
Net cash flow arising from acquisition			
Cash acquired			1,236,374

(i) The fair value of the ordinary shares issued was based on the listed share price of the Company at 28 June 2017 of HKD4.92 per share.

Goodwill is mainly attributable to the skills and technical talent of Shenzhen Sinoagri's work force and the synergies expected to be achieved from integrating Shenzhen Sinoagri into the Group's existing supply chain management and trading business. None of the goodwill recognised is expected to be deductible for tax purposes.

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

30 ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition of Wuhan Zall Heng, previously known as a joint venture of the Group

In May 2017, Zall Wuhan entered into an acquisition agreement with an individual and revised certain contractual terms of the relevant joint venture arrangement, pursuant to which Zall Wuhan agreed to acquire another 5% equity interests in Wuhan Zall Heng at a consideration of RMB1,250,000. Upon completion of the acquisitions, Wuhan Zall Heng became a non-wholly owned subsidiary of the Company on 23 May 2017.

Wuhan Zall Heng was previously a joint venture of the Group with 60% equity interest, the principal business activities of which includes supply chain management and trading business.

From the post acquisition date to 30 June 2017, Wuhan Zall Heng contributed revenue of RMB984,361,000 and loss of RMB1,936,000 to the Group's results.

	Pre-acquisition carrying amount RMB'000	Fair value adjustment RMB'000	Recognised value on acquisition RMB'000
Property, plant and equipment	16,537	394	16,931
Trade and other receivables, prepayments	237,664	—	237,664
Cash and cash equivalents	789	—	789
Trade and other payables	(222,120)	—	(222,120)
Bank loans and loans from other financial institutions	(8,245)	—	(8,245)
Current tax liabilities	(62)	—	(62)
Deferred tax liabilities	—	(99)	(99)
Total identifiable net assets acquired	24,563	295	24,858
Non-controlling interests (35%)			8,700
Proportion of ownership (65%)			16,158
Deemed disposal of previously held interest (60%)			(14,915)
Consideration			(1,250)
Goodwill arising on acquisition			7
Net cash flow arising from acquisition			
Cash acquired			789

None of the goodwill recognised is expected to be deductible for tax purposes.

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

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017

A number of amendments and new standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the group has not early adopted any new or amended standards in preparing this interim financial report.

The group has the following updates to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the group's consolidated financial statements.

IFRS 9, Financial instruments

IFRS 9 will replace the current standard on accounting for financial instruments, IAS39, Financial instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, IFRS 9incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. The group has decided not to adopt IFRS 9 until it becomes mandatory on 1 January2018. Expected impacts of the new requirements on the group's financial statements are as follows:

(a) Classification and measurement

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

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

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

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

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

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

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017 (Continued)

IFRS 9, Financial instruments (Continued)

(b) Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

IFRS 15, Revenue from contracts with customers

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

(a) Timing of revenue recognition

Currently, revenue arising from construction contracts and the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

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

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

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

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

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017 (Continued)

IFRS 15, Revenue from contracts with customers (Continued)

(a) *Timing of revenue recognition (Continued)*

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

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

(b) *Significant financing component*

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

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

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

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

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

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017 (Continued)

IFRS 15, Revenue from contracts with customers (Continued)

(c) Sales with a right of return

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

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

IFRS 16, Leases

Currently the group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The group enters into some leases as the lessor and others as the lessee.

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

IFRS 16 will primarily affect the group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. At 30 June 2017 the group's future minimum lease payments under non-cancellable operating leases amount to RMB42,016,604 for properties, the majority of which is payable either within 1 year after the reporting date or between 1 and 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The group has decided not to early adopt IFRS 16 in its 2018 consolidated financial statements.