Zall Group Ltd.
卓爾集團股份有限公司
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2098

智聯天下生意

Annual Report 2017

Contents

About

Zall Group Ltd.

Zall Group is the leading developer and operator of large-scale, consumer product-focused wholesale shopping malls, as well as commercial space provider, in the PRC. Zall obtains trading opportunities and data, and provides transactional property services, intelligent logistics services, supply chain services and supply chain finance services by connecting trading and business with its trading platforms. Zall aims to be the largest B2B trading and services platform in the PRC.

Corporate Information

DIRECTORS

Executive Directors	Mr. Yan Zhi *(Co-chairman and Chief Executive Officer)* Dr. Gang Yu *(Co-chairman)* Mr. Wei Zhe, David Mr. Cui Jinfeng 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, 21/F Two Exchange Square Central Hong Kong
Audit Committee	Mr. Cheung Ka Fai *(Chairman)* Mr. Wu Ying Mr. Zhu Zhengfu

Nomination Committee	Mr. Wu Ying *(Chairman)* Mr. Yan Zhi Mr. Cheung Ka Fai
Remuneration Committee	Mr. Zhu Zhengfu *(Chairman)* Mr. Wu Ying Mr. Peng Chi
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.
Auditors	KPMG Certified Public Accountants
Principal Bankers	China Construction Bank China Mingsheng Banking Corp., Ltd. Industrial and Commercial Bank of China China CITIC Bank

Financial Highlights

	2017 RMB'000	2016 RMB'000
Revenue	22,249,176	1,213,375
Gross profit	1,012,255	361,307
Gross profit margin	4.5%	29.8%
Profit for the year	2,356,482	2,056,571
Earnings per share – Basic (RMB cents)	21.234	19.068
– Diluted (RMB cents)	21.229	19.068
Total non-current assets	23,939,482	15,858,971
Total current assets	23,404,146	13,888,678
Total assets	47,343,628	29,747,649
Total non-current liabilities	9,275,286	9,377,568
Total current liabilities	19,407,455	8,230,849
Total liabilities	28,682,741	17,608,417
Net assets	18,660,887	12,139,232

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Zall Group Ltd. ("Zall Group" or the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2017.

CONNECTING GLOBAL BUSINESS INTELLIGENTLY (智聯天下生意)

China's economy has been transitioning from a phase of rapid growth to a stage of high-quality development. In-depth integration of the internet, big data, artificial intelligence and the real economy has accelerated, with the real economy now leading the overhaul of China's business structure via digitization, intelligence transactions and industrial internet. The Zall Group is staying in step with this transformation, particularly through its construction of Zall's global intelligent trading ecosphere for "Connecting global business intelligently" (智聯天下生意). By connecting transactions and trading with intelligent technology, the Group can expand the range and quality of its services while improving the efficiency and reducing the costs of transactions for small and medium-sized enterprises.

After more than two years of planning and development, our intelligent commercial trading ecosphere is now used by nearly a million merchants for bulk and other transactions involving everything from consumer goods to agricultural products, across the whole service chain. It has made Zall Group the leading B2B trading platform and service institution in China in terms of scale and influence.

1. Further integration of online and offline trading and enrichment of the platform

In the past year, the Group's offline projects obtained steady progress which further consolidated and strengthened its operating advantage in the real wholesale market. National Procurement Trade Mode Pilot Project (國家採購貿易方式試點) of The North Hankou International Trade Centre ("North Hankou") was fully implemented. In 2017, the export value of North Hankou through the Procurement Trade Mode reached approximately US$932 million. The Hanzheng Street women's apparel market continued with large-scale relocation to North Hankou. The number of merchants and trading volume have increased significantly making this trading hub more prosperous and internationalized. Tianjin E-commerce Mall became the main venue for the relocation of Beijing's large wholesale markets, with nearly 10,000 merchants moved in and it is foreseen that a great number of shops will be opened in the coming year.

Relying on the customer resource advantages of offline real markets such as North Hankou and Tianjin E-commerce Mall, Zallgo (卓爾購) provides merchants with all-round O2O industry solutions and services, so as to continue to accelerate the adoption of online wholesale trading. As of 31 December 2017, Zallgo operated in more than 50 cities across China, with more than 1,400 national major wholesale markets and in excess of 450,000 merchants participating, with an accumulative transaction amount of RMB106 billion. This represents an year-on-year increase of over 60%, and made Zallgo one of the largest B2B trading platforms in China.

The Group continued to expand the types of goods traded and its service functions, gradually forming an interconnected internet trading ecosphere for the industry. With the integration of LightInTheBox Holding Co., Ltd. ("LightInTheBox") (the leading cross-border e-commerce platform), Shenzhen Sinoagri E-commence Co., Ltd.* (深圳市中農網有限公司) ("Shenzhen Sinoagri") (agricultural products e-commerce platform) and HSH International Inc. ("HSH International") (chemical and plastic raw materials e-commerce platform) into the Zall trading ecosphere, the Group has built a mature operating model for trade of daily consumer goods, sugar, cocoon silk, wood panels, apples, chemicals and plastic raw materials. Benefit from the synergy effect, the number of customers and revenue increased significantly, in which the revenue of Shenzhen Sinoagri increased sharply by 59% as compared to last year. Zallgo and Shenzhen Sinoagri were recognized by the National Ministry of Commerce as National E-commerce Model Enterprises (全國電子商務示範企業) in 2017, representing that Zall's intelligent business ecosphere has become a leading B2B trading system with significant brand effect and scale effect in PRC.

In the first quarter of 2018, Zall Group cooperated with Xiben New Line Stock Co., Ltd. to construct the Black Commodity online trading platform Zallganglian (卓鋼鏈). In cooperation with international organizations such as the Singapore Exchange, it will become a world commodity trading center and continue to expand the types of goods traded. The Zall's intelligent trading ecosphere has taken an important step in globalization.

2. Reducing transaction costs for enterprises in the ecosphere

The synergic mutual development of the trading and services platform within Zall's intelligent trading ecosphere has enabled a reduction in operating costs as well as improved trading efficiency. This gradual effect of industry chain optimization became a good example of supply side reform of modern commerce logistics segment in China.

Leveraging on its trading platforms of Zallsoon (卓集送) (logistics delivery platform), Zalljinfu (卓爾金服) (supply chain financing platform), Zall Cloud Warehouse (卓爾雲倉) (intelligent warehouse platform) and Zhuoyitong (卓易通) (supply chain management platform), the Group has formed a mature service chain which can reduce the overall costs of enterprises in the Zall's B2B trading ecosphere directly with increased efficiency, convenience and more intelligent services.

Informationization and digitization have lowered the management costs. The promotion and usage of Zhuoyue Manager (卓越管家) – independently developed by Zall Group – opened the era of trading merchants' intelligent shop management and informatized management of finance, inventories and consumers. The Zhuoyue Manager has also smoothly connected with the Zallgo (卓爾購) trading platform and transformed the original manual management model for bulk wholesale merchants. The Zallgo internet trading model has also expanded the scope of merchants' markets, and lowered the cost for capturing the customer.

Intelligent logistics and warehousing services have lowered the logistics costs. In 2017, Zallsoon had provided fast and low-cost intelligent logistics services to approximately 160,000 consignors with over 45,000 cargo van drivers on its platform. Total orders in aggregate amounted to nearly 20 million for the year with improved logistics efficiency and lowered logistics costs. Warehouses under Zall Cloud Warehouse platform management are located in 29 cities in China, with a total area of approximately 11.15 million square meters. Zall Cloud warehouse platform provides standardized and flexible area management by general warehouse allocation, which increases the marginal benefit and lowers warehousing costs for merchants.

Supply chain finance services greatly lowered the financing costs. Zalljinfu enhanced the connection and integration of all segments in Zall's ecosphere. Leveraging on the market's seasonal differentiation, Zalljinfu adjusted capital supply and demand effectively to satisfy the investing and financing needs of the wholesale market merchants with high efficiency and low-cost services. For the year of 2017, Zalljinfu has accumulated approximately RMB1.318 billion of financial loans for upstream and downstream enterprises in the supply chain transactions, as of 31 December 2017, ZallJinfu internet financial platform had a total financing of approximately RMB6.7 billion. Financing efficiency was enhanced and financing costs for merchants were lowered, further securing and stabilizing the operation and development of merchants within the ecosphere.

3. Extending industry chain services around the platforms, and significantly improving the Company's performances

Over the years, the sophistication and operating capacity of each platform have been continuously improved. The scope and depth of services expanded, forming a supply chain management service system covering the full arc of commodities trading, including the crucial areas of logistics, financing, supply chain management and cross-border trading.

With more bulk traders gathering in Zall's trading ecosphere and synchronization of supply chain data, the Group becomes more focused on supply chain management, trading and other value-added services surrounding modern supply chain. The business scope includes the design of an overall supply chain plan, procurement agency, import and export agency, customs clearance, customs inspection, distribution agency, storage and logistics management, fund settlement, financial service collaboration, information system support and others. The ultimate purpose is to link up the industrial chain, optimize the supply chain and increase capital operation efficiencies, control inventory risk, and reduce operating costs.

In the non-ferrous metals sector, food and agricultural products sector and fast-moving consumer goods sector, the Group interacted with large international and domestic production and trading enterprises and built stable cooperative business relationships. The Group achieved overall revenue of approximately RMB20.7 billion in the supply chain management and trading business sector in 2017, marking a leap in growth compared to 2016. In particular, the revenue contributed by Shenzhen Sinoagri reached RMB17.2 billion.

As the world commodities trading platform established by Zall Interconnection in Singapore will be available in this year, the Group will provide better cross-border trading services for domestic B2B clients, build direct purchase channels between numerous large international traders and provide convenient online customs clearance services for more than 40 exporting countries.

4. Connecting global business intelligently, and creating value for clients

Zall Group is dedicated to building the largest B2B service enterprise in PRC and perhaps even the world, based on its new strategy of "Connecting global business intelligently".

"Connecting global business intelligently" means building and developing a modern supply chain, connecting transactions and trade through such means as the Internet of Things, artificial intelligence and blockchain; and constructing a "new way of business" by building a B2B trading platform for consumer goods, agricultural products, chemical raw materials and bulk commodities. It also refers to obtaining trading opportunities and information to provide trading, market property, intelligent warehousing, logistics distribution, supply chain management, supply chain financing and cross-border trading services.

There are hundreds of millions of small, medium and micro enterprises, production companies and suppliers in China and the world at large. There is still a long way to go to transform the traditional trading pattern through informatization and intelligentization. The liberalization of international trade is still at a remote distance and thus provides the possibility and soil for the emergence and growth of leading world-class B2B enterprises. The mission of Zall is to facilitate these enterprises to obtain intelligent trading services, lower transaction costs and improve trading efficiency. With the advancement of digitization, intelligentization and internetization in transaction, commercial trading will become convenient, integrated and globalized, which in turn provides the breeding ground for those global B2B enterprises with mega size trading volume and turnover.

Creating value for clients is the core value of Zall. Such value would be infused in each of its projects, platforms and the operations of its companies. We remain focused on this goal, across every trade and platform, by providing valuable services to our clients and improving their experience in every detail. We support our clients with our services, helping them to stay in step with the times and with the transition to a digitized and intelligentized economic model. The success of Zall cannot be achieved without the success of our clients.

Yan Zhi
Co-chairman

Hong Kong, 29 March 2018

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

Consumer product-focused wholesale

The Group's flagship project, the North Hankou International Trade Center, leverages on the advantages of Wuhan as a national integrated transportation hub to provide one-stop services including offices, exhibitions, logistics, finance, manufacturing and export. After years of construction and careful operation, it has become the largest commercial trade logistics center in China, with developed and developing area of approximately 6 million square meters and over 30,000 wholesalers covering 26 major specialized markets, including footwear and leatherware, branded clothing, small goods, hotel supplies, textiles and accessories, hardware and lighting, curtains, and automobiles. It recorded transactions of more than RMB60 billion in 2017. Since 2011, North Hankou has been supporting the planned relocation of Hanzheng Street by constructing storage, logistics, industrial park and ancillary facilities. During 2017, the Hanzheng Street women's apparel market was migrated to the North Hankou International Trade Center, involving 422 women's apparel merchants, 204 shoe merchants, 209 children's clothing merchants and 57 men's apparel merchants. The Group organized a grand store-opening event for the women's apparel and shoe wholesale markets. Meanwhile, two more market segments, namely books and used cars, were added to North Hankou, and it successfully undertook the relocation of the Hanxi Used-car Market.

Upon the approval of eight National ministries and commissions in 2016, North Hankou International Trade Center became the only state-level procurement and trading pilot market in central and western China. In addition to hosting local merchants, the center also serves as a trading base for several foreign merchants, making it a true international market and an important commercial hub for inland China. In 2017, foreign merchants at the Hankou International Trade center contributed to an export value of approximately US$932 million. During the same year, the 8th North Hankou Commodity Fair of China held at the North Hankou International Trade Center achieved a total transaction amount of RMB31.2 billion, representing a 16% increase compared to the previous session. The program for the month-long trade fair featured 10 themed events, including the 1st Wuhan International Commodity Fair of Friendship City, North Hankou International Fashion Week and the North Hankou Winter Stationary Commodity Fair. Hundreds of order-placing meetings and countless online and offline trades occurred over the fair's duration, demonstrating how the North Hankou Commodity Fair of China has evolved from being the "first exhibition of China domestic trade" into inland China's largest international trade fair. As it seizes opportunities arising from the "The Belt and Road" initiative, North Hankou International Trade Center is becoming a global commercial logistics center, as well as being a vital inland "open hub" through links running across land and over sea.

The North Hankou Industrial City project covers an initial area of approximately 400,000 square meters, which can potentially accommodate up to 800 manufacturers. The development's goal is to become the largest industrial processing base in Central China. During 2017 a number of well-known Chinese-style women's fashion brands and other large and medium-size manufacturers have moved to North Hankou Industrial City. As of 31 December 2017, North Hankou Industrial City – with a contract sales area of approximately 300,000 square meters – and North Hankou Textile and Accessory City and Brand Clothing City support each other across three main platforms (namely manufacturing, raw materials and distribution) to form a clothing industry cluster with integrated production, supply and marketing.

Tianjin E-commerce Mall is the Group's flagship project in Northern China. Main construction work on Phase I, with a total planned area of 3 million square meters and gross floor area of 612,000 square meters, has now been completed. Interior decorative works are near completion, and portions of the commercial, trade and e-commerce zones have commenced operation. Against a background of cooperative development in the Beijing-Tianjin-Hebei region and the easing of Beijing's non-capital core function, Tianjin E-commerce Mall has been absorbing an increasing number of Beijing's large wholesale markets. Following the launches of Haining Leather City (海寧皮革城) and Dongpi Clothing Wholesale New Market (動批服裝新城), the Small Goods Mall (小商品城) entered into trial operation during the reporting period. The Mall also hosted a series of major events to attract investment during the year. These included the relocation of Jingwen Apparel Shopping Centers (北京京溫服裝市場) and Tianjin Big Alley Apparel Wholesale Market (天津大胡同 • 整體外遷入駐大會), and Beijing – Tianjin Small Goods Merchants Signing Ceremony (京津雙城小商品商戶外遷升級簽約入駐大會) and Zall Fashion City Signing Ceremony (卓爾精品服裝城簽約大會). As of 31 December 2017, over 5,000 merchants were stationed at Tianjin E-commerce Mall. It is expected that the six shopping malls in Phase I, including Dongpi Clothing Wholesale New Market, Jinwen Clothing Mall, Zall Small Goods Mall, Zall Fashion City, Zall Tianle Mall, Zall Red Gate Morning Market – will commence operation in April 2018.

Zallgo is the trading platform in Zall's intelligent trading ecosphere. With a focus on servicing offline markets, it provides a full set of O2O industry solutions and service functions, transforming offline trading to online and regional trading into whole network trading. Zallgo combines the functions of online trading, automatic logistics matching and supply chain financial services to greatly enhance the efficiency of wholesale trading while reducing logistical costs. The platform provides internet marketing services with a wide range of opportunities for upstream manufacturers to precisely advertise and display, expand channels nationwide and improve customer service. It also provides warehousing, logistics and financial services for the development of wholesalers. For wholesalers and retailers, Zallgo offers a simple, convenient means to online sales, and access to various marketing tools, including customised marketing methods that use data collected from wholesalers and major clients to craft rapid, precise market responses and effectively match the transaction. The Group and Zallgo earned a number of prestigious awards and recognitions in 2017, including accreditation as a "E-commerce Model Enterprise 2017-2018" (2017-2018年電子商務示範企業) by the Ministry of Commerce in September 2017; nomination as one of "China's Top 100 B2B Enterprises" (中國B2B百強企業) in October 2017; and recognition as a "New Force in China's B2B Industry 2017" (2017年中國B2B行業新銳勢力) by the China Electric Commerce Association in December 2017. As of 31 December 2017, Zallgo's online wholesale trading platform covered more than 50 cities across China with more than 1,400 national major wholesale markets and in excess of 450,000 merchants, the transaction amount for 2017 was RMB65 billion and the accumulative transaction amount was RMB106 billion, representing an increase of over 60% compared with last year.

Supply chain management and trading

As the Group continues to strengthen and expand its e-commerce, internet and intelligent trading businesses, a large number of buyers and sellers have gathered under Zallgo and the commodity market business. This has resulted in a substantial flow of synchronised information within the supply chain and created a high demand for supply chain management and trading services. To meet this demand, in 2016, the Group established various subsidiaries and joint ventures to operate a supply chain management business and provide other value-added services.

In May 2017, the Group increased its equity interest in Zall Heng Supply Chain Management (Wuhan) Co., Ltd.* (卓恆供應鏈管理（武漢）有限公司) ("Wuhan Zall Heng") to 65%, and Wuhan Zall Heng became a non-wholly-owned subsidiary of the Company since 23 May 2017. In September 2017, the Group established Wuhan Zhongjin Network Information Technology Co., Ltd. to further improve the structure of its supply chain management service business. The Group has built a supply chain management service platform covering bulk non-ferrous metals, oil and fast-moving consumer goods and petrochemicals. Through continuous expansion and optimisation of its business mode, operational capabilities and service quality, the Company provides supply chain management and value-added services integrated with the flows of goods, business, capital and information for the industrial chain. Specific services include planning and design of the overall supply chain plan, procurement agency, import and export agency, customs clearance, customs inspection, distribution agency, storage and logistics management, fund settlement, financial service collaboration, information system support, O2O and others. The ultimate purpose is to link upstream and downstream trade channels with the industrial chain, help clients to optimise supply chain and capital operation efficiencies, control inventory risk, and reduce operating costs to achieve the synergy effects of the upstream and downstream of the industry.

In the non-ferrous metals sector, Wuhan Zall Heng and its subsidiaries engage in supply chain business of standardized non-ferrous metals such as electrolytic copper, electrolytic nickel and aluminum ingots. Business takes the form of import and export trading, domestic and re-export trading, undertaking sales and procurement demands of upstream and downstream clients, and interactions with large international and domestic non-ferrous metal processing and trading enterprises. In 2017, the related companies derived operating revenues of approximately RMB3.234 billion to the Group and established stable cooperative business relationships with nearly 80 upstream and downstream corporate clients. In the grain and agricultural products sector, Wuhan Zall Agriculture Supply Chain Management Co., Ltd. ("Wuhan Zall Agriculture") (武漢卓農滙) has established stable cooperative business relationships with nearly 10 upstream and downstream clients involved in different types of corn and rice products. Wuhan Zhuoyitong Supply Chain Management Co., Ltd. ("Wuhan Zhuoyitong") (武漢卓易通) and its subsidiaries have established stable cooperative business relationships with more than 10 upstream and downstream clients with a focus on fast-moving consumer goods, mother and baby products, and chemical products. The above companies derived an overall revenue of approximately RMB3.565 billion in the supply chain sector in 2017 to the Group, marking a leap in growth compared to 2016.

As an integral part of Zall's intelligent trading ecosphere, the supply chain segment will work synergistically with the Group's various platforms, such as by selecting high-quality customers to match with Zall Jinfu (卓爾金服) and promoting resource sharing between service platforms. It will also provide customers with additional valuable services. In the next three years, the segment's business will expand to steel trading and deep processing of non-ferrous metals. Leveraging on the advantages of its logistics and an established supply chain service platform, the Company will coordinate brand and logistics companies, financial institutions, and upstream and downstream companies to build a B2B and O2O supply chain business ecosystem with cross-border integration, platform sharing, and mutual support.

On this same basic platform, the Group also commenced a series of strategic acquisitions and accelerated development of its supply chain management capabilities.

On 28 June 2017, the Group accomplished the acquisition of majority equity interest of 50.6% in Shenzhen Sinoagri, became its controlling shareholder. On 27 June 2017, the Group announced a framework agreement to acquire a further 8.36% of equity interest 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 solutions in the fields of information, trading, settlement, logistics and financing. The focus of Shenzhen Sinoagri is on vertical segmentation of bulk agricultural products, and the company has established mature operating models in categories including sugar, cocoon silk, wood panels and apples, of which the commodity flow volume accounts for approximately 30% of the total volume in the PRC. Its trading members include a substantial majority of industry participants, and it functions as both a resource allocation center and pricing indicator for the industry.

Shenzhen Sinoagri's business maintained its rapid growth and recorded revenue of approximately RMB32.6 billion for the year, representing a significant increase of over 59% compared to 2016. This was partly attributable to Shenzhen Sinoagri's acquisition of its joint venture Guangxi Sugar Market Network Co., Ltd. ("Guangxi Sugar Market") during the year resulting the financial statements of Guangxi Sugar Market being consolidated since April 2017; and significant rise in sugar prices. Additionally, the Group's mature B2B trading platform and the diversified supply chain management and financial services became new revenue growth drivers for Shenzhen Sinoagri. Looking ahead, Shenzhen Sinoagri will leverage on the Group's experience and resources, further enhance its whole industrial chain services and earnings growth, and accelerate toward its strategic objective of "building new agricultural ecosystem".

On 11 October 2017, the Group entered into agreement to acquire a 52.48% equity interest in HSH International at a consideration of HKD230 million. This acquisition will give the Group a foothold of great potential in the chemical products trading platform, expanding the customer base of Zall's intelligent trading ecosphere, enhancing its trading scale, and giving a major boost to Zall's aim of becoming the largest B2B company in China. Huasuhui is principally engaged in e-commerce and supply chain management for chemical and plastic raw materials in the PRC. It offers a professional management team and rich management experience of operating information services and supply chain management businesses. The Group expects that Huasuhui will fully integrate with the Zall global intelligent trading ecosphere, with access to online and offline trading services such as logistics, finance and supply chain management. Ultimately, the addition of Huasuhui will further broaden the Group's client base, increase revenue, and strengthen its existing B2B e-commerce and supply chain management.

Supply chain finance services

Established in 2016, Zall Financial Services Group Limited ("Zall Jinfu") provides one-stop financial services including comprehensive supply chain finance, finance leasing, factoring and guarantees. Its launch was a key development for Zall's intelligent trading ecosphere, making a considerable enhancement to its supply chain financial services. The principal businesses of its subsidiaries – including Harvest Financial Information Services (Hangzhou) Co,.Ltd ("HFS"), Hangzhou Jiuyu Asset Management Co., Ltd.("Jiuyu Asset Management"), Zhong Bong Financial Leasing Co., Ltd. ("Zhong Bong Financial Leasing"), Zhong Bong Commercial Factoring Co., Ltd. ("Zhong Bong Commercial Factoring") and Wuhan North Hankou Guarantee Investment Co., Ltd. ("North Hankou Guarantee") – include the provision of guarantees, finance leasing, commercial factoring and direct financing to e-commerce customers. Zall Jinfu continues to develop a mutual supply chain finance service model which regards core merchants, upstream suppliers and downstream distributors holistically in respect to the entire supply chain management. It thus provides merchants with customised capital solutions based on their transactional chain relationships and industry characteristics, and makes effective and reasonable matches between idle funds of merchants, bank funds, public funds, and the borrowing needs of merchants, thus improving the efficiency of capital use and forming a safe financial "closed loop". By exploiting differences in the market during peak and off seasons, the Group is able to effectively adjust the demand and supply of funds and satisfy the investment and financing needs of merchants in the wholesale market with lower costs. In 2017, Zall Jinfu expanded its assets, strengthened the connections of all sectors with Zall's intelligent trading ecosphere, enhanced and unified risk management standards, accelerated the progress of asset development, and conducted in-depth collaboration with various sectors of the Group. Through these and other measures, it improved financing efficiency, reduced the financing costs of merchants, and enhanced the stable operation and development of merchants in the ecosphere. As of 31 December 2017, the Zall Jinfu internet financial platform had a total of 230,400 registered members with a total financing of approximately RMB6.7 billion, representing an increase of 22% and 55% compared to 2016, respectively.

In the supply chain finance services field, Zalljinfu which acts as the Zall trading platform's supply chain finance services platform has expanded its assets, strengthened the connections of all sectors with the Zall ecosphere. It effectively integrates trading information, logistics and property information, and storage information for the online and offline wholesale market, forming a big data risk-control model and credit rating system, enhances and unified risk management standards, optimizes the progress of asset development, and conducted in-depth collaboration with various platforms of the Group, including Zall Commerce (卓爾雲商), Zallgo (卓爾購), Zallsoon (卓集送), Zhuoyitong (卓易通), etc., enhances cooperation with various financial institutions, improves financing efficiency, reduces the financing costs of merchants which provides core merchants, their upstream suppliers and downstream customers on Zall's trading platform with a fast, convenient, low-cost financing information service. In addition to the traditional mortgage business, Zalljinfu offers tailor-made financial services for its whole upstream and downstream supply chain according to the trading characteristics of the wholesale market. In particular, as merchants of Zallgo have financing needs in the trading process, Zalljinfu offers tailored credit loan services based on sellers and buyers, warehouse receipt pledges and stock right pledge financing services. Zalljinfu also provides supply chain finance services based on the logistics service and logistics production processes. Based on third-party logistics service carriers on the Zallsoon platform, Zalljinfu designs accounts receivable factoring and financing, order financing and credit loan services. For the year of 2017, Zalljinfu has accumulated approximately RMB1.318 billion of financial loans for upstream and downstream enterprises of the supply chain based on the North Hankou market, the trading management platform of transactions and supply chain such as Zall Cloud Market (卓爾雲市) and Zall Commerce (卓爾雲商).

Warehousing and logistics services

Zall Cloud Warehouse (卓爾雲倉), a subsidiary of the Group, focuses on online and offline warehouse goods custody services for enterprises, wholesale markets and various types of distributors, financial products regulatory business, as well as warehouse leasing and upgrading support. Capitalising on a range of professional management systems and a large number of potential customer in the wholesale market, Zall Cloud Warehouse provides supply chain system support and implements standard warehouse management according to demand from wholesale markets and merchants. Its marginal benefits are expanded by a unified warehousing and distribution system which reduces merchant warehouse management costs and improves efficiency. Meanwhile, by leveraging on the major ecological advantages of Zall, Zall Cloud Warehouse provides supply chain finance services for small and medium-sized enterprises ("SMEs") that help solve the challenging periodical and seasonal funding issues of their operational process. In addition to opening up Zall's ecosphere, Zall Cloud Warehouse is striving to be developed into a nationally-renowned and reliable intelligent supply chain warehousing service platform in two to three years' time. As of 31 December 2017, Zall Cloud Warehouse had completed the construction of two self-operated stations in Wuhan and Tianjin. Zall Cloud warehouse cover 29 cities in 15 provinces, with an area of approximately 11.15 million square meters under its management.

The Group's Zallsoon (卓集送) mainly focuses on large customers in the same city and long distance business. It provides customized logistics solutions to designated large customers and customers requiring long distance delivery service by access to the system of clients and in-transit monitor through our vehicles and offers underlying supply chain services for clients in the ecosphere to reduce logistics costs and enhance transportation efficiency. Zallsoon additionally cooperates with car and new energy vehicle manufacturers through finance leases and provides value-added services for vehicle sales, recruitment of drivers and the automobile aftermarket (eg. vehicle insurance, maintenance, fueling, etc), all of which ensures a stable and controllable core transport capacity for the platform and solves the problem of traffic restrictions in some cities. As of 31 December 2017, Zallsoon had provided services to approximately 160,000 cargo owners covering internet enterprises, fresh food distributors, manufacturers, new online retailers and other major core clients, with over 45,000 active drivers on its platform. Total number of orders in aggregate amounted to nearly 20 million for the year (including matchmaking orders), with over 90,000 orders in the day with highest number of order during the year. Cargo supply covered 10 cities, including Wuhan, Shanghai, Nanjing, Guangzhou, Shenzhen, Tianjin, Xuzhou, Dongguan and Zhenzhou. Furthermore, our logistics system will soon be shared by the various platforms within the ecosphere.

INVESTMENT PORTFOLIO

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

As at 31 December 2017

Stock code	Name of investee company	Number of shares held	Effective shareholding interest	Acquisition cost RMB'000	Carrying amount as at 31 December 2017 RMB'000	Unrealised holding (loss)/gain arising on revaluation for the year ended 31 December 2017 RMB'000	Realised holding gain arising on disposal for the year ended 31 December 2017 RMB'000	Dividend received for the year ended 31 December 2017 RMB'000
00607.HKEX	Fullshare Holdings Limited ("Fullshare")	695,497,500	3.53%	773,985	2,092,944	(149,601) (Note)	–	10,207
00658.HKEX	China High Speed Transmission Equipment Group Co., Ltd. ("China Transmission")	2,730,000	0.17%	16,739	30,807	14,068	3,050	–
					2,123,751	(135,533)	3,050	10,207

Note: The unrealised holding loss included the exchange loss of approximately RMB146.5 million for the year ended 31 December 2017.

As at 31 December 2016

Stock code	Name of investee company	Number of shares held	Effective shareholding interest	Acquistion cost RMB'000	Carying amount as at 31 December 2016 RMB'000	Unrealised holding gain arising on revaluation for the year ended 31 December 2016 RMB'000	Realised holding gain arising on disposal for the year ended 31 December 2016 RMB'000	Dividend received for the year ended 31 December 2016 RMB'000
00607.HKEX	Fullshare	680,480,000	3.45%	734,920	2,203,480	1,120,304 (Note)	–	6,805

Note: The unrealised holding gain included the exchange gain of approximately RMB106.0 million for the year ended 31 December 2016.

The performance and prospects of the listed equity investments during the year are as follows:

As at 31 December 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 RMB149.6 million, including exchange loss of approximately RMB146.5 million for the year ended 31 December 2017 (31 December 2016: unrealised holding gain of RMB1,120.3 million including exchange gain of approximately RMB106.0 million). The carrying amount of investment in Fullshare accounts for approximately 4.42% of the Group's total assets as at 31 December 2017 (31 December 2016: 7.41%). The Group is of the view that the unrealised holding loss: (i) did not cover other aspects of the Group's results for the year ended 31 December 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 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 31 December 2017, the Group held approximately 2,730,000 (31 December 2016: nil) shares in China Transmission, representing approximately 0.17% 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 a realised holding gain and an unrealised holding gain of approximately RMB3.1 million and RMB14.1 million respectively for the year ended 31 December 2017. The carrying amount of investment in China Transmission accounts for approximately 0.07% of the Group's total assets as at 31 December 2017. 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

Revenue

Revenue of the Group increased significantly by approximately 1,733.7% from RMB1,213.4 million for the year ended 31 December 2016 to approximately RMB22,249.2 million for the year ended 31 December 2017. The increase was primarily due to the offsetting effect of (i) the significant increase in revenue from supply chain management and trading business; (ii) the increase in rental income; (iii) the increase in revenue from E-commerce and financial service business; (iv) the decrease in revenue from construction contracts; and (v) the decrease in the revenue from sales of properties.

Revenue from supply chain management and trading business

The Group's revenue from supply chain management and trading business has contributed approximately 93.2% of the Group's total revenue for the year ended 31 December 2017. The significant contribution is due to the completion of the acquisition of 50.6% equity interest in Shenzhen Sinoagri and 5% equity interest in Wuhan Zall Heng and the revision of the contractual terms of the joint venture arrangement of Wuhan Zall Heng as described in the section headed "Material acquisitions and disposals of subsidiaries and associates" in this report (the "Completed Acquisitions"), resulting the revenue of Shenzhen Sinoagri and Wuhan Zall Heng being consolidated into the financial statements of the Group.

Rental income

The Group's rental income increased significantly by approximately 167.1% from RMB182.1 million for the year ended 31 December 2016 to RMB486.3 million for the year ended 31 December 2017. The increase was primarily due to an increase in rental areas in the North Hankou Project and the increase in rent per square meter.

Revenue from E-commerce and financial services business

The Group's revenue from e-commerce and financial services business increased significantly by approximately 812.6% from RMB21.8 million for the year ended 31 December 2016 to RMB199.0 million for the year ended 31 December 2017. The increase was mainly due to (i) the contribution of RMB74.1 million from the subscription of membership income and (ii) the full year impact on the contributions from the subsidiaries of Zhong Bong Financial Leasing, Jiuyu Asset Management and HFS, which were acquired in the second half of year of 2016.

Revenue from construction contract

The Group's revenue from construction contract to build certain properties on behalf of a third party decreased by approximately 63.8% from RMB85.3 million for the year ended 31 December 2016 to RMB30.9 million for the year ended 31 December 2017. The revenue was recognised according to the actual cost incurred for the year ended 31 December 2017. The decrease for the year 2017 was primarily due to projects being at their completion stage in the year under review.

Sales of properties

Revenue from sales of properties decreased by approximately 7.1% from RMB727.1 million for the year ended 31 December 2016 to RMB675.5 million for the year ended 31 December 2017.

The Group's revenue from sales of properties was mainly generated from sales of Industrial City Project, Zall Life City – Zall Hupan Haoting Residences Project and sales of auxiliary facilities units.

During the year under review, the decrease in the Group's revenue from sales of properties was mainly due to the offsetting effect of (i) the increase in the GFA delivered of certain properties; and (ii) the lower average selling price due to the change of project mix of the properties sold in 2017.

Cost of sales

Cost of sales of the Group increased significantly by approximately 2,392.4% from approximately RMB852.1 million for the year ended 31 December 2016 to approximately RMB21,237.0 million for the year ended 31 December 2017. The increase is primarily due to the increase in the cost of sales of approximately RMB20,302.3 million from the supply chain management and trading business due to the completion of the Completed Acquisitions as mentioned, resulting the financial statements of Shenzhen Sinoagri and Wuhan Zall Heng being consolidated into the financial statements of the Group.

Gross profit

Gross profit of the Group increased by approximately 180.2% from approximately RMB361.3 million for the year ended 31 December 2016 to approximately RMB1,012.3 million for the year ended 31 December 2017. The Group's gross profit margin decreased from 29.8% for the year ended 31 December 2016 to 4.5% for the year ended 31 December 2017 which is mainly due to the changes of the revenue portfolio of the Group due to the completion of the Completed Acquistions as mentioned, resulting the financial statements of Shenzhen Sinoagri and Wuhan Zall Heng being consolidated into the financial statements of the Group. As the supply chain management and trading business is at initial development stage, it has contributed higher revenue but lower profit margin as compared to the other business segments of the Group.

Other net (loss)/income

Other income of the Group decreased from approximately RMB1,130.5 million for the year ended 31 December 2016 to other loss of approximately RMB39.9 million for year ended 31 December 2017. The decrease was mainly due to the decrease in the fair value change on listed equity securities of approximately RMB1,255.8 million.

Selling and distribution expenses

Selling and distribution expenses of the Group increased by approximately 38.8% from RMB141.5 million for the year ended 31 December 2016 to approximately RMB196.4 million for the year ended 31 December 2017. The increase was primarily due to the increase in staff costs and rental subsidies to tenants of approximately RMB30.5 million and approximately RMB16.3 million respectively.

Administrative and other expenses

Administrative and other expenses of the Group increased by approximately 220.4% from RMB160.1 million for the year ended 31 December 2016 to approximately RMB513.0 million for the year ended 31 December 2017. The increase was primarily due to (i) the increase in staff cost of approximately RMB68.4 million; (ii) increase in amortisation and depreciation of approximately RMB31.6 million; (iii) increase in office expenses of approximately RMB19.9 million; and (iv) increase in share-based payment expenses of approximately RMB122.5 million.

Net valuation gain on investment properties

The Group holds a portion of properties developed for rental income and/or capital appreciation purposes. The Group's investment properties are revaluated at the end of the respective review period on an open market value or existing use basis by an independent property valuer. The net valuation gain on investment properties increased by approximately 136.8% from RMB1,275.7 million for the year ended 31 December 2016 to approximately RMB3,021.3 million for the year ended 31 December 2017. The increase was primarily due to the increased number of wholesale shopping mall units retained for rental purposes.

Share of net profits/(losses) of joint ventures

Share of net profits of joint ventures of the Group increased by 546.0% from share of net losses of approximately RMB163 thousand for the year ended 31 December 2016 to approximately share of net profits of RMB727 thousand for the year ended 31 December 2017. The increase is primarily due to the Group's share of net profits of AP V-Best Supply Chain (Shanghai) Ltd. which is a joint venture of a majority equity interest since the acquisition of Shenzhen Sinoagri in June 2017.

Share of net losses of associates

Share of net losses of associates consisted primarily of share of loss from LightInTheBox, which reflected the Group's 34.4% equity interest held in LightInTheBox. The amount increased by 47.5% from approximately RMB24.4 million for the year ended 31 December 2016 to approximately RMB36.1 million for the year ended 31 December 2017.

Gain on disposal of subsidiaries

For the year ended 31 December 2016, the Group disposed its subsidiary, namely Wuhan Panlong Zall Properties Co., Ltd. and recognised an gain of approximately RMB95.6 million. For the year ended 31 December 2017, the Group did not dispose any of its subsidiaries.

Finance income and costs

Finance income of the Group increased by approximately 2,343.1% from RMB3.6 million for the year ended 31 December 2016 to approximately RMB89.0 million for the year ended 31 December 2017. The increase was mainly attributable to interest income from the pledged bank deposits due to the consolidation of the financial statements of Shenzhen Sinoagri upon the acquisition of a majority equity interest in Shenzhen Sinoagri in June 2017.

A net finance cost of the Group increased by approximately 177.8% from RMB192.3 million for the year ended 31 December 2016 to approximately RMB534.4 million for the year ended 31 December 2017. 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 since the acquisition of a majority equity interest in Shenzhen Sinoagri in June 2017.

Income tax

Income tax increased by approximately 53.3% from RMB291.6 million for the year ended 31 December 2016 to RMB447.1 million for the year ended 31 December 2017. The increase was mainly due to the increase in deferred tax of RMB186.4 million as a result of the increase of fair value gain from investment properties in 2017 and the reversal of deferred LAT relating to North Hankou Project. The Group's effective tax rate increased from approximately 12.4% for the year ended 31 December 2016 to approximately 15.9% for the year ended 31 December 2017.

Profit for the year

For the year ended 31 December 2017, the Group recorded a net profit of RMB2,356.5 million. Profit attributable to equity shareholders of the Company was RMB2,379.1 million, representing an increase of approximately 16.1% over the amount of RMB2,049.0 million for the year ended 31 December 2016.

Liquidity and capital resources

As at 31 December 2017, the Group had net current assets of approximately RMB3,996.7 million (31 December 2016: approximately RMB5,657.8 million) and net assets of approximately RMB18,660.9 million (31 December 2016: approximately RMB12,139.2 million). As at 31 December 2017, the Group's equity attributable to equity shareholders of the Company amounted to approximately RMB17,781.2 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 RMB17,748.9 million (31 December 2016: approximately RMB12,074.8 million). The Group's financial position is healthy with a stable well-managed working capital.

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 369.7% from approximately RMB273.3 million as at 31 December 2016 to approximately RMB1,283.6 million as at 31 December 2017. The increase was mainly attributable to the completion of the Completed Acquisitions, resulting the cash and cash equivalents held by Shenzhen Sinoagri and Wuhan Zall Heng being consolidated into the financial statements of the Group.

Bank loans and loans from other financial institutions

The Group's total long-term and short-term loans increased by approximately 31.0% from approximately RMB8,393.9 million as at 31 December 2016 to approximately RMB10,994.4 million as at 31 December 2017. The increase was mainly attributable to the completion of the Completed Acquisitions as mentioned, resulting the financial statements results of Shenzhen Sinoagri and Wuhan Zall Heng being consolidated into the financial statements of the Group. Majority of the loans were denominated in RMB, being the functional currency of the Group. Details of the interest rates during the year ended 31 December 2017 are set out in note 26(b) to consolidated financial statements in this report.

Net gearing ratio

The Group's net gearing ratio decreased from 62.5% as at 31 December 2016 to 39.5% as at 31 December 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 acquisition of Shenzhen Sinoagri. The net gearing ratio is calculated by dividing bank loans and loans from other financial institutions, net of cash and cash equivalents, pledged bank deposits and fixed deposits with banks with original maturity over three months, by total equity attributable to equity shareholders of the Company.

Foreign exchange risk

The Group's sales were primarily denominated in RMB, being the functional currency of the Group's major operating subsidiaries. Accordingly, the Board expects any future exchange rate fluctuation will not have any material effect on the Group's business. As at 31 December 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 31 December 2017, the Group had pledged certain of its assets with a total book value of RMB17,390.1 million (31 December 2016: RMB16,253.1 million) and a total book value of RMB5,048.6 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 and associates

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 in consideration of allotment and issue of up to 618,321,000 shares of the Company ("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 Shares were allotted and issued to the vendors in exchange for 50.6% equity interest of Shenzhen Sinoagri, and as a result of which Shenzhen Sinoagri became a non-wholly owned subsidiary of the Company. Shenzhen Sinoagri is principally engaged in B2B e-commerce for the trading of agricultural products, services including supply chain management and supply chain finance in the PRC. Up to the date of the report, the second tranche of the acquisition of approximately 9.89% equity interest of Shenzhen Sinoagri has not been completed.

In May 2017, Zall Development Wuhan Co., Ltd ("Zall Wuhan"), a wholly-owned subsidiary of the Company, entered into an agreement pursuant to which Zall Wuhan (i) agreed to further acquire 5% equity interests in Wuhan Zall Heng, which was formerly held as a joint venture, at a consideration of RMB1,250,000 and (ii) revision of certain contractual terms in the joint venture arrangement for Wuhan Zall Heng. Upon completion of the aforesaid acquisition and revision of contractual terms on 23 May 2017, Wuhan Zall Heng has became a non-wholly owned subsidiary of the Company. Wuhan Zall Heng is principally engaged in the provision of supply chain management services and solution for the supply of non-ferrous metals.

On 27 June 2017, Zall Commerce Supply Chain (Wuhan) Co. Ltd. ("Zall Supply Chain"), a wholly-owned subsidiary of the Group entered into an agreement with, among other parties, two non-controlling shareholders of Shenzhen Sinoagri pursuant to which Zall Supply Chain has conditionally agreed to acquire approximately 8.36% of the equity interest of Shenzhen Sinoagri at a cash consideration of RMB307,000,000. The aforementioned acquisition was approved in the extraordinary general meeting of the Company on 18 January 2018. As at the date of this annual report, the aforementioned acquisition has yet to be completed and is expected to be completed on or before 30 September 2018 and could be extended to a date mutually agreed by the parties.

On 11 October 2017, the Group entered into an agreement with HSH International and five independent third parties in relation to subscription of 19.72% interest of HSH International at an aggregate consideration of USD14,342,336 and acquisition of 32.76% interest in at an aggregate consideration of USD15,157,663. HSH International, a company incorporated in the Cayman Islands with limited liability, together with its subsidiaries, is principally engaged in the trading of chemical and plastic raw materials and operating the information services business. The transaction was approved by the shareholders of the Company ("Shareholders") on 5 March 2018. The aforementioned acquisition has been completed on 28 March 2018.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries and associates during the year ended 31 December 2017 and up to the date of this report.

Segment reporting

Details of the segment reporting of the Group for the year ended 31 December 2017 are set out in note 3(b) to the consolidated financial statements in this report.

Contingent liabilities

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

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

As at 31 December 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 RMB141.7 million (2016: RMB148.8 million) and RMB845.2 million (2016: RMB1,881.8 million), respectively.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group employed a total of 1,714 full time employees (2016: 1,422). The increase of headcount during the year under review was mainly due to new business development such as supply chain management and trading. Remuneration for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2017, the employees benefit expenses were RMB244.2 million (2016: RMB86.1 million). The increase is mainly due to the increase in number of full time staff and the equity settled share-based payment expenses (details please refer to the completion of acquisitions mentioned in the section headed "Material acquisitions and disposals of subsidiaries and associates" in this report). The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as shares and options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires.

The Group has also adopted a share option scheme (the "Share Option Scheme") 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. Further information in relation to the Share Option Scheme will be set out in the Report of the Directors contained in this report.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Yan Zhi (閻志), aged 45, Mr. Yan was appointed as a Director on 16 December 2010 and was redesignated as an executive Director on 20 June 2011 and co-chairman of the Board on 17 August 2015. Mr. Yan is the co-chairman of the Board, the chief executive officer of the Company, an executive Director and the founder of the Group. He is primarily responsible for the Group's overall business and investment strategies, as well as supervising its project planning, business and operation management. He has approximately 13 years of experience in the commercial property and wholesale shopping mall industries, as well as approximately 22 years of experience in business management in various industries. Mr. Yan has been appointed as a non-executive director and the chairman of CIG Yangtze Ports PLC, a company previously listed on the GEM Board of the Stock Exchange (the listing has been transformed to the Main Board of the Stock Exchange since 29 January 2018 with stock code: 1719), since 21 November 2011. Mr. Yan has been appointed as a director of LightInTheBox, a company listed on the New York Stock Exchange since 30 March 2016. Mr. Yan received a master's degree in business administration for senior executives from Wuhan University (武漢大學) in February 2008 and his executive master of business administration degree at Cheung Kong Graduate School of Management (長江商學院) in 2013. Mr. Yan is also the director of Zall Development Investment Company Limited, a company which has an interest in the shares of the Company which would fall to be disclosed to the Company under the Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Dr. Gang Yu (于剛), aged 58, Dr. Yu was appointed as an executive Director and co-chairman of the Board on 17 August 2015. Dr. Yu was a co-founder and chairman emeritus of Yihaodian, a leading e-commerce company in China. Dr. Yu has extensive experience in E-commerce and operation and logistics management. Prior to founding Yihaodian, he was Vice President, Worldwide Procurement at Dell Inc. Dr. Yu also served as Vice President, Worldwide Supply Chain Operations at Amazon.com. Prior to joining Amazon, Dr. Yu served as the Jack G. Taylor Chair Professor in Business in the Department of Management Science and Information Systems at the McCombs School of Business, the University of Texas at Austin, Director of the Center for Management of Operations and Logistics, and co-Director of the Center for Decision Making under Uncertainty. Dr. Yu is also the founder, former chairman and chief executive officer of CALEB Technologies Corporation. Dr. Yu obtained his bachelor degree in science from Wuhan University in 1982 and his master degree in science from Cornell University in 1985. Dr. Yu received his PhD from the Wharton School of Business, University of Pennsylvania in 1990. Dr. Yu has been appointed as a director of LightInTheBox, a company listed on the New York Stock Exchange since 30 March 2016.

Mr. Wei Zhe, David (衛哲), aged 47, was appointed as an independent non-executive Director on 11 April 2016 and re-designated as executive Director and appointed as chief strategy officer of the Company since 28 June 2017. Mr. Wei has over 17 years of experience in both investment and operational management in the People's Republic of China. Prior to launching Vision Knight Capital (China) Fund I, L.P., a private equity investment fund in 2011, Mr. Wei was an executive director and chief executive officer of Alibaba.com Limited, a leading worldwide B2B e-commerce company, for about five years, where he successfully led the company through its initial public offering and listing on the Stock Exchange in 2007. Alibaba.com Limited was delisted in June 2012. Prior to Alibaba.com Limited, Mr. Wei was the president, from 2002 to 2006, and chief financial officer, from 2000 to 2002, of B&Q China, the then subsidiary of Kingfisher plc, a leading home improvement retailer in Europe and Asia. Under Mr. Wei's leadership, B&Q China grew to become China's largest home improvement retailer. From 2003 to 2006, Mr. Wei was also the chief representative for Kingfisher's China sourcing office, Kingfisher Asia Limited. Prior to that, Mr. Wei served as the head of investment banking at Orient Securities Company Limited from 1998 to 2000, and as corporate finance manager at Coopers & Lybrand (now part of PricewaterhouseCoopers) from 1995 to 1998. Mr Wei was a non-executive director of HSBC Bank (China) Company Limited and The Hongkong and Shanghai Banking Corporation Limited and an independent director of 500.com Limited, and was also the vice chairman of China Chain Store & Franchise Association. He was voted as one of "China's Best CEOs" by magazine in 2010. Mr. Wei is also a non-executive director of PCCW Limited, Zhong Ao Home Group Limited and JNBY Design Limited, which are listed on the Stock Exchange, and an independent director of Leju Holdings Limited which is listed on the New York Stock Exchange and Shanghai M&G Stationery Inc. which is listed on the Shanghai Stock Exchange. He holds a bachelor's degree in international business management from Shanghai International Studies University and has completed a corporate finance program at London Business School.

Mr. Cui Jinfeng (崔錦鋒), aged 39, currently is the chairman of the Group's Tianjian Zall E-commerce Mall. He was appointed as an executive Director on 20 June 2011. Mr. Cui joined the Group in July 2005 and is primarily responsible for the overall day-to-day management of our projects outside Hubei Province. Mr. Cui has over 13 years of experience in the wholesale market and commercial property industries. Mr. Cui received a diploma in motor vehicle manufacturing and maintenance from Jianghan University (江漢大學) in June 2000 and obtained his master's degree in business administration from The Chinese University of Hong Kong in July 2014.

Mr. Peng Chi (彭池), aged 55, was appointed as an independent non-executive Director on 20 June 2011 and was re-designated as an executive Director on 11 April 2016. Mr. Peng has over 19 years of experience in real estate development and management of large-scale infrastructure constructions. From May 1999 to present, Mr. Peng has been serving as a chairman of Ramada Hotel Xiamen Co., Ltd. (廈門華美達長升大酒店有限公司). From May 2004 to December 2006, Mr. Peng was the general manager of Hubei Jingdong Highway Construction and Development Co., Ltd. (湖北荊東高速公路建設開發有限公司). From May 2004 to present, Mr. Peng has been serving as a chairman of Wuhan Tianshi Property Development Co., Ltd. (武漢市天時物業發展有限責任公司). From January 2008 to present, Mr. Peng has been serving as a chairman of Hubei E'dong Yangtze River Highway Bridge Co., Ltd. (湖北鄂東長江公路大橋有限公司). Mr. Peng obtained a bachelor's degree in history and literature from Hubei University (湖北大學) in July 1984 and received Doctor degree in History from Wuhan University in 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Ka Fai (張家輝), aged 43, was appointed as an independent non-executive Director on 20 June 2011. Mr. Cheung has over 20 years of experience in auditing, accounting and finance. Prior to joining the Group, Mr. Cheung worked as an auditor at Deloitte Touche Tohmatsu and served as the financial controller and company secretary of two companies listed on the Growth Enterprise Market ("GEM") Board of the Stock Exchange. Mr. Cheung was the chief financial officer and company secretary of Huscoke Resources Holdings Limited, a company listed on the Main Board of the Stock Exchange from June 2008 to July 2012 and an executive director of Huscoke Resources Holdings Limited from October 2009 to July 2012. He has been serving as the chief financial officer of Bonjour Holdings Limited, a company listed on the Main Board of the Stock Exchange from August 2012 to present. Mr. Cheung is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. He obtained a bachelor's degree in accountancy from the Hong Kong Polytechnic University in November 1997 and a master's degree in business administration from the University of Bradford in January 2008.

Mr. Wu Ying (吳鷹), aged 58, was appointed as an independent non-executive Director on 29 February 2016. Mr. Wu is currently the chairman of China Capital Group since October 2008. Prior to joining China Capital Group, Mr. Wu served as chairman and chief executive officer of UTStarcom (China) Co. Ltd for 13 years. Mr. Wu has extensive experience in telecommunication industry and venture capital investment. Mr. Wu obtained his bachelor degree in electronic engineering from the Beijing University of Technology in 1982 and obtained his master degree in electronic engineering from the New Jersey Institute of Technology in 1988. Mr. Wu is currently an independent non-executive Director of Zhong An Online P & C Insurance Co., Ltd. (眾安在綫財產保險股份有限公司) which is listed on the Stock Exchange, and chairman of the board of supervisors of Huayi Brothers Media Corporation Ltd. (華誼兄弟傳媒股份有限公司) which is listed on the Shenzhen Stock Exchange. Mr. Wu was an independent director of TCL Corporation Ltd. (TCL集團股份有限公司), which is listed on the Shenzhen Stock Exchange, for the period from September 2014 to April 2017.

Biographical Details of Directors and Senior Management

Mr. Zhu Zhengfu (朱征夫), aged 54, was appointed as an independent non-executive Director on 10 March 2017. He is graduated from Wuhan University with a PhD in International Economics Law in 1999 and holds a professional lawyer's certificate issued by the Ministry of Justice of the People's Republic of China. Mr. Zhu is currently the executive partner of Kunlun Law Firm (廣東東方昆侖律師事務所) and prior to that, Mr. Zhu was the deputy head of the Land Law Consultation Service Center of the Guangdong Province Land Resources Bureau (廣東省國土廳廣東地產法律諮詢服務中心) from 1995 to 1998, a partner at Guangdong Dalu Law Firm (廣東大陸律師事務所) from 1995 to 1998, the head of finance and real estate of Guangdong Economic Development Law Firm (廣州市經濟貿易律師事務所) from 1993 to 1995, and deputy department head of the economic development department of Wanbao Electronics Import and Export Co., Ltd. (萬寶電器進出口公司) from 1987 to 1993. Mr. Zhu is also an independent non-executive director of E Fund Management Co., Ltd. (易方達基金管理有限公司), an independent non-executive director of Dongjiang Environmental Co., Ltd. (東江環保股份有限公司), which is listed on the Stock Exchange, an independent non-executive director of Guangzhou Guangdong Daily Media Co., Ltd. (廣東廣州日報傳媒股份有限公司), Beijing Honggao Creative Construction Design Co., Ltd (北京弘高創意建築設計股份有限公司) and Wuhan Sante Cableways Group Co. Ltd. (武漢三特索道集團股份有限公司) ,which are listed on the Shenzhen Stock Exchange, an independent non-executive director of Poly Real Estate Group Co., Ltd. (保利房地產集團股份有限公司), which is listed on the Shanghai Stock Exchange. He is a member of the supervisory committee of CSSC Offshore & Marine Engineering (Group) Company Limited (中船海洋與防務裝備股份有限公司),which is listed on the Stock Exchange and an independent non-executive director of O Luxe Holdings Limited, which is listed on the Stock Exchange for the period from May 2015 to November 2017. Mr. Zhu is also an independent non-executive director of Chong Kin Group Holdings Limited, which is listed on the Stock Exchange, since 5 January 2018.

SENIOR MANAGEMENT

Mr. Qi Zhiping (齊志平), aged 45, is the co-president of the Group and the vice chairman of Shenzhen Sinoagri. Mr. Qi is primarily responsible for the integrated management of the online platform of the Group and the collaboration of various platforms, and the overall design for strategic planning and management capacity enhancement of Shenzhen Sinoagri, the planning for investment and development strategy of the Company, designing commercial models, engaging in investment projects decision and management of the Company. Mr. Qi established and founded Shenzhen Sinoagri in 2010. He has extensive experience on operation and management of retail chain, securities investment and E-commerce and excelled in corporate governance, strategic planning and global deployment. Mr. Qi obtained his bachelor degree in corporate management from Shenzhen University in 1994. He is currently studying the Executive Master of Business Administration (EMBA) programme of China Europe International Business School.

Mr. Zhu Guo Hui (朱國輝), aged 41, is the chief financial officer of the Company. Mr. Zhu joined the Group in August 2014 and is primarily responsible for the financial management and capital market of the Company. Mr. Zhu possesses over 17 years of experience in the capital markets of Hong Kong and Mainland China. Prior to joining of the Company, Mr. Zhu has worked in various financial institutions including Credit Suisse, Value Partners Group, a company listed on the Main Board of the Stock Exchange (Stock Code: 806) and BNP Paribas in connection with transactions on initial public offering, merger and acquisition, direct investment and corporate financing. Mr. Zhu holds a bachelor's degree in economics from The Central University of Finance and Economics and a master's degree in international business administration from The University of Hong Kong.

Ms. Liu Qin (劉琴), aged 49, is the chairman of North Hankou Group Co. Ltd.. Ms. Liu is overall in charge of projects development and construction of North Hankou International Trade Centre. She joined the Group in 2007 and is responsible for the day-to-day operational management of Wuhan Big World Project. Ms. Liu has over 20 years of experience in real estate development, commercial projects operation, human resources management and administrative management. Ms. Liu graduated from Wuhan Radio and Television University (武漢市廣播電視大學) with a diploma in economic management. Ms. Liu acquired a Senior Economist Qualification certificate from Human Resources and Social Security Department of Hubei Province in 2014. Ms. Liu has been appointed as an executive director of CIG Yangtze Ports PLC, a company previously listed on the GEM of the Stock Exchange (the listing has been transferred to the Main Board of the Stock Exchange since 29 January 2018 with Stock Code: 1719), since 21 November 2011.

Mr. Li Bin (李斌), aged 47, is the president of North Hankou Group Co., Ltd.. Mr. Li is overall in charge of marketing, day-to-day operational management, property management and brand enhancement of North Hankou International Trade Centre. Mr. Li has over 18 years of experience in property management and market management. Mr. Li joined the Group in July 2007 as the general manager of Wuhan North Hankou Market Management Co., Ltd. and has held various positions within the Group. From May 1999 to June 2007, Mr. Li was manager of the property management department of Meijia Property Management (Wuhan) Co., Ltd. (美佳物業管理 (深圳) 有限公司武漢分公司). Mr. Li received a diploma in Chinese language and literature education from Hubei University (湖北大學) in 1995.

Ms. Lou Xiaoan (樓曉岸), aged 47, is the president of Zall Financial Services Group Limited. She is responsible for the Group's finance business. Ms. Lou joined the Group in June 2016. Prior to joining the Company, Ms. Lou has worked in various banks and financial institutions, including Industrial and Commercial Bank of China, the Export–Import Bank of China, Bank of Kunlun Co., Ltd., Beijing Financial Assets Exchange and Shanghai Lujiazui International Financial Asset Exchange Co., Ltd. Ms. Lou holds an executive master's degree in business administration from Beijing Institute of Technology.

Ms. Min Xueqin (閔雪琴), aged 34, is the deputy general manager of North Hankou Group Co., Ltd., and the head of the Group's general office. She is responsible for the Group's administrative and finance issues. Ms. Min joined the Group in 2008, primarily responsible for the service management and financing of North Hankou International Trade Center. She has nearly 10 years of experience in the commercial property, wholesale shopping mall and financial industries. Ms. Min obtained a diploma in business administration from Zhongnan University of Economics and Law (中南財經政法大學) in 2006. She has been studying for an executive master of business administration degree at Wuhan University (武漢大學) since 2013.

Ms. Xie Xiaofei (謝筱菲), aged 34, is the chief executive officer of Zallgo E-commerce (Wuhan) Co., Ltd. (卓爾購電子商務(武漢)有限公司). Ms. Xie is primarily responsible for the business operation and day-to-day management of the e-commerce sector of the Group. Ms. Xie joined the Group in December 2015. Ms. Xie was the senior management of Tianjin Red Baby E-commerce Co., Ltd. (天津紅孩子商貿有限公司) and Yi Hao Dian (1號店) central China region. She has over 10 years of experience in operation and management of e-commerce industry.

Mr. Yu Wei (余偉), aged 35, is the general manager of Zallsoon Information Technology (Wuhan) Co., Ltd. (卓集送信息科技(武漢)有限公司). Mr. Yu is primarily responsible for the Zallsoon urban delivery and long-distance trunk logistics, and the operation and day-to-day management of Zall Cloud Warehouse. He joined the Group in 2015 and has worked as the general manager of Zallfuhui Information Technology (Wuhan) Co., Ltd. (卓服匯資訊科技(武漢)有限公司) and a founding member of Zall Cloud Market. Prior to joining the Group, he was the general manager of Xiaoxue Cold Chain (Wuhan) Logistics Co., Ltd. (小雪冷鏈(武漢)物流有限公司) and has founded the first generation of local car travelling brand, Wo Jia Car Rental (我佳租車) in 2012. Mr. Yu has engaged in sectors such as automobile, financing, travelling, logistics for over 13 years. Mr. Yu obtained his bachelor degree in business administration from Wuhan Polytechnic University and obtained master degree in Executive Master of Business Administration (EMBA) from China Europe International Business School.

Mr. Lung Shei Kei (龍瑞麒), aged 32, is the financial controller, the company secretary and one of the authorized representatives of the Company. Mr. Lung is responsible for the financial management, capital market and company secretarial affairs of the Company. Mr. Lung has over 10 years of experience in auditing, accounting and capital market. Prior to joining the Group in January 2017, he was a senior manager of PricewaterhouseCoopers. Mr. Lung hold a Bachelor degree in Accountancy from the Hong Kong Polytechnic University and he is a member of Hong Kong Institute of Certified Public Accountants.

Save as disclosed in the section headed "Biographical Details of Directors and Senior Management" in this annual report, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2017.

Report of the Directors

The Board is pleased to present the annual report and the audited financial statements of the Group for the year ended 31 December 2017.

GENERAL INFORMATION

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 14 to the financial statements. Save for the business transformation provided in the section headed "Management Discussion and Analysis" of this annual report, there were no significant changes in the nature of the Group's principal activities during the year under review.

BUSINESS REVIEW AND PERFORMANCE

A review of the business of the Group and a discussion and analysis of the Group's performance during the year under review and a discussion on the Group's future business development and outlook of the Company's business, possible risks and uncertainties that the Group may be facing and important events affecting the Company occurred during the year ended 31 December 2017 are provided in the section headed "Chairman's Statement" on pages 5 to 7 and the section headed "Management Discussion and Analysis" on pages 8 to 19 of this annual report. An account of the Company's relationships with its key stakeholders is included in the paragraph headed "Relationships with Employees, Suppliers and Customers" of the report of the Directors on page 28 of this annual report.

An analysis of the Group's performance during the year ended 31 December 2017 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" on pages 8 to 19 of this annual report.

In addition, more details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Company are provided in the report headed "Environmental, Social and Governance Report" on pages 37 to 53 of this annual report.

RESULTS AND DISTRIBUTION

The profit of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss on page 71.

The Board recommended the payment of a final dividend of HK2.58 cents per share for the year ended 31 December 2017 (corresponding period in 2016: Nil) out of the share premium account of the Company. The payment of the aforesaid final dividend is subject to approval by the Shareholders at the forthcoming annual general meeting of the Company and, if approved by the Shareholders, will be paid on or before 31 July 2018. Further information regarding the distribution of final dividend, including the relevant record dates, book close dates and payment date will be announced in due course.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2017 and the state of the Company's and the Group's affairs as at that date are set out on pages 71 to 166.

RESERVES

Movements in the reserves of the Group during the year ended 31 December 2017 is set out on page 75.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB4,037 million (2016: RMB567 million). The Board proposed the payment of a final dividend of HK$0.0258 (equivalent to approximately RMB0.0207) per share out the share premium account, the final dividend will amount to approximately HK$300 million. (2016: Nil).

SHARE CAPITAL

Changes in share capital of the Company for the year ended 31 December 2017 and as at that date are set out in note 30 to the financial statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to Shareholders by reason of their holding of the Company's securities.

SHARE OPTION SCHEME

Pursuant to the sole shareholder's resolutions of the Company on 20 June 2011, the Company has adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

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

1. *Purpose of the Share Option Scheme*

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

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

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

2. *Participants of the Share Option Scheme*

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

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

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

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

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

The maximum number of shares which maybe issued upon exercise of options which may be granted under the Share Option Scheme shall not in aggregate exceed 1,050,000,000 shares, after the Share Subdivision effective from 19 October 2015, representing approximately 9.0% of the issued shares of the Company as at the date of this report. As at the date of this report, the number of shares available for issue under the Share Option Scheme (excluding those under share options granted but not exercised) amounted to 1,004,332,050 shares, representing approximately 8.6% of the issued shares of the Company.

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

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

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

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

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

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

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

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

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

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

8. The basis of determining the exercise price

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

9. The remaining life of the Share Option Scheme

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

Particulars of share options under the Share Option Scheme (the "Share Option") outstanding at the beginning and at the end of the financial year ended 31 December 2017 and Share Options granted, exercised, cancelled or lapsed during the financial year ended 31 December 2017 are as follows:

Category of participant	Date of grant	Exercise price per share	Vesting Date and Exercise period	Balance as at 1 January 2017	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Balance as at 31 December 2017	Price per Share immediately before the date of grant	Price per Share on exercise date
Employees of the Group	22 December 2017	HK$8.48	From the date when the exercise conditions (Note 1) are met to 21 December 2027	–Nil–	45,667,950 (Note 2)	–Nil–	–Nil–	45,667,950	HK$8.48	N/A (Note 3)

Notes:

1. Such Share Options shall be exercisable upon fulfillment of certain financial performance targets set out in the respective letters of grant. For further details of the financial performance targets, please refer to the paragraph headed "Management Shares and Management Option" in the circular of the Company dated 15 February 2017.

2. The value of the Share Options granted during the financial year ended 31 December 2017 are set out in note 28 to the consolidated financial statements of the Company in this annual report.

3. No Share Option had been exercised during the financial year ended 31 December 2017.

Save as disclosed above, there were no outstanding Share Option at the beginning and/or at the end of the year ended 31 December 2017 and there were no other Share Options granted during the financial year ended 31 December 2017.

PERFORMANCE GUARANTEE IN RESPECT OF THE ACQUISITION OF SHENZHEN SINOAGRI

References are made to the circular of the company dated 15 February 2017 (the "Shenzhen Sinoagri Acquisition Circular") in relation to the acquisition of Shenzhen Sinoagri. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Shenzhen Sinoagri Acquisition Circular.

Pursuant to the Acquisition Agreement, the Performance Guarantee, together with the Lock-Up Undertaking as disclosed in the Shenzhen Sinoagri Acquisition Circular, provide the Company with a mechanism to adjust the Consideration following the completion of the Acquisition by reference to the actual performance of the Shenzhen Sinoagri for the next three or five (as the case may be) financial years.

The Board is pleased to report that the actual revenue and the actual net profit of Shenzhen Sinoagri amount to approximately RMB 32.6 billion and approximately RMB129 million for the financial year ended 31 December 2017 respectively, which exceeded the Target Revenue and Target Net Profit for the financial year ended 31 December 2017 of RMB30 billion and RMB110 million as stated in the Acquisition Agreement respectively, and therefore the Performance Guarantee for the financial year 2017 has been fulfilled. Further details of the Acquisition Agreement and the Performance Guarantee is set out in the Shenzhen Sinoagri Acquisition Circular.

MAJOR SUPPLIERS AND CUSTOMERS

During the year under review, the aggregate sales attributable to the Group's five largest customers comprised approximately 25.9% (2016: 38.6%) of the Group's total sales and the sales attributable to the Group's largest customer were approximately 9.8% (2016: 15.5%) of the Group's total sales.

The aggregate purchases during the year under review attributable to the Group's five largest suppliers were approximately 28.7% (2016: 55.9%) of the Group's total purchases; and the purchases attributable to the Group's largest supplier were approximately 9.0% (2016: 13.8%) of the Group's total purchases. Purchases of the Group include purchases which are required on a regular basis to enable the Group to continue to supply its customers. Accordingly, purchases include, but not limited to, land purchased from the government and the cost of construction materials.

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

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

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

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

BANK LOANS AND LOANS FROM OTHER FINANCIAL INSTITUTIONS

Particulars of bank loans and loans from other financial institutions of the Group as at 31 December 2017 are set out in note 26 to the financial statements.

DONATIONS

No charitable and other donations made by the Group during the year (2016: RMB1,300,000).

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES, PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

Details of the movements in the investment properties of the Group during the year are set out in note 10 to the financial statements. Particulars of investment properties, properties under development and completed properties held for sale are shown under the section of "Major Properties Information" on the pages 167 to 169.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2017, save as disclosed below, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

ISSUE OF CONSIDERATION SHARES

On 28 October 2016, an acquisition agreement (the "Shenzhen Sinoagri 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 Shenzhen Sinoagri 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 Kit, respectively at the issue price of HK$4.19 per share.

On 22 December 2017, a total of 8,059,050 management shares were allotted to the core management team of Shenzhen Sinoagri pursuant to the Shenzhen Sinoagri Acquisition Agreement.

Further details of the Shenzhen Sinoagri 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 and 22 December 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 ordinary Shares with aggregate nominal value of HK$1,189,279.53 at a subscription price of HK$4.2 per Share. The net price of each subscription Share to the Company is approximately HK$4.2 and the price per Share as quoted on the Stock Exchange on 29 May 2017, being the last trading date prior to the date of the share subscription agreement, was HK$4.68.

The Directors consider that the subscription will broaden the shareholder base of the Company and enhance the Company's profile. Further, the subscription will strengthen the Company's capital base and financial position while reducing the level of gearing, saving finance costs which thereby enhances the Company's market competitiveness. The Company had applied the net proceeds from the Subscription to repay certain debt of the Group and as general working capital of the Group. 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.

DIRECTORS

The Directors of the Company during the year ended 31 December 2017 and up to the date of this report are:

Executive Directors:
Mr. Yan Zhi *(Co-chairman and Chief Executive Officer)*
Dr. Gang Yu *(Co-chairman)*
Mr. Wei Zhe, David
Mr. Cui Jinfeng
Mr. Peng Chi

Independent non-executive Directors:
Mr. Cheung Ka Fai
Mr. Wu Ying
Mr. Zhu Zhengfu

In accordance with article 84 of the Articles, at each annual general meeting, one third of the Directors shall retire from office by rotation, accordingly each of Mr. Yan Zhi, Dr. Gang Yu, Mr. Wei Zhe, David and Mr. Wu Ying, will retire from the office of Director by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company to be held on 30 May 2018 (the "AGM").

DIRECTORS' SERVICE CONTRACTS

Other than Mr. Wei Zhe, David, each of the executive Directors has entered into a service contract with the Company for a term of three years, subject to retirement by rotation in accordance with the memorandum and articles of association of the Company, which may be terminated by not less than three months' notice in writing served by either party on the other. As disclosed in the announcement of the Company dated 28 June 2017, Mr. Wei Zhe, David has entered into the service agreement with Company, in respect of his appointment as an executive Director for a term commencing from 28 June 2017 (the completion date of acquisition of 50.6% interest in Shenzhen Sinoagri) to 31 December 2019. Each independent non-executive Director has entered into an appointment letter with the Company for a term of three years, subject to retirement by rotation in accordance with the memorandum and articles of association of the Company, which may be terminated by not less than three months' notice in writing served by either party on the other.

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

PERMITTED INDEMNITY PROVISION

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

CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' REMUNERATION

The remuneration committee of the Company (the "Remuneration Committee") considers and recommends to the Board the remuneration and other benefits paid by the Company to the Directors, taking into consideration of the recent trend of labor market, the overall remuneration policy and structure of the directors and senior management. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate. Details of Directors' remuneration are set out in note 7 to the financial statements.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 20 to 23 of this annual report.

INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 34 and note 35 to the financial statements, there was no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party to and in which a Director or an entity connected with a Director has a material interest in, whether directly or indirectly, or between the Company, or its subsidiary companies, and a controlling Shareholder or any of its subsidiaries, and subsisted at the end of the financial year under review or at any time during the financial year under review.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors held any interests in any competing business against the Company or any of its jointly controlled entities and subsidiaries for the year ended 31 December 2017.

MANAGEMENT CONTRACTS

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

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

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

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

As at 31 December 2017, the interests or short positions of each Director and chief executive in the shares, underlying shares or debentures of the Company or its any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are being taken or deemed to have taken under such provision of the SFO); or were required pursuant to Section 352 of the SFO to be recorded in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of the Company (the "Model Code") as set out in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Interests in shares of the Company

Name of director	Nature of interest	Number of ordinary shares in the Company	Approximate percentage of shareholding [3]
Yan Zhi	Interest of a controlled corporation	6,605,545,268 (L)[1]	56.81%
Yan Zhi	Beneficial owner	56,613,000 (L)	0.49%
Gang Yu	Beneficial owner	112,890,840 (L)	0.97%
Cui Jinfeng	Beneficial owner	1,312,500 (L)	0.01%
Wei Zhe, David	Interest of a controlled corporation [2]	132,144,000 (L)	1.14%
		89,163,000 (S)	0.77%
Wei Zhe, David	Beneficial owner	10,746,000 (L)	0.09%

(L) represents long position; (S) represents short position.

Note:

(1) The 6,605,545,268 Shares are held by Zall Development Investment Company Limited ("Zall Development Investment"), a company which is wholly owned by Mr. Yan Zhi.

(2) The long and short positions of 89,163,000 Shares are held by EJC Group Limited, a company which is indirectly owned as to 60% by Vision Knight Capital (China) Fund I, L.P., which is in turn indirectly owned as to 43.6% by Mr. Wei, and long position of 42,981,000 Shares are held by Vision Knight Capital Management Limited, a company which is directly owned as to 66% by Mr. Wei Zhe, David.

(3) The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2017 (11,628,004,800 ordinary shares).

Save as disclosed above, as at 31 December 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) as recorded in the register required to be maintained under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDER(S) AND OTHER PERSONS

So far as is known to any Director, as at 31 December 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 that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Nature of interest	Number of shares or underlying shares held	Percentage of shareholding (3)
Substantial shareholder(s)			
Zall Development Investment	Beneficial owner	6,605,545,268 (1)	56.81%
Other persons			
Ji Changqun	Interest in a corporation	949,224,000 (2)	8.16%
Magnolia Wealth International Limited	Interest in a corporation	949,224,000 (2)	8.16%
Fullshare Holdings Limited	Interest in a corporation	949,224,000 (2)	8.16%
Rich Unicon Holdings Limited	Beneficial owner	949,224,000 (2)	8.16%

Notes:

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

(2) The 949,244,000 Shares are held by Rich Unicorn Holdings Limited, a Company which is wholly owned by Fullshare Holdings Limited, which in turn is owned as to 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 31 December 2017 (11,628,004,800 ordinary shares).

Save as disclosed above, as at 31 December 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.

SUFFICIENCY OF PUBLIC FLOAT

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

RETIREMENT BENEFIT PLANS

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

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

For the year ended 31 December 2017, the Group's total contributions to the retirement schemes charged in the consolidated income statement amounted to approximately RMB15.6 million (2016: approximately RMB7.9 million).

CONNECTED TRANSACTIONS

During the year ended 31 December 2017, the Group conducted the following connected transactions:

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

On 23 December 2016, Zall Investment Group, entered into a lease agreement (the "First Lease Agreement") with Wuhan Zall Yuexi, pursuant to which Zall Investment Group agreed to rent a premises with and area of 9,182.02 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 First Lease Agreement was determined on an arm's length basis and with reference to the prevailing market rent at the time of the First Lease Agreement. The terms of the First Lease Agreement, including the rents received from Wuhan Zall Yuexi under the First Lease Agreement, were entered into on an arm's length negotiations with reference to the prevailing market rent for comparable premises in the vicinity.

For the year ended 31 December 2017, the aggregate amount of the transactions under the First Lease Agreement amounted to approximately RMB3.3 million, which is within the annual cap of RMB3.3 million.

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

(b) Lease Agreement with Wuhan Z-Bank Ltd.*（武漢眾邦銀行股份有限公司）("Wuhan Z-Bank") dated 18 May 2017

On 18 May 2017, Wuhan North Hankou Trade Market Investment Co., Ltd.*（武漢漢口北商貿市場投資有限公司）("North Hankou"), a wholly-owned subsidiary of the Company, entered into a lease agreement (the "Second Lease Agreement") with Wuhan Z-Bank, pursuant to which North Hankou agreed to rent certain properties in Wuhan city with an aggregate area of 4,897.5 square metres to Wuhan Z-Bank for a term of three years commencing from 18 May 2017 to 17 May 2020 at monthly rent of RMB1,469,250 and monthly property management fee of RMB24,487.50.

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

For the year ended 31 December 2017, the aggregate amount of the transaction under the Second Lease Agreement aggregate amounted to approximately RMB11.2 million, which is within the annual Cap of RMB11.2 million.

Wuhan Z-Bank is directly owned as to 30% by Zall Holdings Ltd, a company which is owned as to 99.95% by Mr. Yan. Accordingly, Wuhan Z-Bank is a connected person of the Company under the Listing Rules and the entering into of the Second Lease Agreement constitutes continuing connected transaction of the Company, in respect of which an announcement dated 18 May 2017 was published by the Company in compliance with Chapter 14A of the Listing Rules.

(c) Lease Agreement with Wuhan Zall Yueting Hotel Co., Ltd.*（武漢卓爾悅廷酒店有限公司）("Wuhan Zall Yueting") dated 3 November 2017

On 3 November 2017, North Hankou entereed into a lease agreement (the "Third Lease Agreement") with Wuhan Zall Yueting, pursuant to which North Hankou agreed to rent certain properties in Wuhan city with an aggregate area of 23,347.2 square metres to Wuhan Zall Yueting for a term of three years commencing from 3 November 2017 to 2 November 2020 at the following monthly rents and property management fees:

- monthly rentals of RMB2,334,720 and property management fee of RMB116,736 from 3 November 2017 to 2 November 2018;
- monthly rentals of RMB2,568,192 and property management fee of RMB116,736 from 3 November 2018 to 2 November 2019; and
- monthly rentals of RMB2,801,664 and property management fee of RMB116,736 from 3 November 2019 to 2 November 2020.

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

For the year ended 31 December 2017, the aggregate amount of the transaction under the Third Lease Agreement, amounted to approximately RMB4.7 million, which is within the annual cap of approximately RMB4.7 million.

Wuhan Zall Yueting is indirectly owned as to 99.95% by Mr. Yan. Accordingly, Wuhan Zall Yueting is a connected person of the Company under the Listing Rules and the entering into of the Third Lease Agreement constitutes continuing connected transaction of the Company, in respect of which an announcement dated 3 November 2017 was published by the Company in compliance with Chapter 14A of the Listing Rules.

* The English translation of the Chinese names of the companies established in PRC is for illustration purpose only.

Confirmation by the independent non-executive Directors

The independent non-executive Directors have reviewed and confirmed that for the year ended 31 December 2017, the continuing connected transactions as set out above have been entered into by the Group:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation by the auditor of the Company

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged the auditor of the Company to report on the continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has reported to the Board and confirmed that for the year ended 31 December 2017, nothing has come to their attention that causes them to believe that the continuing connected transactions set out above (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iv) have exceeded the annual caps as set by the Company with respect to the aggregate amount of each of the continuing connected transactions set out above.

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

vIn order to determine who are eligible to attend and vote at the AGM, the Company's register of members will be closed from Thursday, 24 May 2018 to Wednesday, 30 May 2018 (both days inclusive), during which no transfer of shares of the Company will be effected. In order to be qualified to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 23 May 2018.

AUDIT COMMITTEE

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

The Audit Committee has reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters. The annual results of the Group for the year ended 31 December 2017 have also been reviewed by the Audit Committee.

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

AUDITORS

The consolidated financial statements for the year ended 31 December 2017 were audited by KPMG.

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

By order of the Board
Yan Zhi
Co-chairman

Hong Kong, 29 March 2018

1 ABOUT THIS REPORT

1.1 Basis of Preparation

This is the Environmental, Social and Governance Report (the 'ESG Report') prepared by Zall Group Ltd. (the 'Company') and its subsidiaries ('Zall', 'We' or the 'Group') in accordance with the disclosure requirements set out in the Environmental, Social and Governance Reporting Guide in Appendix 27 of the Listing Rules of the Stock Exchange of Hong Kong, and is a true reflection of the Company's performance of environmental, social and governance responsibility in 2017.

1.2 Business Profile

The Group was established in 1996. It is a leading developer and operator of large-scale consumer product-focused wholesale shopping malls in the PRC. The Group also provides supply chain management and trading business, e-commerce services, financial services, warehousing and logistics services for the online and offline customers. During the year, the Group completed its first acquisition of Shenzhen Sinoagri E-commerce Co., Ltd. ('Shenzhen Sinoagri'), the largest e-commerce company engaged in agricultural products in China, starting the business of online agricultural products trading.

The Group's revenue from property development, property management and agricultural products e-commerce platform services accounted for more than 83% of the total revenue in 2017.

(Unit: RMB'000)	Revenue	Percentage
Property development and related services	1,276,729	5.7%
E-commerce and financial services	198,978	0.9%
Supply chain management and trading	20,730,189	93.2%
Others	43,280	0.2%
Total	22,249,176	100%

1.3 Reporting Period And Scope

The reporting period of this report covers the financial year of 2017 (from 1 January 2017 to 31 December 2017). The main scope of this report covers property development, property management and agricultural products e-commerce platform services, which contribute to approximately 83% of the Group's total revenue. The Group's principal places of business are the Wuhan North Hankou International Goods Trading Center, the Tianjin E-commerce Mall, and the Shenzhen office of Shenzhen Sinoagri.

1.4 Group ESG Strategy

The Group strives to minimise the pollution caused by its property management and development activities by making the most efficient possible use of energy and materials. In cooperation with professional construction teams, energy-saving and environmental considerations are incorporated into projects from the design stage. Waste emissions and treatments are carefully controlled during the construction phase. The Group also establishes and maintains friendly relationships with merchants and provides them with comprehensive assistance and services through regular attendance of chamber of commerce development conferences.

For agricultural e-commerce platform services, we intend to use the Shenzhen Sinoagri vertical trading platform to optimise the agricultural product supply chain and maintain our leading position in white sugar B2B and O2O integration in China. With its improved trading efficiency, reduced logistics and procurement costs, upstream suppliers and downstream customers will be provided with a professional, effective, safe and fast trading platform. Finally, we aim to simplify trading procedures, reduce emissions resulting from logistics, and help farmers who lack bargaining power to attain a more reasonable income, thus achieving the effect of alleviating financial poverty.

1.5 Responsibilities of the Board of Directors

All information disclosed in this report was reviewed and confirmed by the members of the Board.

2 STAKEHOLDER ENGAGEMENT

Materiality assessment is essential in deciding the relevant environmental and social policies which will guide the operation and development of the Group in future. Therefore, during the year, the Group engaged an independent third-party consulting team to expand the scope of stakeholder interviews to include external stakeholders (including banks, suppliers and customers) and obtain a more comprehensive understanding of important topics related to the Group's environmental and social responsibilities. An assessment of the results of stakeholder engagement was used to determine our material ESG aspects.

In the future, we plan to further expand the scope of stakeholders – such as investors, independent non-executive directors and non-managerial employees, etc – to obtain more comprehensive opinions and further improve the Group's ESG performance.

Stakeholders Interviewed in 2017	
Stakeholder Group	Main Focus
Internal management	Staff benefits, health and safety
Cooperative banks	Group's operating performance, compliance with environmental protection and social laws
Suppliers	Supplier audit process and its transparency
Customers	Product quality and safety

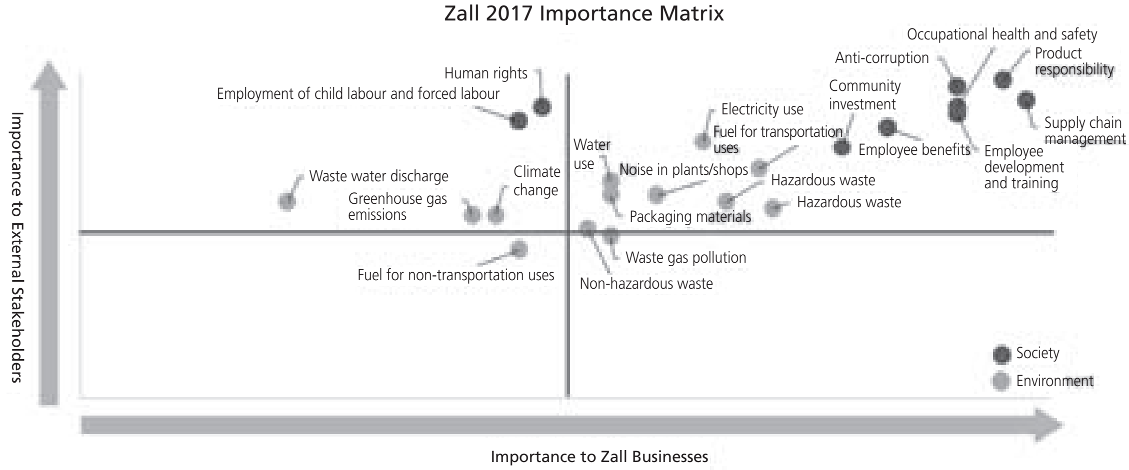
3 IMPORTANCE ANALYSIS

Views and opinions collected during the stakeholder engagement were assessed and each material ESG issue and its relevance to business operations are listed in the table below by order of importance:

Scope	Significant topic	Relationship with business
Environment	Fuel consumption (transportation related)	The Group offers shuttle buses for its tenants and employees and arranges for vehicles to pick up management personnel.
	Indoor air quality	Office air quality is of vital importance to the health of employees. Therefore, we engaged a qualified third-party professional consultant to test indoor air quality according to national standard requirements during the year.
	Use of electricity	Commercial properties and nationwide offices of the Group all need electricity to maintain efficient operation.
	Hazardous waste emissions	To ensure food quality and safety, the Group sets up its own chemistry laboratory. Some chemical waste will be produced in the testing process.
Social	Product responsibility	We are committed to providing customers with high-quality and safe products. The Group promises to be responsible for the safety of food and to provide the best service for the tenants.
	Supply chain management	The Group established an online trading platform for individual farmers and large-scale purchasers. Users are very concerned about the Group's supply chain policies and related review process.
	Health and safety	One of the Group's major objectives is to safeguard employee health and safety. The Group strives to provide a safe and comfortable working environment for its employees through the establishment and operation of a health and safety system, periodic facility inspections, and occupational safety training.
	Employee development and training	The Group believes that employees are the cornerstone of its development. We formulate training standards and systems for employees and provide them with appropriate training plans to improve their professional quality.

The following matrix shows the results of the importance analysis:

Zall 2017 Importance Matrix



As this is the Group's first disclosure of environment-related information pursuant to Stock Exchange requirements, focus has been placed on the Group's most important environmental aspects; namely, fuel for mobile uses, indoor air quality, electricity use, and hazardous waste disposals. It is intended that the scope of disclosure be gradually expanded henceforth to further improve the Group's ESG transparency. Therefore information regarding the Group's use of water, packaging materials and non-hazardous waste will be disclosed next year.

4 ENVIRONMENT

Undoubtedly, 'Green' is a major theme of the central government's 13th Five-year Plan. The word appeared 21 times in its planning proposal, 44 times in its planning outline, and 9 times in the government work report. China, which has reached the final stage of building a moderately prosperous society, is obviously committed to seeking new breakthroughs in green development. The central government's basic policy of 'innovation-driven, quality first, green development, structural optimisation and talent-oriented' places emphasis on sustainable development as a key point of building a powerful China. This vision embraces concepts such as recycling, clean energy, low-carbon development, and the creation of a green economy.

In short, green development will inevitably occur when the economy and society develop to a certain stage. In this respect, China is not alone in the world, as most advanced countries are actively pursuing environmental protection and intelligent and sustainable development. Green development is by no means 'empty talk'. Its central purpose is to harmoniously integrate economic growth with sustainable resource consumption, and achieve a 'win-win' balance between development and the environment.

The Group profoundly understands its social responsibilities as a listed company. Thus, in line with the direction of national development, all the Group's business units will continue contributing to the country's green development by taking measures to protect the environment, save energy, reduce pollution and improve efficiency. The Group updates its environmental management measures on an annual basis and distributes them to each department. All departments also participate in training, regular inspection and supervision to ensure that environmental regulations and requirements are consistently observed.

We would elaborate on the potential environmental impacts of each business section, and on appropriate countermeasures below.

4.1 Property Management and Construction

Property Management

The management of Group properties includes several measures to improve energy efficiency, reduce emissions and enhance the natural environment. The following are some examples:

- Improving energy efficiency: Replacement of lighting systems in public places with LED units to reduce energy consumption. As LED lights' service life can be up to 50,000 hours, or two and a half times greater than traditional bulbs, their frequency of replacement can also be greatly reduced. Energy-efficient air conditioning units and high-efficiency lifts are used to further reduce power consumption and environmental pollution. The following table illustrates the effect of these measures for two properties during the 2017 reporting period.

Total power consumption of commercial properties in 2017 (including electricity consumed in public places and merchant shops)	
Project name	Total power consumption (KWH)
North Hankou International Trade Center	19,300,994
Tianjin E-commerce Mall	1,547,962
Total annual power consumption	20,848,956

- Garbage recycling: We set up garbage sorting and recycling facilities in our properties and provide basic facilities to encourage garbage classification and recycling by tenants. Appropriately sorted waste is sent to qualified recyclers for treatment at regular intervals.

- Public transportation systems: The Group offers tenants shuttle bus services between railway station and the trade center. We also provide company buses to transport our staff members to and from work. The use of public transportation helps to reduce air pollution and energy consumption. In the table below, we calculate the fuel used for transportation purposes during the year.

Commercial properties' total fuel consumption for transportation in 2017			
Types of transportation	North Hankou International Trade Center	Tianjin E-commerce Mall	Total
Shuttle buses (litres of diesel)	277,183	3,969	281,152
Vehicles for picking up the Group management (litres of petrol)	48,000	2,228	50,228

- Greening: We pay attention to the greening project in the trading center and actively reduce the heat island effect by planting trees, provide space for tenants to relax, improve air quality and enhance the overall landscape of the area.

Property Construction

During the year, the Group focused on the property management and online platforms. Thus the environmental impact of property development was relatively light during the reporting period.

Nevertheless, the Group continued its full compliance with national environmental protection laws and regulations. To regulate its property developments, the Group formulated strict internal management policies with effect from the design to the construction stage. The Group has also devised a number of environmental protection measures to improve green project management standards and ensure that the construction process conforms to the guideline of green building.

Design Stage

We believe that energy and resource efficiency are inherent to good architectural design. Good building practice also includes taking the environment into consideration as in the use of materials, indoor air quality and site selection. Such factors as indoor air quality are also important to the end-user. In addition we have assessed the potential environmental impact of the construction process at the project's design stage. This enables us to anticipate and solve problems before anything is built, including taking measures to reduce the effects of air, water and noise pollution on adjacent residents. Some examples follow:

- Departments collaborated to ensure that the project design fulfils the requirements of the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》).

- The Group's 'Green Construction Plan' (《綠色施工方案》) aims to save energy, land and water resources while minimising construction-related activities that make a negative impact on the environment. As part of the Plan, the Group also aims to improve the 'green construction consciousness' of management personnel.

- Whenever possible, the Group's efforts to maintain a healthy indoor air quality includes the selection of construction materials with low or zero emissions of such pollutants as free-floating formaldehyde, radon, benzene and TVOC.

- Before a new project is designed, the Group will make a preliminary assessment of the site's current environmental status, will predict the potential ecological changes caused by development, pollutants produced by construction, and will take appropriate measures and investments to control pollutants and ecological changes at an acceptable level.

Construction Stage

The Group strictly follows the construction plans drawn up at the project design stage and ensures that construction is carried out in accordance with the Group's 'Environmental Management Plan' (《環境管理方案》) guidelines on reducing pollutant emissions. The indicators include:

- Management of hazardous waste: Coatings used on construction and decoration materials for Group projects all meet national requirements. They are collected, deposited and removed in strict compliance with relevant requirements, and finally delivered to qualified third-party recyclers for further handling.

- Solid waste management: Disposal of solid waste is performed in strict compliance with the 'Environmental Pollution Prevention and Control Law of Solid Wastes of the People's Republic of China'(《中華人民共和國固體廢物污染環境防治法》).

- Wastewater treatment: Separate sewage collection pipelines and collection pools are provided for the discharge of industrial waste water and domestic sewage from construction sites, achieving the diversion of rain and sewage water.

- Exhaust gas (dust) management: Apart from meeting the dust emissions requirements of local environmental organisations, the Group also maintains strict compliance with the requirements of the 'Technical Code on Urban Dust Pollution Prevention and Treatment' (《防治城市揚塵污染技術規範》) (HJT393-2007).

- Indoor air quality management: Professional indoor environmental quality inspection companies are engaged to detect concentrations of indoor pollutants and help ensure that they meet national standards before acceptance. The inspections are conducted according to the requirements of 'Sanitation of Public Places – Inspection Methods Part 2: Chemical Pollutants GBT/T18204.2-2014' (《公共場所衛生檢驗辦法第2部分：化學污染物》) and the 'Standards for Indoor Environmental Pollution Control of Civil Building Engineering' (《民用建築工程室內環境污染控制規範》)GB50325-2010 (2013 Edition).

- Noise management: Construction noise management policies are formulated in full compliance to the requirements of the 'Environmental Noise Pollution Prevention Law of the People's Republic of China' (《中華人民共和國環境噪聲污染防治法》) and 'GB12523-2011 Standards for Environmental Noise Emissions within Construction Site' (《GB12523-2011 建築施工場界環境噪聲排放標準》).

In recognition of the effectiveness of the above practices and measures, the R&D headquarter of Zall in Tianjin received an environmental impact report approved by the industrial economic committee of Xiqing District, Tianjin. The authorities acknowledged the Group's pollution control and noise management efforts during the operational period, its management of operating periods, and its other environmental protection measures.

4.2 Agricultural Products E-commerce Business

The Group's agricultural products e-commerce business provides an online platform to connect buyers and sellers. Therefore, its impact on the environment is relatively insignificant compared with property construction and management. The following are the related environmental protection measures taken by the Group during the year:

- Hazardous laboratory waste: The Group places great importance on agricultural product safety. Inventories are periodically checked and tested in the Group's chemical laboratory – a process which involves the use of such hazardous substances as sulphuric acid and hydrochloric. The Group has a hazardous chemicals management system in place to manage the storage, use and disposal of these and other chemicals. All waste acid is only disposed after storage. The total amount of laboratory chemicals used during 2017 is shown in the table below.

Total laboratory chemicals used in 2017	
Type	**Consumption (litres)**
Sulphuric acid	2.1
Hydrochloric acid	1.09

- Logistical vehicles: All the Group's logistical transportation is entrusted to third-party service providers. Although the Group cannot control their fuel consumption directly, the Group prefers to cooperate with logistics companies with good environmental protection qualifications. As the Group's businesses expand all over China from their main concentrations in Guangxi, Yunnan and Shenzhen – with some businesses even penetrating into remote mountain areas – the need for staff and management transport has commensurately increased. In 2017, the Group's fleet of 25 business vehicles consumed approximately a total 150,928 litres of petrol.

- Packaging materials: Sugar is the main merchandise the Group deals with. Packaging is as per state statutory requirements, and is provided to the Group by suppliers. The Group does not use any additional packaging materials.

- Green office: Energy-efficient air conditioning units are being gradually adopted for offices across the nation. Indoor temperatures in Group offices are constantly monitored and adjusted as needed to maintain both reasonable economy and occupant comfort. Group offices also feature a certain density of plants to enhance air quality. Office electricity consumption of the year is shown in the table below.

Total electricity consumption of the agricultural e-commerce business in 2017 (KWH)	
Offices and freezers	3,099,813

- Simplified logistics programme: Due to the high trading volume on its online agricultural trading platform, the Group maintains a warehouse for unified storage and distribution of supplier goods. The Group aims to simplify its logistics programme to improve the loading rate of logistics vehicles and reduce overall energy consumption.

Compliance

The Group was not aware of any significant violation of environment-related regulations during the year.

5 SOCIETY

5.1 Employment and Labour Practices

The Group respects talent and is committed to providing its employees with a high-quality, diverse, fair and equitable working environment free of discrimination. The Group's human resources department stays up to date with labour laws and relevant regulations, maintains close contact with the Social Security Bureau, and ensures that the Group fully abides by relevant national laws and regulations, and protects the human rights, development and security of employees. To attract and retain the best talent, the Group offers industry-competitive remuneration packages, maintains a system of performance-oriented rewards and internal equity, and provides employees with on-the-job training and long-term development opportunities. The Group has put into place a comprehensive human resources management system covering recruitment, reward and punishment, remuneration and performance, employee welfare, employee probation, labour contracts and employee turnover.

5.1.1 Staff and Remuneration Benefits

The Group advocates people and performance-oriented management principles with an emphasis on rewards, fairness, openness and impartiality. In calculating employee remuneration, the management will take into account factors such as external economic conditions and industry pay levels to ensure that its remuneration packages are market competitive. Employee performance is another major consideration, and is evaluated using a performance appraisal process which combines annual and monthly assessments. No less than 30% of Group employees' salaries are linked with individual performance – a measure intended to inspire enthusiasm in the workforce. The tools for performance appraisal was set up to assess the performance capabilities of employees comprehensively.

The Group promotes a fair and diverse workforce. It does not discriminate or dismiss any employee due to race, gender, age or marital status. The principle of equality applies to all aspects of employment, including recruitment and dismissal, probation, vacation, opportunities, career development and promotion, as well as other benefits and the welfare system. Rules governing overtime are in place which limit overtime hours to a maximum of three hours per working day, or five hours per day in special cases. Aggregate overtime per month is limited to a maximum of 36 hours.

The Group values employees' opinions and satisfaction, and continues to improve its systems of feedback. Current employee feedback channels include regular seminars and interviews and e-mail. After receiving feedback, management will assign personnel to investigate the matter at hand in an objective, impartial, practical and realistic manner. Reports on the progress of the investigation will be made in a timely manner, and appeasement work will be done as may be appropriate. Employees who give constructive advice will be awarded. Outside of the work sphere, the Group is also committed to improving the accommodation standards of employees by providing those who have worked for three months and have no permanent residence with a free single or double room. Employees only need to pay for utilities and property management fees.

During the reporting period, the Group's staff turnover rate was 4.75% (2016: 4.8%). As of 31 December 2017, Group employees' average length of service was 2.64 years (31 December 2016: 1.95 years).

Compliance

The Group was not aware of any significant violation of employment and labour-related regulations during the year.

5.1.2 Health and Safety

The Group has formally adopted a range of policies aimed at maintaining a safe and healthy work environment. Among these are the posting of appropriate signs and instructions in and around work areas, conducting regular workplace health and safety checks, and conducting regular fire safety emergency drills. Despite there being no high occupational risk jobs at the Group, the Group has compiled a 'Project In-field Manual' (《工程項目實操手冊》) which provides detailed management guidance and training provisions in relation to safety and health at the Group construction projects. The information includes a quantitative project safety and occupational health management evaluation form, guidelines for behaviour management (safety production responsibility system, safety and civilized construction management schedule, hazard identification and evaluation, etc), site standardisation management (project grade management, civilised construction, site protection facilities, etc), accident emergency management (project emergency rescue plan and rehearsal, establishment of external communication and contact mechanism, emergency hospital medical service agreement, accident report and treatment), occupational safety and health management (hazard identification and risk assessment sheet, major project hazards and their control plan list, project leader's shift production records at construction site, hidden safety hazard rectification notice for projects under construction, construction site safety penalty notice, etc), and the management and use of personal safety protection equipment.

The Group carries out workplace safety inspections on a regular basis. For example, the Group has installed smoke detectors and carried out regular repair and maintenance of fire fighting apparatus and emergency lighting equipment in accordance with relevant requirements for building firefighting. Regulations applicable to Group projects include the requirement that employees should wear helmets when entering construction sites, and the prohibition of dangerous items brought onto the construction site. The Group ensures that these laws and regulations are observed through employee safety training, providing strong daily supervision by its internal audit and supervision committee, and by giving appropriate punishment in cases where illegal or irregular acts have occurred.

Air quality is a major factor in the health of employees who work for long periods in indoor environments. Though no formal rules yet exist in China regarding indoor air quality, the Group has taken the lead to evaluate one of its office's indoor air quality in accordance with China's 'Indoor Air Quality Standards' (《室內空氣品質標準》). Test results were fully in line with national standards. For details, please refer to the table below:

Property	Citic Tower office			
Test date	2017.08.06			
Parameter category	Parameters	Unit	Test value (range)	Standard values
Physical property	temperature	°C	27	22-28
	relative humidity	%	60	40-80
	air velocity	m/s	0.3	0.3
	fresh air volume	m^3	30a	30a
Chemical property	SO_2	mg/m^3	0.3	0.5
	NO_2	mg/m^3	0.2	0.24
	CO	mg/m^3	8	10
	CO_2	%	0.1	0.1
	NH_3	mg/m^3	0.15	0.2
	O_3	mg/m^3	0.14	0.16
	HCHO	mg/m^3	0.1	0.1
	C_6H_6	mg/m^3	0.1	0.11
	C_7H_8	mg/m^3	0.15	0.2
	C_8H_8	mg/m^3	0.2	0.2
	$C_{20}H_{12}$	ng/m^3	0.8	1
	PM10	mg/m^3	0.1	0.15
	TVOC	mg/m^3	0.4	0.6
Biological property	CFU	cfu/m^3	2000	2500
Radioactivity	Rn222	Bq/m^3	360	400

In future, we plan to expand the testing scope to other offices and commercial property projects to further safeguard the health of tenants and employees.

Compliance

The Group was not aware of any significant violation of occupational health and safety related regulations during the year.

5.1.3 Development and Training

The Group has formulated 'Staff Training and Management' (《員工培訓管理》) as part of the 'Zall Standards' (《卓爾標準》) to provide staff with diverse training options. These include both internal and external training courses for a range of different skills. The Group's policy for continuous learning and development includes induction training for new entrants as well as courses on job responsibility, business skills, management skills and professional skills, in addition to other types of educational training and development. The Group aims to improve the abilities and knowledge level of its employees through the 'Zall Lecture' online learning platform and network video lessons, as well as regular seminars. The Group also provides monetary support in the form of subsidies to employees to encourage them to obtain job-related professional certificates. The Group maintains a strict system of training attendance and training record management. Training results are linked with individual employees' performance appraisals, career promotions and salary adjustments, and the effects of their training is recorded and monitored.

During the reporting period, the Group held no less than three hours of new entrants' induction training and no less than two hours of department training in each quarter. Each employee is provided no less than six hours of training per year.

5.1.4 Labour Standards

The Group takes a strong stand against labour exploitation and child labour. Its Labour Contract strictly stipulates that no child labour shall be employed. The Group has also established a confidential and anonymous complaint mechanism to report child labour, and demands employee age verification as a standard in the supplier selection process. The Group acts in strict compliance with all laws relevant to the prohibition of child labour, and has not employed any person under the age of 16. The Group's Labour Contract also provides that no forced labour is permitted by way of threats of violence or unlawful restrictions on personal freedom. Investigations into possible instances of forced labour are carried out on a regular basis. Any employee who is forced to work by way of threats or unlawful restrictions on personal freedom may resign and apply for financial compensation.

Compliance

The Group was not aware of any significant violation of labour standards related regulations during the year.

5.2 Operations Related

5.2.1 Product Responsibility

Commercial Properties

The Group is committed to providing its customers with quality services. As a sign of this commitment, the Group has obtained ISO9000 quality management system certification. The Group also implemented the following measures during the year:

- Project companies strictly adhere to the quality control policy and work out weekly project inspection procedures to check site construction progress, quality, civilised construction status, supervision work status and working condition of construction unit. A status report is prepared on the basis of a weekly systematic cyclical inspection.

- Environmental-friendly materials are used for indoor decoration, and formaldehyde will be eradicated before delivery to minimise impact of customers' health.

- The Group maintains active communications with its customers through questionnaire surveys, interviews or other online methods to gain a better understanding of their demands for construction and properties management services, and where the Group's services may be improved.

- The Group formulates standard trademark management policies and complies with the provisions of advertising laws in promoting its properties. This includes refraining from deceitful actions such as making false representations of gross floor area or exaggerating the benefits of properties.

- To protect customer privacy, the Group's record management system complies with the 'Consumer Privacy Protection Law' (《消費者隱私權益保護法》). Materials and information relating to individual customers, such as sales contracts, are accessible only to internal staff, and cannot be removed from Group premises without approval. Confidential customer information shall not be copied, reproduced or circulated by record management personnel.

Agricultural Products E-commerce Business

Food safety is a matter of serious interest to the Group due to the agricultural products (mainly white sugar) it trades online. The Group promises to assume responsibility for the safety of its products.

Though the white sugar provided to the Group by upstream suppliers already meets national standards, the Group provides further assurance of product safety by carrying out at least two additional tests before the goods are made available to customers. First, the Group's own laboratory conducts an inspection to confirm that the sugar conforms to national standards and contains no harmful impurities. As a second assurance, the Group's central organisation in Shenzhen conducts random product inspections every month. No major problems have thus far been found.

Should a customer encounter any problems during their transactions with the Group, the Group's 24-hour customer service centre is available to provide online consultation. The Group also provides customer managers in each region to provide face-to-face assistance and solutions.

Compliance

The Group was not aware of any significant violation of product responsibility related regulations during the year.

5.2.2 Supply Chain Management

Commercial Properties

The Group maintains a policy of sustainable supplier development. This entails strict management and monitoring of suppliers, and the public tendering of purchases involving large sums or special projects. The Group has established relatively independent and good partnerships with its suppliers, and communicated its policies to them during the course of day-to-day operation. For the effective implementation of policies, the Group strengthens supervision and management during the process and establishes a standard procedures thereof.

Before selecting suppliers, apart from taking into account basic standards of reputation, qualification (such as ISO9001, ISO14000), financial stability, costs, technical support and services, the Group also considers them in relation to its policies on the environmental and social risks of the supply chain and its established official management policies. Therefore, the Group's outsourced construction partners are mainly state-owned enterprises and large-scale construction companies. These companies understand relevant environmental and social requirements, have in place higher standards for project quality, value employee safety, and are able to render payment in a timely manner.

The Group will immediately discontinue cooperation with any supplier which fails to comply with environmental and labour laws. Such suppliers will be added to a blacklist, and will never be approved as a supplier again in future.

Agricultural Products E-commerce Business

White sugar suppliers generally tend to be individual farmers. Therefore, to ensure the quality and safety of their agricultural products, the Group's approval team requires each supplier to provide a domestic statutory food circulation permit before they are eligible for online transactions. After the basic qualification review, the Group will conduct a series of approval processes to ensure that suppliers conform to the Group's supplier management policy.

5.3 Anti-corruption

The Group has established an anti-corruption and anti-bribery code of conduct and a complementary disciplinary inspection and supervision process in its 'Zall Standards' (《卓爾標準》). The code guarantees oversight of operational management activities involving purchases of Company assets, bidding, construction, personnel management, investment attraction and reimbursement. It supervises the receipt of gifts or money by employees, creates an intense system supervision, advances systematic anti-corruption and strengthens oversight against key links and key personnel who may be prone to corruption.

The Group's disciplinary supervision is carried out by means of regular and special inspections. Regular inspections are targeted at project quality and safety management, bidding management, procurement management, assets management, record management, attendance management and contracts management. Special inspections refer to investigation and verification of cases reported by employees, issues identified during audit, and subsequent recommendations of rectification of and punishment for these irregularities. The Group provides reporting boxes in the management area of each department, which are opened by the discipline supervision committee on a monthly basis. In addition, a e-mail reporting box and a reporting telephone number are also in place to receive employee complaints and reports.

Compliance

The Group was not aware of any significant violation of anti-corruption related regulations or any incidents of corruption during the year.

5.4 Community Investment

Since the 18th CPC National Congress, the central government has presented a series of concepts, ideas and strategies on poverty alleviation and development. The State strongly encourages enterprises to fulfil their social responsibilities, implement targeted poverty alleviation mesures, and explore paths to alleviate financial poverty. The Group's agricultural e-commerce platform business is one example of the latter.

Through its online trading platform, and "Internet Plus" smart serivce, the Group promotes individual farmers' ability to directly export and/or sell their goods independently, increasing their income in the process. Along with the continuance of Zall's rural love and support campaign targeted poverty alleviation activities (卓爾•鄉親鄉愛精準扶貧活動), the Group will expand industrial investment and increase employment and self-employment possibilities for poor rural households. The Group's e-commerce platform cultivates offline and online interaction and imports resources which also promotes the development of rural industries. As a further measure, the Group's trading platform offers farmer suppliers a range of financial support services including loan financing and investment banking.

Since 2015, the Group's Chairman Mr. Yan Zhi has led its senior management to participate in the philanthropic activities of the Alxa SEE Association. Currently, Mr Yan serves as chairman of the Alxa Hubei Project Center. He is actively involved in efforts to protect the Yangtze River ecology, and to find community comprehensive development solutions to the problem of desertification. At the same time, he advocates Chinese entrepreneurs to take more action to promote the environmentally friendly and sustainable development of enterprises.

Appendix I – Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide Index Table

	Aspect	Page	Section	Notes
A	Environment			
A1	**Emissions**	41-44	4.1-4.2	–
A1.1	The types of emissions and respective emissions data.	41-44	4.1-4.2	–
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (eg. per unit of production volume, per facility).	–		The Group's materiality assessment result this year indicates that greenhouse gas is comparatively not the most important environmental issue, hence, we will consider to make relevant disclosures in the future.
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (eg. per unit of production volume, per facility).	43-44	4.2	The Group will disclose total hazardous waste first during this year. The Group is considering the unit suitable for calculating intensity and plans to disclose intensity next year.
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (eg. per unit of production volume, per facility).	–		The Group's materiality assessment result of this year indicates that non-hazardous waste gas is comparatively not the most important environmental issue, hence, we will consider making relevant disclosures in the future.
A1.5	Description of measures to mitigate emissions and results achieved.	41-44	4.1-4.2	–
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	41-44	4.1-4.2	–
A2	**Use of resources**	41-44	4.1-4.2	–
A2.1	Direct and/or indirect energy consumption by type (eg. electricity, gas or oil) in total (kWh in '000s) and intensity (eg. per unit of production volume, per facility).	41-44	4.1-4.2	The Group will disclose total energy consumption first during this year. The Group is considering the unit suitable for calculating intensity and plans to disclose intensity next year.
A2.2	Water consumption in total and intensity (eg. per unit of production volume, per facility).	–		The Group's materiality assessment result of this year indicate that use of water is comparatively not the most important environmental issue, hence, we will consider making relevant disclosures in the future.
A2.3	Description of energy use efficiency initiatives and results achieved.	41-44	4.1-4.2	–

	Aspect	Page	Section	Notes
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	41-44	4.1-4.2	–
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	–		The Group's materiality assessment result of this year indicates that packaging materials are comparatively not the most important environmental issue, hence, we will consider making relevant disclosures in the future.
A3	Environment and natural resources	–		The Group is committed to reducing the impacts of businesses on the environment. During the reporting period, there was no significant pollution or damage to the surrounding air, land, water and ecological environment. The Group's policies and measures for use of resources and emissions are detailed in sections A1 and A2.
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	–		
B	Society			
B1	Employment	45	5.1.1	–
B2	Health and safety	46-48	5.1.2	–
B3	Development and training	48	5.1.3	–
B4	Labour standards	48	5.1.4	–
B5	Supply chain management	50	5.2.2	–
B6	Product responsibility	49-50	5.2.1	–
B7	Anti-corruption	51	5.3	–
B8	Community investment	51	5.4	–

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2017.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICE

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

The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") as its corporate governance code of practices upon the listing of its shares on the Stock Exchange. In the opinion of the Board, save for the deviation to code provision A.2.1 below, the Company had complied with the code provisions as set out in the CG Code throughout the year ended 31 December 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 year ended 31 December 2017, the Company has not separated the roles of chairman and chief executive officer of the Company and Mr. Yan Zhi acted as the co-chairman together with Dr. Gang Yu since 17 August 2015 and also the chief executive officer of the Company, responsible for overseeing the operations of the Group. The Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies currently and in the foreseeable future. The Group will nevertheless review the structure from time to time in light of the prevailing circumstances.

THE BOARD

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

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

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

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

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

The biographical details of the current Board members are set out under the section headed "Directors and Senior Management" on pages 20 to 23 of this annual report.

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

Independent Non-executive Directors

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of three years,subject to retirement by rotation in accordance with the memorandum and articles of association of the Company.

BOARD COMMITTEES

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

AUDIT COMMITTEE

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

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

During the year ended 31 December 2017, the Audit Committee held two meetings on 30 March 2017 and 31 August 2017. The Audit Committee has reviewed the Group's consolidated financial statements for the six months ended 30 June 2017 and for the year ended 31 December 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.

CORPORATE GOVERNANCE FUNCTIONS

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

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

REMUNERATION COMMITTEE

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

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

The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires.

During the year, the Remuneration Committee met once on 31 March 2017 and reviewed the remuneration policy of the Company, including that for the Directors and senior management of the Company.

NOMINATION COMMITTEE

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

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

During the year, the Nomination Committee met once on 31 March 2017 and reviewed the structure, size and composition of the Board and considered that the current Board consists of a diverse mix of members appropriate to the requirements of the businesses of the Company.

RISK MANAGEMENT COMMITTEE

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

The Risk Management Committee held one meeting on 29 March 2018.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

The individual attendance record of each Director at the meetings of the Board, general meeting of the Company, Audit Committee, Remuneration Committee and Nomination Committee for the year ended 31 December 2017 is set out below:

	Board Meeting	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting
Executive Directors					
Mr. Yan Zhi *(Co-chairman and Chief Executive Officer)*	3/3	N/A	N/A	N/A	0/1
Dr. Gang Yu *(Co-chairman)*	3/3	N/A	N/A	N/A	0/1
Mr. Wei Zhe, David *(Re-designated to Executive Directors on 28 June 2017)*	3/3	N/A	N/A	N/A	N/A
Mr. Cui Jinfeng	3/3	N/A	1/1	N/A	0/1
Mr. Wang Chuang *(Resigned on 10 April 2017)*	1/1	N/A	N/A	N/A	N/A
Mr. Peng Chi	3/3	N/A	N/A	1/1	0/1
Independent non-executive Directors					
Mr. Cheung Ka Fai	3/3	2/2	N/A	N/A	1/1
Mr. Wu Ying	3/3	2/2	1/1	1/1	0/1
Mr. Wei Zhe, David	3/3	1/1	1/1	1/1	0/1
Mr. Zhu Zhengfu *(Appointed on 10 March 2017)*	3/3	1/1	N/A	N/A	0/1

DIRECTORS' TRAINING

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

During the year ended 31 December 2017, the Company arranged one in-house seminar covering the topics of directors' duties, the requirements on the Listing Rules regarding the notifiable transactions and connected transactions. The nine Directors, namely Mr. Yan Zhi, Dr. Gang Yu, Mr. Wei Zhe, David, Mr. Cui Jinfeng, Mr. Wang Chuang, Mr. Peng Chi, Mr. Cheung Ka Fai, Mr. Wu Ying, and Mr. Zhu Zhengfu have attended the in-house seminar held in March 2017.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code for dealing in securities of the Company by the Directors during the year ended 31 December 2017. The Board confirms that, having made specific enquiries with all Directors, all Directors have complied with the required standards of the Model Code during the year ended 31 December 2017.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the financial year ended 31 December 2017 which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the applicable statutory requirements and accounting standards. The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report".

AUDITORS' REMUNERATION

For the year ended 31 December 2017, the remuneration paid or payable to the Group's auditors, KPMG, Certified Public Accountants, in respect of their audit and non-audit services (which mainly consists of the professional service in relation to the acquisition of Shenzhen Sinoagri and HSH International) are as follows:

Items	Amount (RMB'000)
Audit services for 2017	3,400
Non-audit services:	
– Other services	4,020

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has developed the Group's internal control, risk assessment and management system and has overall responsibility for reviewing and maintaining an adequate and effective risk management and internal control system to safeguard the interests of the Shareholders and the assets of the Group. It evaluates the effectiveness of the systems at least annually to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting internal audit and financial reporting functions. The Company engaged external consultant every year since 2016 to facilitate the review of the Group's risk management and internal control system. The relevant person in charge followed up the consultant's advices or recommendations so as to enhance the Group's capability in risk management and internal control. The Company has reported the work status of risk assessment to the Audit Committee. In addition, to further enhance internal auditing monitor and improve internal auditing independence, the Group set up the auditing department in December 2017 which report directly to the auditing committee and independent from the day-by-day operation of the Group. The Group also formulated the relevant system and procedures for internal auditing. The primary functions of auditing department include forming a complete internal auditing system, drafting the annual internal auditing plan for the Group and organizing auditing duties, performing regular auditing in respect of the Group's principal operating business and reporting the results to the Board directly.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

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

MAIN FEATURES OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

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

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

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

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Company has conducted an annual review of the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2017, and considered the internal control of the Group is effective and adequate.

MANAGEMENT OF KEY RISKS

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

1) Changes in the industries and government policies

Since the Group's definite business transformation from property development to e-commerce in 2015, the Group has made use of the offline market services, advantage of logistics facilities, online transactions and service platforms such as Zallgo, Zallsoon, Zallfuhui and Sinoagri fully which put consumer goods online wholesale transactions into realization and provide logistics, warehousing and other comprehensive services. The industry environment extended from traditional and simple logistics, property, consumers goods wholesale transactions to sectors such as e-commerce, supply chain and trading, financing. If the Group cannot establish corresponding tracking and update mechanisms on the external market environment, and keep track of the development trend of policies in the industries, the Group may not be able to take corresponding measures in its business plan which may in turn affect meeting the Company's business targets and the overall reputation.

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

2) Risk of new business

On the backdrop of China's economic new normal and under the revolutionary trend of the internet age, the Company has continued to enhance the advantage in core businesses and deepen the integration of core businesses internetization and O2O for the past two years. The Company continued the business transform to "service-oriented" and "internetization". The proportion of traditional property development was reduced gradually by business reconstruction and strategic mergers and acquisitions. The business layout of e-commerce segment and financing segment was accelerated and the Group has purchased 50.6% of the equity interest of Shenzhen Sinoagri, the largest agricultural porducts e-commerce platform in June 2017, which gained the Group the position of the controlling shareholders. The Company made use of the offline market services, advantage of logistics facilities to develop the online trading, information and financing services. On the other hand, the Group employed new technology, new types of operation, new models to transform and upgrade the traditional wholesale commerce and create the intelligent business trading ecosystem. With in-depth diversification of business, new business developments now face new challenges in terms of daily operation, resources allocation, and performance evaluation requirements.

The business planning and new expansion direction of new business are based on the overall strategic planning. Targeting the business segment newly engaged in, the Company allocated the required resources in the early stage of development and introduced the elite team with extensive industry experience to support its triumph. Moreover, the performance targets of each business segment were set by way of signing operating proposal with each business segment. Relevant procedural guidelines and monitor mechanism were designed for continuous monitoring and review on the progress of meeting the targets.

3) Risk in human resources

In recent years, the Company accelerated the business layout by strategic mergers and acquisitions in order to achieve the strategic goal of creating intelligent synergic business ecosystem. In respect of e-commerce segment, the Company has become the largest shareholder of LightInTheBox and acquired Shenzhen Sinoagri. In respect of financing segment, Zalljinfu was established. In respect of warehousing and logistics segment, the platforms such as Zallsoon that connects online and offline trading was formed. The demand for talents with relevant professional skills and industry experience increased gradually. If the Group cannot recruit talents with industry experience from the market in time, or the talents recruited cannot achieve the expected results it may bring uncertainties to business development and taking market opportunities.

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

4) Risk in information system

Following the deepening of integration of core businesses internetization and O2O, the online business developed rapidly and the reliance on information system increased as well. The information system disaster, internet security threats may post threats to the safety of information system and data information which would in turn affect the business operation. In addition, due to the characteristics of online trading of the platform, the difficulties on controlling the identities of traders, the authenticity of transactions, the validity and rationality increased. If the authenticity of transactions cannot be secured or the core confidential information was leaked, it may expose the Company to compliance risk and lowered the Company's overall competitiveness. The Company may lose the confident from the clients and the public, which may trigger unusual fluctuation in the capital market.

In response to the risk, the business platforms of the Company established standards on backup, inspection and monitoring for the safety of system and data. Professional personnel were allocated to perform system operation maintenance duties and provide technical support. Meanwhile, access and monitor management mechanism were created for the access and trading process for the platform users so as to secure the authenticity, safety and stability of transactions.

DEED OF NON-COMPETITION

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

The independent non-executive Directors have reviewed and were satisfied that each of the controlling shareholders of the Company has complied with the Deed of Non-Competition for the year ended 31 December 2017.

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 31 December 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 31 December 2017, approximately 118,000 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.

COMMUNICATION WITH SHAREHOLDERS

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

SHAREHOLDER RIGHTS

Convening an extraordinary general meeting by shareholders

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

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

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

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

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

Making enquiry to the Board

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

INVESTOR RELATIONS

Investors Communication Policy

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

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

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

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

OPINION

We have audited the consolidated financial statements of Zall Group Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 71 to 166, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS OF OPINION

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

KEY AUDIT MATTERS

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

Assessing the valuation of contingent consideration and identifiable net assets in relation to an acquisition and assessing potential goodwill impairment

Refer to note 13 and note 35 to the consolidated financial statements and the accounting policies on page 82.

The Key Audit Matter

On 28 June 2017, the Group acquired 50.6% equity interest in Shenzhen Sinoagri E-commerce Co., Ltd. and its subsidiaries ("the Shenzhen Sinoagri Group") by way of allotment and issue of 517,227,000 consideration shares.

Goodwill arising from the acquisition amounted to RMB1,503 million which represented the excess of the fair value of the consideration over the fair value of the identifiable net assets, including intangible assets which represent favorable contracts, customer relationships and trademark of the acquired business.

The fair value of the consideration and potential impairment of the goodwill arising on the acquisition were assessed by the directors based on a discounted cash flow forecast of the future performance of the business acquired.

The preparation of a discounted cash flow forecast involves the exercise of significant management judgement in particular in determining the key assumptions adopted, which include sales volumes, sales prices and the gross profit ratio and in calculating the discount rate applied.

How the matter was addressed in our audit

Our audit procedures to assess the valuation of the identifiable net assets acquired included the following:

- inspecting the sale and purchase agreement and evaluating management's accounting treatment for the acquisition with reference to the terms set out in the agreement and the requirements of the prevailing accounting standards;

- assessing the external valuers' qualifications, experience and expertise and considering their objectivity and independence;

- obtaining and inspecting the valuation report prepared by the external valuers engaged by the Group on which the directors' assessment of the fair value of the assets and liabilities acquired was based;

- with the assistance of our internal valuation specialists, assessing the valuation methodology adopted by the external valuers with reference to the requirements of the prevailing accounting standards and challenging the key assumptions adopted in the valuation, including forecast sales volumes and prices and the gross profit ratio by comparing the key assumptions with budgets approved by management and market and other external available information;

- involving our internal valuation specialists to assist us in evaluating the discount rate applied in the discounted cash flow forecast by assessing if the parameters adopted in calculating the discount rate was within the range of those adopted by other companies in the same industry and with similar risk profile.

The Key Audit Matter	How the matter was addressed in our audit
The fair values of the identifiable net assets acquired were assessed by the directors based on an independent valuation prepared by a firm of external valuers. The fair value assessment required the exercise of significant judgement and estimation, in particular in forecasting the future performance of the business acquired. We identified assessing the valuation of the contingent consideration and the identifiable net assets in relation to the acquisition and assessing potential impairment of goodwill as a key audit matter because of the significant impact the acquisition has on the consolidated financial statements and because the assessment of the fair value of the consideration and the identifiable net assets acquired and the assessment of potential impairment of goodwill are inherently subjective and require significant judgement and estimation which increases the risk of error or potential management bias.	Our audit procedures to assess the valuation of the contingent consideration and potential impairment of goodwill in relation to the acquisition included the following: • examining the directors' profit forecast and cash flow forecast for the acquired business, comparing these with board-approved plans, challenging the key assumptions, which included sales volumes and prices, by comparing the key assumptions with market and other external available information, comparing the forecasts with the historical performance of the acquired businesses and industry forecasts and evaluating the discount rate used in the discounted cash flow forecast by benchmarking the discount rate against the discount rates for similar companies in the same industry, with the assistance of our internal valuation specialists; • obtaining management's sensitivity analyses for the key assumptions, including the annual growth rate and the discount rate, adopted in the preparation of the discounted cash flow forecast and assessing the impact of changes in the key assumptions on the conclusions reached by management in its impairment assessment and whether there were any indicators of management bias; and • assessing the disclosures in the consolidated financial statements in respect of the acquisition and the assessment of potential impairment of goodwill with reference to the requirements of the prevailing accounting standards.

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

Refer to note 19 to the consolidated financial statements and the accounting policies on page 89.

The Key Audit Matter

As at 31 December 2017, the Group owned properties under development for sale and completed properties held for sale located in the People's Republic of China ("PRC") with an aggregate carrying amount of RMB6,874 million, which represented 15 % of the Group's total assets at that date. These properties comprise retails units and residential apartments located in the cities of Wuhan, Tianjin, Changsha and Jingzhou.

These properties are stated at the lower of cost and net realisable value. The determination of the net realisable value of these properties requires judgement and estimations, which include expected future selling prices and the costs necessary to complete the sale of these properties, and is assessed by Group management.

Recent changes in local government policies in certain cities in PRC, which affect interest rates, the required reserve ratio for banks and/or mortgage requirements for second-home buyers, could lead to volatility in property prices which could mean that provisions are necessary at the reporting date.

We identified the assessment of the net realisable value of properties under development for sale and completed properties held for sale as a key audit matter because of the significance of these properties to the Group's total assets and because the assessment of net realisable value is inherently subjective and requires significant management judgement and estimation in relation to estimating future selling prices and future construction costs which increases the risk of error or potential management bias.

How the matter was addressed in our audit

Our audit procedures to assess the net realisable value of properties under development for sale and completed properties held for sale included the following:

- challenging the Group's forecast sales prices by comparing the forecast sales prices for a sample of properties to sales prices achieved before and after the reporting date and the list prices of comparable properties;
- challenging the Group's forecast of construction cost per square metre by comparison with construction costs for similar units in other areas and where there were differences, obtaining explanations from senior operational, commercial and financial management and comparing their explanations with correspondence with suppliers and comparable properties in nearby locations;
- discussing significant property development projects with the relevant project managers to identify the key drivers behind the appraisal forecasts and net realisable values, such as forecast yields and cost plans;
- conducting site visits to properties under development for sale, on a sample basis, to observe the development progress and challenging management's development budgets reflected in the latest forecasts with reference to market statistics about estimated construction costs, signed construction contracts and/or unit construction costs of recently completed projects developed by the Group.

Valuation of investment properties and investment properties under development
Refer to note 10 to the consolidated financial statements and the accounting policies on page 83.

The Key Audit Matter

The Group holds a portfolio of investment properties and investment properties under development located in PRC with a fair value of RMB20,207 million which accounted for 43% of the Group's total assets as at 31 December 2017. These properties comprise logistic units, e-commerce malls and wholesale shopping malls.

The fair values of investment properties and investment properties under development as at 31 December 2017 were assessed by the directors based on independent valuations prepared by a firm of qualified external property valuers. The net changes in fair value of investment properties and investment properties under development recorded in the consolidated statement of profit or loss represented 108% of the Group's profit before taxation for the year ended 31 December 2017.

We identified valuation of the Group's investment properties and investment properties under development as a key audit matter because of the significance of investment properties and investment properties under development to the Group's total assets and the significance of changes in fair value of investment properties and investment properties under development to the Group's profit before taxation and because the valuation of investment properties and investment properties under development can be inherently subjective and requires significant management judgement and estimation which increases the risk of error or potential management bias, particularly given the number and the diverse nature and location of the investment properties and investment properties under development held by the Group.

How the matter was addressed in our audit

Our audit procedures to address the valuation of investment properties and investment properties under development included the following:

- obtaining and inspecting the valuation reports prepared by the external property valuers engaged by the Group and on which the directors' assessment of the fair values of investment properties and investment properties under development was based;
- assessing the external property valuers' qualifications, experience and expertise in the properties being valued and considering their objectivity and independence;
- with the assistance of our internal property valuation specialists, discussing with the external property valuers, without the presence of management, their valuation methodology and challenging the key estimates and assumptions adopted in the valuations by comparing capitalisation rates, prevailing market rents and comparable market transactions with available market data and by utilising the industry knowledge and experience of our internal property valuation specialists;
- conducting site visits to investment properties under development, on a sample basis, to observe the development progress and challenging management's development budgets reflected in the latest forecasts with reference to market statistics about estimated construction costs, signed construction contracts and/or unit construction costs of recently completed projects developed by the Group.

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

The directors are responsible for the other information. The other information comprises all the information included in the annual reports, other than the consolidated financial statements and our auditor's report thereon.

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Liu Hin Pan.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 March 2018

Consolidated Statement of Profit or Loss

for the year ended 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Revenue	3(a)	22,249,176	1,213,375
Cost of sales		(21,236,921)	(852,068)
Gross profit		1,012,255	361,307
Other net (loss)/income	4	(39,900)	1,130,515
Selling and distribution expenses		(196,368)	(141,468)
Administrative and other expenses		(513,010)	(160,105)
Profit from operations before changes in fair value of investment properties		262,977	1,190,249
Net valuation gain on investment properties	10	3,021,326	1,275,697
Profit from operations		3,284,303	2,465,946
Finance income	5(a)	89,001	3,643
Finance costs	5(a)	(534,360)	(192,339)
Share of net losses of associates	15	(36,050)	(24,441)
Share of net profits/(losses) of joint ventures	16	727	(163)
Gain on disposal of subsidiaries		–	95,561
Profit before taxation	5	2,803,621	2,348,207
Income tax	6(a)	(447,139)	(291,636)
Profit for the year		2,356,482	2,056,571
Attributable to:			
Equity shareholders of the Company		2,379,077	2,048,951
Non-controlling interests		(22,595)	7,620
Profit for the year		2,356,482	2,056,571
Earnings per share (RMB cents)			
Basic	9	21.234	19.068
Diluted	9	21.229	19.068

The notes on pages 79 to 166 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 30(e).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2017
(Expressed in Renminbi)

	2017 RMB'000	2016 RMB'000
Profit for the year	2,356,482	2,056,571
Other comprehensive income for the year (after tax and reclassification adjustments)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
– financial statements of operations outside Mainland China	(20,042)	(43,116)
Other comprehensive income for the year	(20,042)	(43,116)
Total comprehensive income for the year	2,336,440	2,013,455
Attributable to:		
Equity shareholders of the Company	2,359,035	2,005,835
Non-controlling interests	(22,595)	7,620
Total comprehensive income for the year	2,336,440	2,013,455

The notes on pages 79 to 166 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Investment properties	10	20,206,738	14,624,055
Property, plant and equipment	11	216,981	113,815
Intangible assets	12	899,151	8,691
Goodwill	13	1,606,280	15,783
Interests in associates	15	490,586	529,657
Interests in joint ventures	16	114,387	104,163
Long-term receivables	17	324,862	293,970
Available-for-sale financial assets		12,500	–
Deferred tax assets	29(b)	67,997	168,837
		23,939,482	15,858,971
Current assets			
Financial assets at fair value through profit or loss	18	5,074,617	2,208,721
Inventories	19	7,162,524	7,837,928
Prepaid taxes	29(a)	16,025	35,213
Trade and other receivables	20	4,756,008	2,829,146
Loans receivables	21	2,342,062	–
Amounts due from related parties	22	82,760	1,250
Fixed deposits with banks with original maturity over three months		132,602	–
Pledged bank deposits	23	2,553,901	550,453
Cash and cash equivalents	24	1,283,647	273,262
		23,404,146	13,735,973
Non-current assets classified as held for sale		–	152,705
		23,404,146	13,888,678
Current liabilities			
Financial liabilities at fair value through profit or loss	18	450,140	–
Trade and other payables	25	12,511,792	4,966,336
Amounts due to related parties	22	583,409	631,881
Bank loans and loans from other financial institutions	26	5,572,061	2,332,654
Current taxation	29(a)	284,652	246,472
Deferred income		5,401	15,468
Liabilities directly associated with non-current assets classified as held for sale		–	38,038
		19,407,455	8,230,849
Net current assets		3,996,691	5,657,829
Total assets less current liabilities		27,936,173	21,516,800

Consolidated Statement of Financial Position (continued)
at 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Non-current liabilities			
Bank loans and loans from other financial institutions	26	5,422,356	6,061,268
Deferred income		7,183	4,101
Deferred tax liabilities	29(b)	3,845,747	3,312,199
		9,275,286	9,377,568
NET ASSETS		18,660,887	12,139,232
CAPITAL AND RESERVES	30		
Share capital		32,292	29,727
Reserves		17,748,918	12,074,820
Total equity attributable to equity shareholders of the Company		17,781,210	12,104,547
Non-controlling interests		879,677	34,685
TOTAL EQUITY		18,660,887	12,139,232

Approved and authorised for issue by the board of directors on 29 March 2018.

Yan Zhi
Co-Chairman and Executive Director

Cui Jinfeng
Executive Director

The notes on pages 79 to 166 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017
(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company									
		Share capital RMB'000	Share premium RMB'000	PRC statutory reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Revaluation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		30(b)	30(c)(i)	30(c)(ii)	30(c)(v)	30(c)(iii)	30(c)(vi)				
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 2016:											
Profit for the year		—	—	—	—	—	—	2,048,951	2,048,951	7,620	2,056,571
Other comprehensive income		—	—	—	—	(43,116)	—	—	(43,116)	—	(43,116)
Total comprehensive income		—	—	—	—	(43,116)	—	2,048,951	2,005,835	7,620	2,013,455
Appropriation to statutory reserve		—	—	163,112	—	—	—	(163,112)	—	—	—
Acquisition of subsidiaries		—	—	—	—	—	—	—	—	3,246	3,246
Acquisition of non-controlling interests		—	—	—	616,163	—	—	—	616,163	(816,163)	(200,000)
Disposal of a subsidiary		—	—	—	52	—	—	(52)	—	—	—
Disposal of equity interest in a subsidiary		—	—	—	14,081	—	—	—	14,081	(2,081)	12,000
Balance at 31 December 2016 and 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

Consolidated Statement of Changes in Equity (continued)

for the year ended 31 December 2017
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company											
	Note	Share capital RMB'000 30(b)	Share premium RMB'000 30(c)(i)	Shares held for the Management Share Award Scheme RMB'000 30(b)(iii)	PRC statutory reserve RMB'000 30(c)(ii)	Other reserve RMB'000 30(c)(v)	Exchange reserve RMB'000 30(c)(iii)	Revaluation reserve RMB'000 30(c)(vi)	Equity settled share-based payment reserve RMB'000 30(c)(iv)	Retained profits 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 2017:													
Profit for the year		–	–	–	–	–	–	–	–	2,379,077	2,379,077	(22,595)	2,356,482
Other comprehensive income		–	–	–	–	–	(20,042)	–	–	–	(20,042)	–	(20,042)
Total comprehensive income		–	–	–	–	–	(20,042)	–	–	2,379,077	2,359,035	(22,595)	2,336,440
Issuance of new shares	30(b)(i)	1,038	1,305,453	–	–	–	–	–	–	–	1,306,491	–	1,306,491
Issuance of shares for management share award scheme	30(b)(iii)	23	59,152	(59,175)	–	–	–	–	–	–	–	–	–
Appropriation to statutory reserve	30(c)(ii)	–	–	–	22,861	–	–	–	–	(22,861)	–	–	–
Equity-settled share-based payment for employee	28	–	–	–	–	(25,842)	–	–	65,259	–	39,417	25,842	65,259
Equity-settled share-based payment for non-employee	28	–	–	–	–	–	–	–	57,225	–	57,225	–	57,225
Acquisition of subsidiaries	30(b)(ii)	1,504	2,218,644	–	–	–	–	–	–	–	2,220,148	853,428	3,073,576
Acquisition of additional interest in subsidiaries	25	–	–	–	–	(307,000)	–	–	–	–	(307,000)	–	(307,000)
Dividends to non-controlling interests of subsidiaries		–	–	–	–	–	–	–	–	–	–	(4,242)	(4,242)
Capital injection from non-controlling interests of a subsidiary		–	–	–	–	–	–	–	–	–	–	244	244
Withdraw of capital investment by a non-controlling equity holder		–	–	–	–	–	–	–	–	–	–	(9,000)	(9,000)
Capital injection of an associate		–	–	–	–	1,347	–	–	–	–	1,347	1,315	2,662
Balance at 31 December 2017		32,292	4,362,842	(59,175)	437,413	194,467	(127,504)	36,946	122,484	12,781,445	17,781,210	879,677	18,660,887

The notes on pages 79 to 166 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Operating activities			
Cash used in operations	24(b)	(2,072,986)	(220,971)
Income tax paid		(44,164)	(68,417)
Net cash used in operating activities		(2,117,150)	(289,388)
Investing activities			
Payment for the purchase of property, plant and equipment		(30,674)	(10,552)
Proceeds from disposal of property, plant and equipment		1,193	1,584
Proceeds from disposal of intangible assets		98	–
Proceeds from disposal of investment properties		–	28,108
Placement of fixed deposits at banks with original maturity over three months		(122,602)	–
Payment for the purchase of intangible assets		(12,043)	(5,661)
Net proceeds from disposal of subsidiaries		–	96,019
Interest received	5(a)	89,001	3,643
Cash receipt form acquisition of subsidiaries	35	1,237,163	(172,021)
Payment for investment in associates		(26,897)	(521,184)
Payment for investment in joint ventures		–	(15,000)
Payment for investment in warrant to subscribe ordinary shares		–	(7,528)
Dividends received from financial assets at fair value through profit or loss	4	10,207	6,805
Refund/(payment) to subscribe shares of an insurance company		1,000,000	(1,000,000)
Purchase of financial assets at fair value through profit or loss			
– Listed equity securities		(133,345)	–
– Wealth management products		(1,909,395)	–
Disposal of listed equity securities		77,541	–
Cash receipt from maturity of wealth management products		1,952,948	–
Payment for available-for-sale financial assets		(12,500)	–
Loans to a third party		(167,585)	–
Advance to related parties	34(b)(iii)	(389,022)	–
Repayment from related parties	34(b)(iv)	326,742	–
Net cash generated from/(used in) investing activities		1,890,830	(1,595,787)

Consolidated Cash Flow Statement (continued)

for the year ended 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Financing activities			
Proceeds from placing new shares	30(b)(i)	1,306,491	–
Advance from the Immediate Parent and other related parties	34(b)(i)	644,227	165,002
Repayment to the Immediate Parent and other related parties	34(b)(ii)	(1,043,133)	(264,533)
Proceeds from new bank loans and loans from other financial institutions		6,333,369	3,921,215
Repayment of bank loans and loans from other financial institutions		(5,329,619)	(1,922,054)
Proceeds from loans from third parties		1,511,532	1,000,000
Repayment of loan from third parties		(1,781,710)	–
Decrease/(increase) in pledged bank deposits		226,941	(108,803)
Interest and other borrowing costs paid		(901,985)	(620,822)
Dividend paid to non-controlling interests of subsidiary		(4,242)	–
Prepayments for acquisition of equity interests from non-controlling shareholders		–	10,000
Proceeds from disposal of equity interests in a subsidiary		–	12,000
Payment for acquisition of non-controlling interest		–	(200,000)
Withdrawal capital investment by non-controlling interests		(9,000)	–
Proceeds from capital injection from non-controlling interests		244	–
Proceeds from financial liabilities at fair value through profit or loss		267,892	–
Net cash generated from financing activities		1,221,007	1,992,005
Net increase in cash and cash equivalents		994,687	106,830
Cash and cash equivalents at 1 January	24(a)	273,262	243,470
Effect of foreign exchange rate changes		15,698	(77,038)
Cash and cash equivalents at 31 December	24(a)	1,283,647	273,262

The notes on pages 79 to 166 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise Zall Group Ltd. (the "Company") and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— available-for-sale financial assets and financial assets at fair value through profit or loss (see note1(g));

— investment properties (see note 1(i));

— derivative financial instruments (see note 1(h)); and

— contingent consideration recognised in a business combination (see note 1(d)).

The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand. Items included in the financial statements of each entity in the Group are measured using currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency"). Most of the companies comprising the Group are operating in the People's Republic of China ("PRC") and their functional currency is RMB, hence, RMB is used as the presentation currency of the Group.

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

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

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

(c) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. However, additional disclosure has been included in note 24(c) to satisfy the new disclosure requirements introduced by the amendments to IAS 7, Statement of cash flows: Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

(d) Subsidiaries and non-controlling interests

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

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. The consideration transferred in the acquisition is generally measured at fair value. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries and non-controlling interests (Continued)

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

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

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(m)).

(e) Associates and joint ventures

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

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

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

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

In the Company's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (see note 1(m)).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Goodwill

Goodwill represents the excess of

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

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

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

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

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

(g) Other investments in equity securities and investment in wealth management products and trust products

The Group's and the Company's policies for investments in equity securities and investment in wealth management products and trust products, other than investments in subsidiaries, associates and joint ventures, are as follows:

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Other investments in equity securities and investment in wealth management products and trust products (Continued)

Investments in wealth management products and trust products are classified as financial assets at fair value through profit or loss. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. Investment income is recognised in profit or loss in accordance with the policy set out in 1(x)(ix).

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

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(i) Investment properties

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

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

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(l)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(l).

(j) Property, plant and equipment

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Property, plant and equipment (Continued)

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

Buildings situated on leasehold land are depreciated over the shorter of the unexpired terms of lease and their estimated useful lives, being no more than 50 years after the date of completion

Motor vehicles	4-10 years
Furniture, office equipment and others	3-8 years

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

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

(k) Intangible asset (other than goodwill)

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

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

— unfinished contract	2 years
— software	5 years
— favorable contracts	2.5 years
— customer relationship	20 years

Both the period and method of amortisation are reviewed annually.

Trademark is not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessments from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Leased assets

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

(i) Classification of assets leased to the Group

Assets that are held by group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of a investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(i)); and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Impairment of assets

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

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

— significant financial difficulty of the debtor;

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

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

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

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Impairment of assets (Continued)

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

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

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

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

(ii) Impairment of other assets

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

— property, plant and equipment;

— intangible assets;

— goodwill; and

— investment in subsidiaries in the Company's statement of financial position.

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

— Calculation of recoverable amount

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

— Recognition of impairment losses

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

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(m)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale equity securities are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity securities increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(n) Inventories

(i) Supply chain management and trading

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

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Inventories (Continued)

(i) Supply chain management and trading (Continued)

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

(ii) Property development

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

— Property under development for sale

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

— Completed property held for sale

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

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

(o) Construction contracts

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Trade and other receivables

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

(q) Interest-bearing borrowings

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

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(w)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Cash and cash equivalents

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

(t) Employee benefits

Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(u) Share-based payments

Equity-settled share-based payment transaction with employee

The fair value of share options and shares granted to eligible persons is recognised as an expense with a corresponding increase in share-based payment reserve within equity. The fair value is measured at grant date using the binomial lattice model, Asian put option Pricing model or market price taking into account the terms and conditions (including lock up period) upon which the options and shares were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options and shares, the total estimated fair value of the options and shares is spread over the vesting period, taking into account the probability that the options and the shares will vest.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Share-based payments (Continued)

Equity-settled share-based payment transaction with employee (Continued)

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

Equity-settled share-based payment transaction with non-employee

For equity-settled share-based payment transaction with parties other than employees, the fair value of shares granted for services received is recognised as an expense with a corresponding increase in share-based payment reserve within equity when service are received. The fair value of the equity-settled share-based payment transaction with non-employee is measured with reference to the fair value of the equity instruments granted.

(v) Income tax

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Income tax (Continued)

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

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

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

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

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

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

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

  — the same taxable entity; or

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

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

(ii) Other provisions and contingent liabilities

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Revenue recognition

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

(i) Sale of goods

Revenue is recognised when the goods ownership transfer certificate is issued to customers, goods are picked up at the third parties' premises or goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added taxes ("VAT") or other sales taxes and is after deduction of any trade discounts.

(ii) Sale of properties

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

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

(iii) Rental income from operating leases

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

(iv) Provision of services

Revenue from services is recognised when services are rendered.

(v) Interest income

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

(vi) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognised as deferred income and subsequently recognized in profit or loss on a systematic basis over the useful life of the asset.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Revenue recognition (Continued)

(vii) *Dividends*

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

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

(viii) *Construction contract income*

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

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

(ix) *Investment income*

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

(y) Translation of foreign currencies

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

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

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(z) Borrowing costs

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint venture of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(ab) Segment reporting

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

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

2 ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in note 1. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

Notes 10, 28 and 31 contain information about the assumptions and their risk factors relating to the valuation of investment properties, fair value of share options granted and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Net realisable value of properties under development for sale and completed properties held for sale

As explained in note 1(n), the Group's properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling price, the costs of completion in cases for properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

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

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

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

As explained in note 6(a)(iv), LAT is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land 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 cost and relevant property development expenditures. Given the uncertainties of the calculation basis of land appreciation tax to be interpreted by the local tax bureau and the actual appreciation of land value may be different from the original estimates, the actual outcomes may be higher or lower than that estimated at the end of the reporting period. Any increase or decrease in estimates would affect profit or loss in future years.

2 ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(c) Impairment of trade and other receivables

The Group estimates the impairment allowances for trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the impairment allowances at the end of each reporting period.

(d) Recognition of deferred tax assets

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

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

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

(f) Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management on determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after their completion, whereas, the properties are accounted for as investment properties under construction if the properties are intended to be held to earn rentals and/or for capital appreciation.

2 ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(g) Valuation of investment properties

As described in note 1(i), investment properties and investment properties classified as held for sale are stated at fair value based on the valuation performed by an independent firm of professional valuers.

In determining the fair value of investment properties and investment properties classified as held for sale, the valuers have based on a method of valuation which involves, inter alia, certain estimates including current market rents and market price for similar properties in the same location, and condition, appropriate discount rates and expected future market rents.

In relying on the valuation report, management has exercised their judgement and is satisfied that the method of valuation is reflective of the current market conditions.

(h) Determining the deferred taxation on investment properties

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

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

In this connection, the Group has reviewed its investment property portfolio on a regular basis and has concluded that as at 31 December 2017, the Group has determined that each of these properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time and consequently the presumption in IAS 12 is rebutted for these properties. As a result, the Group has continued to measure the deferred tax relating to these other properties using the tax rate that would apply as a result of recovering their value through use.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are developing and operating of large-scale consumer product-focused wholesale shopping malls, and providing supply chain management and trading business, e-commerce services, financial services, warehousing and logistics services for the online and offline customers in PRC.

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

	2017 RMB'000	2016 RMB'000
Revenue from property development and related services:		
Sales of properties	675,541	727,077
Rental income	486,293	182,144
Revenue from construction contracts	30,896	85,310
Others	83,999	27,820
Revenue from E-commerce and financial services business	198,978	21,803
Revenue from supply chain management and trading business	20,730,189	166,767
Others	43,280	2,454
	22,249,176	1,213,375

The Group's customer base is diversified and the Group does not have any single customer with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2017 (2016: one). Details of concentrations of credit risk arising from this customer are set out in note 31(a).

	2017 RMB'000	2016 RMB'000
Customer A	—	188,600

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

(b) Segment reporting

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

— Property development and related services: this segment develops, sells and operates large-scale consumer product-focus wholesale shopping malls and provides related value-added business, such as warehousing and logistics.

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

— Supply chain management and trading: this segment operates trading of agricultural products and non-ferrous metals.

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) *Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates and joint ventures, investments in financial assets, deferred tax assets and other corporate assets. Segment liabilities include trade creditors, accruals and bills payable attributable to the sales activities of the individual segments and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is the profit before finance costs, income tax, and are further adjusted for items not specifically attributed to individual segments, such as share of profits or losses of joint ventures and associates, directors' and auditors' remuneration and other head office or corporate administration costs.

In addition, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances, borrowings and derivative managed directly by the segments and depreciation to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2017 and 2016 is set out below.

	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
Revenue from external customers	1,276,729	1,022,351	198,978	21,803	20,730,189	166,767	22,205,896	1,210,921
Inter-segment revenue	—	5,660	—	—	—	—	—	5,660
Reportable segment revenue	1,276,729	1,028,011	198,978	21,803	20,730,189	166,767	22,205,896	1,216,581
Reportable segment profit/(loss)	458,218	156,700	(2,370)	(75,069)	(47,299)	965	408,549	82,596
Finance income	38,502	3,042	154	586	49,922	5	88,578	3,633
Finance costs	(329,479)	(149,548)	(17,676)	(24,590)	(153,350)	(30)	(500,505)	(174,168)
Depreciation and amortisation	(10,912)	(11,828)	(1,205)	(589)	(18,925)	—	(31,042)	(12,417)
Net increase in fair value of investment properties	3,021,326	1,275,697	—	—	—	—	3,021,326	1,275,697
Share of net losses of associates	(2,367)	(4,165)	(29,818)	(20,276)	(3,865)	—	(36,050)	(24,441)
Share of net profits/(losses) of joint ventures	(64)	(43)	—	—	791	(120)	727	(163)
Reportable segment assets	29,919,335	27,461,674	1,504,126	1,020,848	10,126,116	53,627	41,549,577	28,536,149
Additions to non-current segment assets during the year	19,224	10,338	20,032	520,573	2,655,475	15,000	2,694,731	545,911
Reportable segment liabilities	13,365,516	14,019,953	2,903,038	2,490,295	10,094,269	67,554	26,362,823	16,577,802

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

Revenue

	2017 RMB'000	2016 RMB'000
Reportable segment revenue	22,205,896	1,216,581
Other revenue	43,280	2,454
Elimination of inter-segment revenue	—	(5,660)
Consolidated revenue (note 3(a))	22,249,176	1,213,375

Profit

	2017 RMB'000	2016 RMB'000
Reportable segment profit	408,549	82,596
Elimination of inter-segment profits	—	(5,660)
Reportable segment profit derived from the Group's external customers	408,549	76,936
Other net (loss)/income	(39,900)	1,130,515
Gain on disposal of subsidiaries	—	95,561
Finance income	89,001	3,643
Finance costs	(534,360)	(192,339)
Net increase in fair value of investment properties	3,021,326	1,275,697
Share of net losses of associates	(36,050)	(24,441)
Share of net profits/(losses) of joint ventures	727	(163)
Unallocated head office and corporate expenses	(105,672)	(17,202)
Consolidated profit before taxation	2,803,621	2,348,207

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

Assets

	2017 RMB'000	2016 RMB'000
Reportable segment assets	41,549,577	28,536,149
Elimination of inter-segment receivables	(5,012,798)	(5,330,647)
	36,536,779	23,205,502
Interests in joint ventures	114,387	104,163
Interests in associates	490,586	529,657
Financial assets at fair value through profit or loss	5,074,617	2,208,721
Deferred tax assets	67,997	168,837
Prepaid taxes	16,025	35,213
Unallocated head office and corporate assets	5,043,237	3,495,556
Consolidated total assets	47,343,628	29,747,649

Liabilities

	2017 RMB'000	2016 RMB'000
Reportable segment liabilities	26,362,823	16,577,802
Elimination of inter-segment payables	(4,981,505)	(5,311,829)
	21,381,318	11,265,973
Current taxation	284,652	246,472
Deferred tax liabilities	3,845,747	3,312,199
Unallocated head office and corporate liabilities	3,171,024	2,783,773
Consolidated total liabilities	28,682,741	17,608,417

4 OTHER NET (LOSS)/INCOME

	2017 RMB'000	2016 RMB'000
Net fair value changes on financial instruments at fair value through profit or loss		
— listed equity securities	(135,533)	1,120,304
— wealth management products and trust products	90,289	—
— derivative financial instruments	(5,078)	(2,287)
— contingent consideration (notes 35 and 31(f))	(13,977)	—
Government subsidies	8,006	32
Gain on bargain purchase of subsidiaries	—	4,660
Dividends received from financial assets at fair value through profit or loss	10,207	6,805
Loss on disposal of investment properties	—	(13,094)
Others	6,186	14,095
	(39,900)	1,130,515

5 PROFIT BEFORE TAXATION

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

(a) Finance (income)/costs

	2017 RMB'000	2016 RMB'000
Finance income		
Interest income	(89,001)	(3,643)
Finance costs		
Interest on bank loans and loans from other financial institutions	704,326	532,102
Other borrowing costs	88,872	72,522
Less: Amounts capitalised into properties under development and investment properties under development *(Note)*	(363,805)	(432,282)
	429,393	172,342
Bank charges and others	107,043	18,989
Net foreign exchange (gain)/loss	(2,076)	1,008
	534,360	192,339

Note: The borrowing costs have been capitalised at rates ranging from 2.50%-13.00% per annum for the year ended 31 December 2017 (2016: 4.35%-13.00%).

5 PROFIT BEFORE TAXATION (Continued)

(b) Staff costs

	2017 RMB'000	2016 RMB'000
Salaries, wages and other benefits	163,370	78,265
Contributions to defined contribution retirement plan	15,600	7,879
Equity settled share-based payment expenses (note 28)	65,259	—
	244,229	86,144

(c) Other items

	2017 RMB'000	2016 RMB'000
Amortisation		
— intangible assets (note 12)	28,437	7,035
Depreciation (note 11)	22,873	21,588
Auditors' remuneration		
— audit services	3,400	3,080
— other services	4,020	2,600
Operating lease charges	40,341	40,144
Cost of construction contracts	30,896	85,311
Cost of commodities sold (note 19(c))	20,467,478	165,200
Cost of properties sold (note 19(b))	465,418	525,874

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2017 RMB'000	2016 RMB'000
Current tax		
PRC Corporate Income Tax ("PRC CIT")	50,570	57,959
PRC Land appreciate Tax ("PRC LAT")	41,417	64,971
	91,987	122,930
Deferred tax		
Origination and reversal of temporary differences (note 29(b))	355,152	168,706
	447,139	291,636

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

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

(i) Pursuant to the rules and regulations of Cayman Islands, the Company is not subject to any income tax in Cayman Islands. Also, certain subsidiaries located in British Virgin Islands ("BVI") are not subject to any income tax in their local jurisdictions.

(ii) No provision for Hong Kong Profits Tax as the Group did not earn any assessable income subject to Hong Kong Profits Tax during the years ended 31 December 2017 and 2016.

(iii) Pursuant to the rules and regulations applicable to encouraged industries in the PRC western development strategy, two subsidiaries of the Group, GSMN Logistics Co., Ltd. and Guangxi Kangchen Shitang Trading Co., Ltd., are subject to PRC CIT at a preferential tax rate of 15% for the year ended 31 December 2017, and one subsidiary of the Group, Guangxi Sugar Market Network Co., Ltd. is subject to PRC CIT at a preferential tax rate of 9% for the year ended 31 December 2017. The application of preferential tax rate will be reviewed by the tax authority annually.

All the other PRC subsidiaries of the Group are subject to income tax at 25% for the years ended 31 December 2017 and 2016 under the PRC Corporate Income Tax Law which was enacted on 16 March 2007.

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

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

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

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

Deferred tax liabilities are provided for based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

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

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

	2017 RMB'000	2016 RMB'000
Profit before taxation	2,803,621	2,348,207
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdiction concerned	779,668	323,301
Tax effect of non-deductible expenses	18,462	4,600
Tax effect of non-taxable share of net losses of joint ventures and associates	1,700	1,081
Tax effect of non-taxable net income	(368)	(6,467)
Tax effect of unused tax losses not recognised	35,535	50,866
Utilisation of previously unrecognised tax losses	(23,781)	(6,244)
PRC LAT in relation to properties sold	41,417	64,971
PRC LAT in relation to investment properties	(526,853)	(165,639)
Tax effect on PRC LAT	121,359	25,167
Actual tax expense	447,139	291,636

7 DIRECTORS' EMOLUMENTS

Directors' emoluments are as follows:

	For the year ended 31 December 2017					
	Directors' fee RMB'000	Salaries allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Equity-settled share-based payment (Note) RMB'000	Total RMB'000
Co-Chairman and executive directors:						
Mr. Yan Zhi	—	1,070	16	1,086	—	1,086
Dr. Gang Yu	—	1,200	—	1,200	—	1,200
Executive directors:						
Mr. Wei Zhe, David (re-designated on 28 June 2017)	—	807	—	807	12,947	13,754
Mr. Cui Jinfeng	—	401	16	417	—	417
Mr. Wang Chuang (resigned on 11 April 2017)	—	112	—	112	—	112
Mr. Peng Chi	—	251	—	251	—	251
Independent non-executive directors:						
Mr. Cheung Kai Fai	—	251	—	251	—	251
Mr. Wu Ying	—	401	—	401	—	401
Mr. Zhu Zhengfu (appointed on 10 March 2017)	—	325	—	325	—	325
	—	4,818	32	4,850	12,947	17,797

7 DIRECTORS' EMOLUMENTS (CONTINUED)

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

Note: These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(u).

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and note 28.

During the year, no amount was paid or payable by the Group to the directors or any of the 5 highest paid individuals set out in note 8 as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2016: three) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2016: two) individuals are as follows:

	2017 RMB'000	2016 RMB'000
Salaries and other emoluments	2,521	2,844
Retirement scheme contributions	30	35
	2,551	2,879

The emoluments of two (2016: two) individual with the highest emoluments are within the following bands:

	2017 Number of individuals	2016 Number of individuals
HKD2,000,001-2,500,000	1	1
HKD1,000,001-1,500,000	—	1
HKD500,001-1,000,000	1	—

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB2,379,035,000 (2016: RMB2,048,951,000) and the weighted average of 11,204,144,000 ordinary shares (2016: 10,745,578,000) in issued during the year, calculated as follows:

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

	2017 '000	2016 '000
Profit attributable to ordinary equity shareholders of the Company	2,379,077	2,048,951
Less: profit attributable to issued ordinary shares for management share award scheme	(42)	–
Profit attributable to ordinary equity shareholders of the Company (basic)	2,379,035	2,048,951

9 EARNINGS PER SHARE (Continued)

(a) Basic earnings per share (Continued)

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

	2017 '000	2016 '000
Issued ordinary shares at 1 January	10,745,578	10,745,578
Effect of placing of new shares	194,269	—
Effect of issuance of new shares as consideration of acquisition of subsidiaries	264,297	—
Weighted average number of ordinary shares at 31 December	11,204,144	10,745,578

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB2,379,035,000 (2016: RMB2,048,951,000) and the weighted average of 11,206,627,000 ordinary shares (2016: 10,745,578,000) in issued during the year, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2017 '000	2016 '000
Weighted average number of ordinary shares at 31 December	11,204,144	10,745,578
Effect of deemed issue of incentive shares (note 28(c))	2,483	–
Weighted average number of ordinary shares (diluted) at 31 December	11,206,627	10,745,578

10 INVESTMENT PROPERTIES

(a) Reconciliation of carrying amount

	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
At 1 January 2016	9,244,006	3,275,194	12,519,200
Additions	27,003	68,610	95,613
Transfer from completed properties held for sale (Note)	692,665	—	692,665
Transfer from property, plant and equipment	—	86,505	86,505
Transfer between investment properties under development and investment properties	268,700	(268,700)	—
Disposals	(44,500)	—	(44,500)
Fair value adjustments	1,194,436	80,136	1,274,572
At 31 December 2016	11,382,310	3,241,745	14,624,055
Representing:			
Cost	4,481,615	1,344,435	5,826,050
Fair value adjustments	6,900,695	1,897,310	8,798,005
	11,382,310	3,241,745	14,624,055
At 1 January 2017	11,382,310	3,241,745	14,624,055
Additions	28,856	213,195	242,051
Transfer from completed properties held for sale (Note)	2,158,262	—	2,158,262
Transfer from non-current assets classified as held for sale	152,705	—	152,705
Transfer from property, plant and equipment	5,505	2,834	8,339
Fair value adjustments	3,009,659	11,667	3,021,326
At 31 December 2017	16,737,297	3,469,441	20,206,738
Representing:			
Cost	6,826,943	1,560,464	8,387,407
Fair value adjustments	9,910,354	1,908,977	11,819,331
	16,737,297	3,469,441	20,206,738
Book value:			
At 31 December 2017	16,737,297	3,469,441	20,206,738
At 31 December 2016	11,382,310	3,241,745	14,624,055

Note: During the year ended 31 December 2017, the Group transferred certain completed properties held for sale to investment properties when there was an actual change in use from sale to earning rental income purpose, which were evidenced by commencement of operating lease as stipulated in the lease agreements entered into by the Group. Correspondingly, a fair value gain in profit or loss of RMB3,020,140,000 (2016: RMB1,164,399,000) upon transfer was recognised.

10 INVESTMENT PROPERTIES (Continued)

(a) Reconciliation of carrying amount (Continued)

As at 31 December 2017, the Group's investment properties and investment properties under development with an aggregated carrying value of RMB13,887,495,000 (2016: RMB9,341,927,000) were pledged as collateral for the Group's bank loans (note 26(a)).

The Group's investment properties are held under medium-term lease (38 to 46 years) in the PRC.

(b) Fair value measurement of properties

(i) Fair value hierarchy

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

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

	Fair value as at 31 December 2017 RMB'000	Fair value measurements as at 31 December 2017 categorised into level 3 RMB'000
Recurring fair value measurement — investment properties	20,206,738	20,206,738

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

(Expressed in Renminbi unless otherwise indicated)

10 INVESTMENT PROPERTIES (Continued)

(b) Fair value measurement of properties (Continued)

(i) Fair value hierarchy (Continued)

During the year ended 31 December 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.

All of the Group's investment properties were revalued as at 31 December 2017. The valuations were carried out by an independent firm of surveyors, Jones Lang Lasalle ("JLL"), who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The Group's property manager and the senior management have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range
Completed investment properties	Income capitalisation method	Yield	4%-5.5% (2016: 3.0%-6.0%)
		Market monthly rental rate (RMB/sqm.)	10-300 (2016: 42-236)
		Occupancy rate	30%-98% (2016: 35%-98%)
Investment properties under development	Residual approach	Yield	4.5%-5.5% (2016: 5.0% –5.5%)
		Reversion Yield	5.5%-6.0% (2016: 5.5% –6.0%)
		Market monthly rental rate (RMB/sqm.)	15 – 75.6 (2016: 26 –236)
		Occupancy rate	0%-98% (2016: 95% –100%)

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

10 INVESTMENT PROPERTIES (Continued)

(b) Fair value measurement of properties (Continued)

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

The fair value of investment properties under development is generally derived using the residual method assuming that it is newly completed in accordance with the development proposal in term of property use, respective saleable areas and construction schedule to establish the gross development value ("GDV") of the property. The total unexpended costs of the development including construction costs, professional fees and other associated expenditure, together with an allowance for interest expenses, and developer's profits are estimated and deducted. The resultant residual figures are then adjusted back to the valuation date to arrive at the fair value of the property concerned in its existing state.

Fair value adjustment of investment properties is recognised in the line of item "net valuation gain on investment properties" on the face of the consolidated statement of profit or loss.

(c) Investment properties leased out under operating leases

The Group leases out its investment properties under operating leases. The leases for most of the properties typically run for an initial period of 1 to 20 years, with an option to renew the lease after that date at which time all terms are renegotiated.

The Group's total future minimum rental receivables under non-cancellable operating leases are as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	994,404	162,369
After 1 year but within 5 years	2,676,866	168,428
After 5 years	2,241,031	3,089
	5,912,301	333,886

11 PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings RMB'000	Motor vehicles RMB'000	Furniture, office equipment and others RMB'000	Total RMB'000
Cost:				
At 1 January 2016	242,048	18,081	15,951	276,080
Additions	5,038	205	5,309	10,552
Addition through acquisition of subsidiaries	—	—	330	330
Disposals	—	(512)	(1,994)	(2,506)
Cost adjustments	(11,767)	—	—	(11,767)
Transfer to investment properties	(95,388)	—	—	(95,388)
At 31 December 2016/1 January 2017	139,931	17,774	19,596	177,301
Additions	22,969	325	7,380	30,674
Addition through acquisition of subsidiaries (note 35)	93,269	6,676	79,178	179,123
Disposals	—	(705)	(4,628)	(5,333)
Transfer to investment properties	(8,357)	—	—	(8,357)
At 31 December 2017	247,812	24,070	101,526	373,408
Accumulated depreciation:				
At 1 January 2016	26,906	15,786	9,050	51,742
Charge for the year	15,198	1,264	5,096	21,558
Addition through acquisition of subsidiaries	—	—	46	46
Transfer to investment properties	(8,883)	—	—	(8,883)
Written back on disposals	—	(439)	(538)	(977)
At 31 December 2016/1 January 2017	33,221	16,611	13,654	63,486
Charge for the year	12,003	1,541	9,329	22,873
Addition through acquisition of subsidiaries (note 35)	25,612	4,967	43,647	74,226
Transfer to investment properties	(18)	—	—	(18)
Written back on disposals	—	(664)	(3,476)	(4,140)
At 31 December 2017	70,818	22,455	63,154	156,427
Net book value:				
At 31 December 2017	176,994	1,615	38,372	216,981
At 31 December 2016	106,710	1,163	5,942	113,815

All the buildings owned by the Group are located in the PRC on land under medium term leases.

The ownership certificates for certain buildings with net book value of RMB17,723,000 (2016: RMB18,998,000) have not been obtained.

As at 31 December 2017, the Group's buildings with carrying value of RMB15,960,000 (2016: nil) were pledged as collateral for the Group's bank loans (note 26(a)).

12 INTANGIBLE ASSETS

	Unfinished contracts RMB'000	Software RMB'000	Favourable contracts RMB'000	Customer relationship RMB'000	Trademark RMB'000	Total RMB'000
Cost:						
At 1 January 2016	—	—	—	—	—	—
Additions	—	5,661	—	—	—	5,661
Addition from acquisition of subsidiaries	8,879	1,508	—	—	—	10,387
At 31 December 2016	8,879	7,169	—	—	—	16,048
At 1 January 2017	8,879	7,169	—	—	—	16,048
Additions	—	12,043	—	—	—	12,043
Addition from acquisition of subsidiaries (note 35)	—	36,062	23,100	703,700	173,400	936,262
Disposals	—	(98)	—	—	—	(98)
At 31 December 2017	8,879	55,176	23,100	703,700	173,400	964,255
Accumulated amortisation:						
At 1 January 2016	—	—	—	—	—	—
Addition from acquisition of subsidiaries	—	322	—	—	—	322
Charge for the year	6,517	518	—	—	—	7,035
At 31 December 2016	6,517	840	—	—	—	7,357
At 1 January 2017	6,517	840	—	—	—	7,357
Addition from acquisition of subsidiaries (note 35)	—	26,435	—	2,875	—	29,310
Charge for the year	2,348	9,626	4,620	11,843	—	28,437
At 31 December 2017	8,865	36,901	4,620	14,718	—	65,104
Net book value:						
At 31 December 2017	14	18,275	18,480	688,982	173,400	899,151
At 31 December 2016	2,362	6,329	—	—	—	8,691

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

13 GOODWILL

	RMB'000
Cost and carrying amount:	
At 1 January 2016	—
Addition through acquisition of a subsidiary	15,783
At 31 December 2016/1 January 2017	15,783
Additions through business combination (note 35)	1,590,497
At 31 December 2017	1,606,280

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to operating segment as follows:

	2017 RMB'000	2016 RMB'000
Supply chain management and trading business	1,590,497	—
E-commerce and financial services business	15,783	15,783
	1,606,280	15,783

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flow beyond the five-year period are extrapolated using an estimated weighted average growth rate on 2.6% which is consistent with the forecasts included in industry report. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 14.81%. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

The directors are of the view that no impairment of goodwill is necessary as at 31 December 2017 and 2016.

(Expressed in Renminbi unless otherwise indicated)

14 INTERESTS IN SUBSIDIARIES

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

			Proportion of ownership interest			
Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Wuhan North Hankou Trade Market Investment Co., Ltd. (note (i) and (ii)) 武漢漢口北商貿市場投資有限公司	The PRC	RMB55,000,000	100%	–	100%	Property development
Wuhan Big World Investment and Development Co., Ltd. (note (i) and (ii)) 武漢大世界投資發展有限公司	The PRC	RMB100,000,000	100%	–	100%	Property development
Zall Development (Tianjin) Co., Ltd. (note (i) and (ii)) 卓爾發展(天津)有限公司	The PRC	RMB1,001,000,000/ RMB442,000,000	100%	–	100%	Property development
Shenzhen Sinoagri E-commerce Co., Ltd. ("Shenzhen Sinoagri") (note (i) and (iii)) 深圳市中農網有限公司	The PRC	RMB509,000,000	50.6%	–	50.6%	Supply chain management and trading business
Shenzhen Kunshang E-Sugar Supply Chain Co., Ltd. (note (i) and (ii)) 深圳市昆商易糖供應鏈有限公司	The PRC	RMB80,000,000	33.63%	–	66.47%	Supply chain management and trading business
Yunnan Kunpeng Electronic Commerce & Wholesale Market of Agricultural Products Co., Ltd. (note (i) and (ii)) 雲南鯤鵬農產品電子商務批發市場有限公司	The PRC	RMB40,000,000	33.63%	–	66.47%	Supply chain management and trading business
Guangxi Kangchen Shitang Trading Co., Ltd. (note (i) and (ii)) 廣西康宸世糖貿易有限公司	The PRC	RMB10,000,000	33.63%	–	66.47%	Supply chain management and trading business
Guangxi Pintang Trading Co., Ltd. (note (i) and (ii)) 廣西品糖貿易有限公司	The PRC	RMB36,000,000	33.63%	–	66.47%	Supply chain management and trading business
Hong Kong Joy Resources Investment Company Limited	Hong Kong	USD1,000,000	65%	–	65%	Supply chain management and trading business

Notes:

(i) The English translation of the companies names is for reference only. The official names of these companies are in Chinese.

(ii) These entities are domestic enterprises established in the PRC.

(iii) This entity is sino-foreign equity joint venture established in the PRC.

14 INTERESTS IN SUBSIDIARIES (Continued)

The following table lists out the information relating to Shenzhen Sinoagri and its subsidiaries (acquired by the Group in 2017 (note 35)), which has a material non-controlling interest (NCI) for the year ended 31 December 2017. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2017 RMB'000
NCI percentage	49.4%
Current assets	9,586,680
Non-current assets	1,120,496
Current liabilities	(8,892,560)
Non-current liabilities	(263,160)
Net assets	1,551,456
Carrying amount of NCI	852,069
Revenue	17,165,471
Profit contributed to the Group's result before amortisation of intangible assets and equity settled share-based payment expense	24,315
Less: Expenses arisen from Acquisition:	
– Amortisation of intangible assets	(12,347)
– Equity settled share-based payment expense	(52,312)
Loss contributed to the Group's result	40,344
Total comprehensive income	(40,344)
Loss allocated to NCI	(16,049)
Dividend paid to NCI	4,242
Net cash used in operating activities	563,748
Net cash generated from investing activities	155,058
Net cash used in financing activities	19,017

(Expressed in Renminbi unless otherwise indicated)

15 INTERESTS IN ASSOCIATES

The following list contains only the particulars of material associates:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
LightInTheBox Holding Co., Ltd. ("LightInTheBox")	Incorporated	Cayman/ Overseas	135,664,877 ordinary shares of USD0.000067 each	34.44%	—	34.44%	E-commerce (Note 1)

Note 1 LightInTheBox is a company incorporated under the laws of the Cayman Islands with limited liability, whose American Depositary Shares are listed on the New York Stock Exchange. LightInTheBox is a strategic partner for the Group in developing E-commence business where LightInTheBox has extensive experience.

The associate is accounted for using the equity method in the consolidated financial statements. The fair value of the investment in LightInTheBox is USD53,725,000 as at 31 December 2017 (2016: USD66,691,000).

15 INTERESTS IN ASSOCIATES (Continued)

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

	2017 RMB'000	2016 RMB'000
Gross amounts of the associates		
Current assets	659,850	789,001
Non-current assets	316,765	331,494
Current liabilities	348,057	363,256
Non-current liabilities	—	—
Equity	628,558	757,239
Revenue	2,154,590	1,962,749
Loss for the year	86,588	79,162
Other comprehensive income	—	—
Total comprehensive income	86,588	79,162
Dividend received from the associate	—	—
Reconciled to the Group's interests in the associate		
Gross amount of net assets of the associate	628,558	757,239
Group's effective interest	34.44%	32.58%
Group's share of net assets of the associate	216,451	246,752
Goodwill		
Cost	280,370	280,370
Exchange adjustment	(16,280)	—
Carrying amount of goodwill	264,090	280,370
Carrying amount in the consolidated financial statements	480,541	527,122

Information of the associates that are not individually material:

	2017 RMB'000	2016 RMB'000
Aggregate carrying amount of individually immaterial associate in the consolidated financial statements	10,045	2,535
Aggregate amount of the Group's share of the associate's net losses	6,233	4,165
Other comprehensive income	—	—
Total comprehensive income	6,233	4,165

16 INTERESTS IN JOINT VENTURES

The directors are of the view that the Group had no individually material joint venture as at 31 December 2017. Information of the joint ventures that are not individually material:

	2017 RMB'000	2016 RMB'000
Aggregate carrying amount of individually immaterial joint venture in the consolidated financial statements	114,387	104,163
Aggregate amount of the Group's share of the joint venture's net profits/(losses)	727	(163)
Other comprehensive income	—	—
Total comprehensive income	727	(163)

17 CONSTRUCTION CONTRACTS

The aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the gross amount due from customers for contract work at 31 December 2017, is RMB324,862,000 (2016: RMB293,970,000) for the Group, which is expected to be recovered more than one year and recorded as "long-term receivables" in the consolidated statement of financial position.

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

	2017 RMB'000	2016 RMB'000
Financial assets at fair value through profit or loss		
Listed equity securities in Hong Kong		
— Fullshare Holdings Limited	2,092,944	2,203,480
— China High Speed Transmission Equipment Group Co., Ltd	30,807	—
Derivative financial instrument		
— Warrant	3	5,241
— Wealth management products and trust products (i)	2,761,540	—
Forward contracts	182,408	—
Contingent consideration (notes 31(f) and 35)	6,915	—
	5,074,617	2,208,721

	2017 RMB'000	2016 RMB'000
Financial liabilities at fair value through profit or loss		
Forward contracts (ii)	450,140	—

(i) The amount represents investments in wealth management products and trust products issued by reputable financial institutions in the PRC. There are no fixed or determinable returns of these wealth management products and trust products, and the returns of the principals are not guaranteed. Certain wealth management products and trust products with an aggregate carrying amount of RMB2,761,540,000 (2016: nil) were pledged for bills payable of the Group (note 25).

(ii) As at 31 December 2017, certain forward contracts of the Group with carrying value of RMB267,732,000 was pledged by bills receivables (note 20).

19 INVENTORIES

(a) Properties under development

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

	2017 RMB'000	2016 RMB'000
Expected to be recovered within one year		
Properties under development for sale	926,821	805,733
Expected to be recovered after more than one year		
Properties held for future development for sale	3,363,149	1,543,342
Properties under development for sale	615,416	1,194,952
	3,978,565	2,738,294
	4,905,386	3,544,027

As at 31 December 2017, certain properties under development with an aggregate carrying value of RMB1,704,082,000 (2016: RMB1,256,818,000) was pledged as collateral for the Group's bank loans (note 26).

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

	2017 RMB'000	2016 RMB'000
In the PRC		
— long-term leases (over 50 years)	28,258	34,327
— medium-term leases (40-50 years)	1,226,257	1,254,182
	1,254,515	1,288,509

(b) Completed properties held for sale

	2017 RMB'000	2016 RMB'000
Completed properties held for sale in the PRC	1,968,727	4,258,591

19 INVENTORIES (Continued)

(b) Completed properties held for sale (Continued)

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

	2017 RMB'000	2016 RMB'000
In the PRC		
— long-term leases (over 50 years)	5,374	5,422
— medium-term leases (40-50 years)	267,293	255,717
	272,667	261,139

Carrying amount of completed properties held for sale recognised as an expenses and included in profit on loss for the year ended 31 December 2017 is RMB465,418,000 (2016: RMB525,874,000).

As at 31 December 2017, completed properties held for sale with an aggregate carrying value of RMB1,517,956,000 (2016: RMB3,187,227,000) was pledged as collateral for the Group's bank loans (note 26).

(c) Commodities

(i) Commodities in the consolidated statement of financial position comprise:

	2017 RMB'000	2016 RMB'000
Supply chain management and trading business		
— Sugar	282,920	–
— Others	5,491	35,310
	288,411	35,310

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

	2017 RMB'000	2016 RMB'000
Carrying amount of commodities sold	20,467,478	165,200

20 TRADE AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade and bill receivables	2,158,316	323,411
Factoring receivables	743,900	639,896
Less: Allowance for doubtful debts (note 20(b))	(16,307)	–
	2,885,909	963,307
Advances to suppliers	573,000	382,000
Other receivables, deposits and prepayments	1,297,099	1,483,839
	4,756,008	2,829,146

Trade and other receivables of the Group included deposits of RMB97,000,000 (2016: nil) which are expected to be recovered or recognised as expense after more than one year. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

As at 31 December 2017, certain bills receivables with carrying value of RMB10,000,000, RMB280,000,000 and RMB100,000,000 were pledged as collateral for the Group's bank loans (note 26), financial liabilities at fair value through profit or loss (note 18) and bills payables (note 25) respectively.

(a) Ageing analysis

As at the end of the reporting period, the ageing analysis of trade and bills receivables based on revenue recognition date and net of allowance for doubtful debts, is as follows:

	2017 RMB'000	2016 RMB'000
Within 3 months	1,220,619	357,788
3 to 12 months	1,324,717	541,074
Over 12 months	340,573	64,445
	2,885,909	963,307

Customers are normally granted credit terms of 30 to 360 days, depending on the credit worthiness of individual customers. Further details on the Group's credit policy are set out in note 31(a).

(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 receivables directly (note 1(m)(i)).

20 TRADE AND OTHER RECEIVABLES (Continued)

(b) Impairment of trade and bills receivables (Continued)

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2017 RMB'000	2016 RMB'000
As at 1 January	–	–
Addition through acquisition of subsidiaries	11,446	–
Impairment loss recognised	4,861	–
As at 31 December	16,307	–

As at 31 December 2017, the Group's trade receivables of RMB58,516,000 (2016: nil) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and the management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowance for doubtful debts of RMB11,244,000 (2016: nil) was recognised.

(c) Trade and bills receivables that are not impaired

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	2,477,064	898,862
1 year past due	198,003	40,210
Over 1 year	126,541	24,235
Total	2,801,608	963,307

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

21 LOANS RECEIVABLES

	2017 RMB'000	2016 RMB'000
Guaranteed loans receivables	167,585	
Secured loans receivables (Note)	2,227,045	–
Less: Allowance for doubtful debts	(52,568)	–
	2,342,062	–

Note: Secured loans receivable represent secured loans advanced to third-party borrowers secured by the borrowers' inventories, properties or unlisted shares.

(a) Ageing analysis

As at the end of the reporting period, the ageing analysis of loans receivables based on recognition date and net of allowance for doubtful debts, is as follows:

	2017 RMB'000	2016 RMB'000
Within 3 months	1,824,155	–
3 to 12 months	352,239	–
Over 12 months	165,668	–
	2,342,062	–

Borrowers are normally granted credit terms of 180 to 360 days, depending on the credit worthiness of individual customers. Further details on the Group's credit policy are set out in note 31(a).

(b) Impairment of loans receivables

Impairment losses in respect of loans 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 loans receivables directly (note 1(m)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2017 RMB'000	2016 RMB'000
As at 1 January	–	–
Addition through acquisition of subsidiaries	37,412	–
Impairment loss recognised	15,156	–
As at 31 December	52,568	–

21 LOANS RECEIVABLES (Continued)

(b) Impairment of loans receivables (Continued)

As at 31 December 2017, the Group's loans receivables of RMB73,588,000 (2016: nil) were individually determined to be impaired. The individually impaired receivables related to borrowers that were in financial difficulties and the management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowance for doubtful debts of RMB35,704,000 (2016:nil) was recognised.

(c) Loans receivables that are not impaired

The ageing analysis of loans receivables that are neither individually nor collectively considered to be impaired are as follows:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	2,041,030	–

Loans receivables that were neither past due nor impaired related to a wide range of borrowers for whom there was no recent history of default.

Loans receivables that were past due but not impaired related to a number of independent borrowers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

22 AMOUNTS DUE FROM/TO RELATED PARTIES

	2017 RMB'000	2016 RMB'000
Amounts due from related parties		
Amounts due from associates	30,855	–
Amounts due from joint ventures	10,874	–
Amounts due from non-controlling shareholders of subsidiaries	34,360	–
Amounts due from entities controlled by Ultimate Controlling Party	2,427	1,250
Amounts due from entities controlled by non-controlling interests of subsidiaries	4,244	–
	82,760	1,250
Amounts due to related parties		
Amounts due to the Ultimate Controlling Party	3,900	3,900
Amounts due to a key management personnel	10,000	10,000
Amounts due to a joint venture	146,870	148,400
Amounts due to non-controlling shareholders of subsidiaries	308,279	–
Amounts due to entities controlled by Ultimate Controlling Party	160	69
Amounts due to entities controlled by non-controlling interests of subsidiaries	114,200	–
Amounts due to the Immediate Parent	–	469,512
	583,409	631,881

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

23 PLEDGED BANK DEPOSITS

	2017 RMB'000	2016 RMB'000
Secured for bank loans (note 26)	254,650	263,600
Secured for letter of credit and bills payable	2,187,042	49,769
Others	112,209	237,084
	2,553,901	550,453

24 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalent comprise:

	2017 RMB'000	2016 RMB'000
Cash at bank and on hand	1,283,647	273,262

At 31 December 2017, cash and cash equivalents and pledged bank deposits with aggregate amount of RMB3,852,789,000 (2016: RMB775,476,000) were placed with banks in mainland China. Remittance of funds out of mainland China is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

24 CASH AND CASH EQUIVALENTS (Continued)

(b) Recociliation of profit before taxation to cash used in operations

	Note	2017 RMB'000	2016 RMB'000
Profit before taxation		2,803,621	2,348,207
Adjustments for:			
Amortisation	5(c)	28,437	7,035
Depreciation			
– property, plant and equipment	5(c)	22,873	21,558
Loss on disposal of investment properties	4	–	13,094
Gain on disposal of property, plant and equipment		–	(54)
Finance income	5(a)	(89,001)	(3,643)
Finance costs	5(a)	534,360	192,339
Net valuation gain on investment properties	10	(3,021,326)	(1,275,697)
Fair value change on financial instruments at fair value through profit or loss	4	64,299	(1,118,017)
Share of net (profits)/losses of joint ventures	16	(727)	163
Share of net losses of associates	15	36,050	24,441
Equity settled share-based payment expenses		122,484	–
Amortisation of deferred income		(21,598)	(15,983)
Dividend received from financial assets at fair value through profit or loss	4	(10,207)	(6,805)
Gain on disposal of subsidiaries		–	(95,561)
Gain on bargain purchase of subsidiaries		–	(4,660)
Others		(177)	25
Changes in working capital			
Decrease/(increase) in inventories		173,629	(565,592)
Increase in trade and other receivables		(1,909,893)	(790,663)
Increase in long-term receivables		(30,892)	(85,311)
Decrease in loans receivable		574,709	–
(Decrease)/increase in trade and other payables		(1,339,034)	1,134,153
Increase in deferred income		3,186	–
Increase in amount due from related parties		(13,015)	–
Decrease in amount due to related parties		(764)	–
Cash used in operations		(2,072,986)	(220,971)

24 CASH AND CASH EQUIVALENTS (Continued)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Borrowings RMB'000 (note 26)	Amount due to third parties RMB'000	Amount due to related parties RMB'000	Total RMB'000
At 1 January 2017	8,393,922	1,000,000	631,881	10,025,803
Changes from financing cash flows:				
Proceeds from bank loans	6,333,369	–	–	6,333,369
Addition from acquisition of subsidiaries (note 35)	1,596,745	–	44,198	1,640,943
Proceeds from loans from third parties	–	1,511,532	–	1,511,532
Proceeds from loans from related parties	–	–	644,227	644,227
Repayment of bank loans	(5,329,619)	–	–	(5,329,619)
Repayment of loans from the related parties	–	–	(1,043,133)	(1,043,133)
Repayment of loans from third parties	–	(1,781,710)	–	(1,781,710)
Total changes from financing cash flows	2,600,495	(270,178)	(354,708)	1,975,609
At 31 December 2017	10,994,417	729,822	277,173	12,001,412

(d) Major non-cash transaction

On 28 June 2017, 517,227,000 ordinary shares were issued and allotted to acquire Shenzhen Sinoagri as set out in note 35.

25 TRADE AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Trade and bills payables (i)	7,638,996	1,244,982
Receipts in advance (ii)	1,257,188	1,099,228
Other payables and accruals	3,021,541	2,251,787
Other borrowings (i) and (iii)	594,067	370,339
	12,511,792	4,966,336

All the trade and other payables are expected to be settled within one year or repayable on demand.

25 TRADE AND OTHER PAYABLES (Continued)

On 27 June 2017, the Group, the Ultimate Controlling Party and the Immediate Parent company of the Company entered into an agreement with two non-controlling shareholders of Shenzhen Sinoagri in relation to a proposed acquisition of approximately 8.36% of the equity interest of Shenzhen Sinoagri (note 35) at a cash consideration of RMB307,000,000. The completion of the acquisition would be done before 31 March 2018 and could be extended to a date mutually agreed by the parties. The Ultimate Controlling Party and the Immediate Parent company of the Company provide guarantee to the two non-controlling shareholders for the completion of the acquisition and would vote in favor for the acquisition in the shareholder's meeting. The acquisition was approved in the shareholder's meeting on 18 January 2018.

At 31 December 2017, a cash deposit of RMB30,000,000 was paid by the Group to the two non-controlling shareholders of Shenzhen Sinoagri and recorded in "amounts due from related parties" in note 22. The obligation to the payment of consideration was recognised at a liability measured at amortised cost and was charged to other reserve in the consolidated statement of changes in equity.

(i) As of the end of the reporting period, the ageing analysis of trade and bills payables and other borrowings, based on the invoice date, is as follows:

	2017 RMB'000	2016 RMB'000
Within 3 months	3,015,551	529,741
Over 3 months but within 12 months	4,626,891	345,100
Over 12 months	590,621	740,480
	8,233,063	1,615,321

(ii) Receipts in advance primarily consisted of deposits and down payments from customers for purchases of the Group's properties. Such proceeds were recorded as current liabilities before the associated sales were recognised. Sale of properties is subsequently recognised to the profit or loss in accordance with the Group's accounting policy as set out in note 1(x)(ii).

(iii) Other borrowings mainly represented amounts generated from peer-to-peer lending business as set out in note 33(i). The interest rate of the other borrowings are ranging from 7.4%-12% (2016: 7.4%-12%).

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

	2017 RMB'000	2016 RMB'000
Pledged bank deposits	2,187,042	–
Financial assets at fair value through profit or loss	2,761,540	–
Bills receivable	100,000	–
	5,048,582	–

26 BANK LOANS AND LOANS FROM OTHER FINANCIAL INSTITUTIONS

At 31 December 2017, the bank loans and loans from other financial institutions were repayable as follows:

	2017 RMB'000	2016 RMB'000
Within one year or on demand	5,572,061	2,332,654
After 1 year but within 2 years	2,437,184	2,911,698
After 2 year but within 5 years	2,540,598	2,308,936
After 5 years	444,574	840,634
	5,422,356	6,061,268
	10,994,417	8,393,922

As at 31 December 2017, the bank loans and loans from other financial institutions were secured as follows:

	2017 RMB'000	2016 RMB'000
Secured	10,634,426	8,000,338
Unsecured	359,991	393,584
	10,994,417	8,393,922

(a) Assets of the Group pledged to secure the bank loans and loans from other financial institutions comprise:

	2017 RMB'000	2016 RMB'000
Pledged bank deposits (note 23)	254,650	263,600
Bill receivables (note 20)	10,000	–
Investment properties (note 10)	11,643,869	7,784,804
Investment properties under development (note 10)	2,243,626	1,557,123
Properties under development (note 19)	1,704,082	1,256,818
Completed properties held for sale (note 19)	1,517,956	3,187,227
Property, plant and equipment (note 11)	15,960	–
Financial assets at fair value through profit or loss	–	2,203,480
	17,390,143	16,253,052

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

(b) Bank loans and loans from other financial institutions bear interest ranging from 2.50% to 13.00% per annum for the year ended 31 December 2017 (2016: 4.35% to 13.00% per annum).

(c) Certain banking facilities and borrowings of the Group are subject to the fulfilment of covenants relating to: (1) certain of the Group's subsidiaries' statement of financial position ratio; (2) restriction of profit distribution by certain of its subsidiaries; (3) early repayment of principal to be triggered when 70% of the gross sellable area for the underlying property project are sold; or (4) restriction of providing financial guarantees. These requirements are commonly found in lending arrangements with banks and financial institutions. If the Group was to breach such covenants, the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants and communicates with its lenders. Further details of the Group's management of liquidity risk are set out in note 31(b).

At 31 December 2017, bank loans of the Group of RMB2,767,372,000 (2016: RMB2,612,535,000) were not in compliance with the imposed covenants. The Group has obtained notices from the corresponding banks, which confirmed that the respective subsidiaries of the Group would not be regarded as having breached the covenants and the banks would not demand early repayment from the respective subsidiaries of the Group.

(d) As at 31 December 2017, secured bank loans of the Group of RMB160,000,000 (2016: RMB180,000,000) was guaranteed by Zall Holdings Limited ("Zall Holdings"), a company owned by the Ultimate Controlling Party of the Company.

27 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

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

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

(Expressed in Renminbi unless otherwise indicated)

28 EQUITY SETTLED SHARE-BASED PAYMENTS

(a) Employees' share option scheme

The Group has adopted a share option scheme ("Share Option Scheme") which granted a total of 45,667,950 share options during year ended 31 December 2017, to certain senior management "Shenzhen Sinoagri Management team" of Shenzhen Sinoagri at total consideration of HK$3.00 to subscribe shares of the Company. Each option gives the holder right to subscribe for one ordinary share in the Company and is settled gross in shares.

The terms and conditions of the grants are as follows:

Number of share options	Vesting Conditions	Contractual life of options
	The date of grant of 22 December 2017 to the respective date of the publication of annual report of the Company for the following financial year	The respective date of the publication of annual report of the Company for the following financial year to 21-12-2027
9,133,590	2017	2017
9,133,590	2018	2018
9,133,590	2019	2019
9,133,590	2020	2020
9,133,590	2021	2021
45,667,950		

The number of the options to be exercised after each vesting period is subject to a performance guarantee mechanism with reference to revenue and net profit of Shenzhen Sinoagri for the respective financial year as set out in the Share Option Scheme.

The number and weighted average exercise prices of share options are as follows:

	2017 Weighted Average exercise price HKD	Number of options
Granted during the year	8.48	45,667,950
Outstanding at the end of the year	8.48	45,667,950
Exercisable at the end of the year	8.48	–

(Expressed in Renminbi unless otherwise indicated)

28 EQUITY SETTLED SHARE-BASED PAYMENTS (Continued)

(a) Employees' share option scheme (Continued)

The options outstanding at 31 December 2017 had an exercise price of HKD8.48 and a remaining contractual life of 10 years.

Fair value of share options and assumptions:

The fair value of service received in return of share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share option is measured based on a binomial option pricing model. The fair value of each share option at measurement date is HKD3.7179 and the significant inputs into the model are listed as follows:

Share price determined at the measurement date	HKD8.48
Exercise price	HKD8.48
Time to Maturity	10 years
Exercise Mulitple	2.20
Volatility	37.29%
Estimated dividend yields	0%
Risk Free Rate	1.85%
Pre-vesting Exit Rate	0%
Post-vesting Exit Rate	0%

The estimated volatility of share price is calculated based on the statistical analysis of historical volatility of the Company. Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received.

In 2017, the total expense recognised in the consolidated statement of comprehensive income for share options granted to the recipients is RMB37,127,000.

(b) Management Shares Award scheme

On 22 December 2017, total 8,059,050 awarded shares were granted to Shenzhen Sinoagri Management team. The grant date is 22 December 2017. The purposes of the award shares to the Shenzhen Sinoagri Management team is to ensure the certainty of benefit and security of the recipients' positions and also allow the Company to continue its business operation with stability.

The awarded shares granted to the grantees will vest in 5 (five) equal instalments upon the publication of the annual report of the Company for each financial year ended 2017 to 2021. The number of awarded shares to be vested in each instalment is subject to the same performance guarantee mechanism with reference to revenue and net profit of Shenzhen Sinoagri for the respective financial year as set out in the Share Option Scheme.

As at 31 December 2017, the awarded shares granted are issued but did not vest to the grantees yet. Movements in the number of shares held for Management Shares for the year ended 2017 are as follows:

(Expressed in Renminbi unless otherwise indicated)

28 EQUITY SETTLED SHARE-BASED PAYMENTS (Continued)

(b) Management Shares Award scheme (Continued)

	Number of Management shares granted but not yet vested	Total
At 1 January 2017	–	–
Granted	8,059,050	8,059,050
At 31 December 2017	8,059,050	8,059,050

The total fair value of the awarded shares amounted to RMB59,175,000. The estimated fair value of the award shares on the grant date is determined by reference to the market price of the Company's shares at that date. The Group recognised share based payment expenses of RMB15,185,000 during the year ended 31 December 2017 with a corresponding increase in a capital reserve within equity.

(c) Incentive Shares

As one of the conditions of the acquisition of Shenzhen Sinoagri, the Company entered into a service agreement with Mr. Wei Zhe, David, pursuant to which, Mr. Wei Zhe, David would be appointed as an executive Director for a term from 28 June 2017 to 31 December 2019. As part of the remuneration package for Mr. Wei Zhe, David's contribution to the Company, subject to satisfaction by Shenzhen Sinoagri of the performance conditions for any of the three financial years from 2017 to 2019, the Company will allot and issue 10,746,000 ordinary shares ("Incentive Shares") to Mr. Wei, David within the two weeks after the date on which the annual report for the relevant financial year is published. The performance conditions are the same conditions as stated in performance guarantee mechanism set out in the Share Option Scheme with reference to revenue and net profit of Shenzhen Sinoagri. The Incentive Shares will be released to Mr. Wei Zhe, David under a lock-up arrangement.

For the purposes of the monitoring, implementing and enforcing the abovementioned lock-up arrangement, the certificates of the Incentive Shares, once issued, will be initially deposited with the Company in escrow. If Shenzhen Sinoagri satisfies the abovementioned performance conditions, all of the Incentive Shares will be allotted and issued to Mr. Wei Zhe, David upon the publication of that year's annual report of the Company, of which up to three-fifths of the Incentive Shares will be immediately released to Mr. Wei Zhe, David and the remaining Incentive Shares will be released in equal instalments upon the publication of the annual report of the Company for each of the following financial years up to 2021.

Movements in the number of shares granted for the Incentive Shares for the year ended 31 December 2017 are as follows:

	Number of shares granted but not yet issued and vested
At 1 January 2017	–
Granted	10,746,000
At 31 December 2017	10,746,000

(Expressed in Renminbi unless otherwise indicated)

28 EQUITY SETTLED SHARE-BASED PAYMENTS (Continued)

(c) Incentive Shares (Continued)

The estimated fair value of the Incentive Shares on the grant date is determined based on Asian put option pricing model. The fair value of the Incentive Shares on the granted date was RMB43,095,000 and the significant inputs into the model are listed as follows:

Share price determined at the measurement date	HKD4.92
Expiry date	30 April 2018, 2019, 2020, 2021 and 2022
Volatility	28.266% to 46.642%
Risk Free Rate	0.179% to 0.737%

The Group recognised share based payment expenses of RMB12,947,000 during the year ended 31 December 2017 with a corresponding increase in a share-based payment reserve within equity.

(d) VKC Consultancy Service Consideration Shares

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

Movements in the number of shares granted for VKC Consultancy Service Consideration Shares for the year ended 31 December 2017 are as follows:

	Number of shares granted but not yet issued and vested
At 1 January 2017	–
Granted	42,981,000
At 31 December 2017	42,981,000

The fair value of the granted shares is determined based on Asian put option pricing model by reference to the market price of the Company's shares during the service rendering period. The Group recognized share based payment expenses of RMB57,225,000 during the year ended 31 December 2017 with a corresponding increase in a capital reserve within equity.

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

29 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2017 RMB'000	2016 RMB'000
Current tax assets:		
PRC CIT	3,694	9,260
PRC LAT	12,331	25,953
	16,025	35,213
Current tax liabilities:		
PRC CIT	192,472	174,485
PRC LAT	92,180	71,987
	284,652	246,472

(b) Deferred tax assets and liabilities recognised:

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

	Provision for PRC LAT RMB'000	Fair value adjustments for investment properties RMB'000	Tax loss RMB'000	Fair value adjustment of intangible assets through business combination RMB'000	Others RMB'000	Total RMB'000
Deferred tax arising from:						
At 1 January 2016	2,602	(2,727,653)	22,790	–	(269,983)	(2,972,244)
Credited/(charged) to profit or loss	8,636	(200,563)	(6,048)	–	16,117	(181,858)
Acquisition of subsidiaries	–	–	–	–	(2,219)	(2,219)
Disposal of investment properties	–	12,959	–	–	–	12,959
At 31 December 2016	11,238	(2,915,257)	16,742	–	(256,085)	(3,143,362)
Deferred tax arising from:						
At 1 January 2017	11,238	(2,915,257)	16,742	–	(256,085)	(3,143,362)
Credited/(charged) to profit or loss	8,166	(361,820)	(17,733)	4,115	12,120	(355,152)
Acquisition of subsidiaries	–	–	14,989	(224,933)	(31,254)	(241,198)
Transfer from liabilities directly associated with non-current assets classified as held for sale	–	(38,038)	–	–	–	(38,038)
At 31 December 2017	19,404	(3,315,115)	13,998	(220,818)	(275,219)	(3,777,750)

The Group reviewed the investment properties and determined that the part of the properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time. As a result, the Group reversed the deferred LAT relating to these properties of RMB526,853,000 in 2017 (2016: RMB153,674,000).

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

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

(ii) Reconciliation to the consolidated statement of financial position

	2017 RMB'000	2016 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	67,997	168,837
Net deferred tax liabilities recognised in the consolidated statement of financial position	(3,845,747)	(3,312,199)
	(3,777,750)	(3,143,362)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(v), the Group has not recognised deferred tax assets in respect of unused tax losses of RMB524,607,000 as at 31 December 2017 (2016: RMB495,868,000). The directors consider it is not probable that future taxable profits against which the losses can be utilised will be available from these subsidiaries. Cumulative tax losses of RMB524,607,000 (2016: RMB495,868,000) will expire within 5 years under current tax legislation.

(d) Deferred tax liabilities not recognised

As at 31 December 2017, temporary differences relating to the undistributed profits of certain subsidiaries of the Group in the PRC amounted to RMB4,592,544,000 (2016: RMB3,328,254,000). Deferred tax liabilities of RMB459,254,000 (2016: RMB332,825,000) have not been recognised in respect of the tax that would be payable on the distribution of the retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

30 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

Company

	Note	Share capital RMB'000 30(b)	Share premium RMB'000 30(c)(i)	Shares held for the Management Share Award Scheme RMB'000 30(b)(iii)	Equity settled share-based payment reserve RMB'000 30(c)(iv)	Exchange reserve RMB'000 30(c)(iii)	Retained profits/(loss) RMB'000	Total equity RMB'000
At 1 January 2016		29,727	779,593	–	–	(33,951)	(177,196)	598,173
Changes in equity for 2016:								
Total comprehensive income for the year		–	–	–	–	22,132	(24,021)	(1,889)
At 31 December 2016 and 1 January 2017		29,727	779,593	–	–	(11,819)	(201,217)	596,284
Changes in equity for 2017:								
Total comprehensive income for the year		–	–	–	–	(73,563)	(102,519)	(176,082)
Issuance of new shares	30(b)(i)	1,038	1,305,453	–	–	–	–	1,306,491
Acquisition of subsidiaries	30(b)(ii)	1,504	2,218,644	–	–	–	–	2,220,148
Equity-settled share-based payment for employee	28	–	–	–	65,259	–	–	65,259
Equity-settled share-based payment for non-employee	28	–	–	–	57,225	–	–	57,225
Issuance of shares for management share award scheme	28	23	59,152	(59,175)	–	–	–	–
At 31 December 2017		32,292	4,362,842	(59,175)	122,484	(85,382)	(303,736)	4,069,325

30 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Share capital

	Note	2017 Number of shares ('000)	2017 Amount HKD'000	2016 Number of shares ('000)	2016 Amount HKD'000
Authorised:					
Ordinary shares of HKD0.00333 each		24,000,000	80,000	24,000,000	80,000
Ordinary shares, issued and fully paid:					
At 1 January		10,745,578	35,818	10,745,578	35,818
Placing of new shares	(i)	357,141	1,190	–	–
Issuance of new shares as consideration of acquisition of subsidiaries	(ii)	517,227	1,724	–	–
Issuance of Management Shares	(iii)	8,059	27	–	–
At 31 December		11,628,005	38,759	10,745,578	35,818

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

(i) On 16 June 2017, 357,141,000 ordinary shares have been allotted and issued by the Company at a price of HK$4.2 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, were credited to the share premium account of the Company.

(ii) On 28 June 2017, 517,227,000 ordinary shares were issued and allotted to acquire Shenzhen Sinoagri as set out in note 35. The fair value of the consideration for the acquisition of RMB2,220,148,000 (equal to HKD2,544,757,000) was measured by using the number of ordinary shares issued and the listed share price of HKD4.92 per share on that date.

The amounts of the consideration of RMB1,504,000 (equal to HKD1,724,000) representing the par value of these ordinary shares, were credited to the Company's share capital and the excess of the amounts of the consideration over the nominal value of the total number of ordinary shares issued after offsetting share issuance costs of RMB2,218,644,000, were credited to the share premium account of the Company.

30 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Share capital (Continued)

(iii) On 22 December 2017, 8,059,000 ordinary shares were issued for the Management Share Award Scheme as set out in note 28(b). The fair value of the shares issued was RMB59,175,000, of which RMB23,000 (equal to HKD27,000) was credited to share capital and the excess of the fair value over the nominal value of the total number of ordinary shares issued of RMB59,152,000 were credited to the share premium account of the Company.

(c) Reserves

(i) Share premium

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

(ii) PRC statutory reserve

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

(iii) Exchange reserve

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

(iv) Equity settled share-based payment reserve

Share-based payment reserve comprises the following:

- The fair value of services provided by parties other than employees to the Group in connection with the listing of the Company and the services were settled by equity instrument of the Company. The relevant services are recognised in accordance with IFRS 2, Share-based payment;

- The portion of the grant date fair value of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for the share-based payments in note 1(u); and

- The portion of the grant date fair value of unreleased Incentive Shares and Management Shares granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for the share-based payments in note 1(u).

30 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Reserves (Continued)

(v) Other reserves

Other reserves are resulted from:

(a) transactions with owners in their capacity as the equity owners. The balance comprises capital reserve surplus/deficit arising from the difference between the deemed consideration and the corresponding net assets value at the respective date of the transactions; and

(b) the obligation to the payment of consideration for the acquisition of 8.36% equity interest of Shenzhen Sinoagri as set out in note 25.

(vi) Revaluation reserve

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

(d) Capital management

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

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

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as interest-bearing loans and borrowings, less fixed deposits with banks with original maturity over three months, pledged bank deposits and cash and cash equivalents. Adjusted capital comprises all components of equity.

30 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Capital management (Continued)

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

The Group's adjusted net debt-to-capital ratio at 31 December 2017 and 2016 was as follows:

	Note	2017 RMB'000	2016 RMB'000
Current liability:			
Bank loans and loans from other financial institutions	26	5,572,061	2,332,654
Non-current liability:			
Bank loans and loans from other financial institutions	26	5,422,356	6,061,268
Total debt		10,994,417	8,393,922
Less: Fixed deposits with banks with original maturity over three months		132,602	–
Pledged bank deposits	23	2,553,901	550,453
Cash and cash equivalents	24	1,283,647	273,262
Adjusted net debt		7,024,267	7,570,207
Total equity attributable to equity shareholders of the Company		17,781,210	12,104,547
Adjusted net debt-to-capital ratio		39.51%	62.54%

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

(e) Dividends

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

No dividend was declared during the year of 2017 and 2016.

The final dividend of HK2.58 cents of the financial year ended 31 December 2017 (2016:Nil) per share, amounting to HKD300,000,000 (equivalente to RMB250,773,000) has been proposed by the Board and is subject to approval by the shareholders at the forthcoming Annual General Meeting. The amount of final dividend proposed, which was calculated based on the number of ordinary shares in issue at the date of approval of the consolidated financial statement, has not been recognised as a liability in the consolidated financial statement.

(ii) No final dividend in respect of the previous financial year was approved and paid during the year of 2017 and 2016.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

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

In respect of trade and other receivables and loans receivables within the supply chain management and trading segment and E-commerce and financial services segment, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 180 to 360 days from the date of billing. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers, except for the loans receivables as set out in Note 21.

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

Investments are normally only in liquid securities quoted on a recognised stock exchange, or in wealth management products issued by commercial banks which maintain sound reputation and financial situation. Transactions involving derivative financial instruments are with counterparties of sound credit standing. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the group has significant exposure to individual customers. At the end of the reporting period, 1% (2016: 3%) and 2% (2016: 8%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively within the segments of supply chain management and trading and the E-commerce and financial services.

Except for the financial guarantees given by the Group as set out in note 33, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 33.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 20.

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

(b) Liquidity risk

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

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

	2017					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans and loans from other financial institution	6,844,356	3,110,669	3,516,939	751,617	14,223,581	10,994,417
Trade and other payables (excluding receipts in advance)	11,231,234	23,369	–	–	11,254,603	11,254,603
Amounts due to related parties	583,410	–	–	–	583,410	583,410
	18,659,000	3,134,038	3,516,939	751,617	26,061,594	22,832,430

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

(b) Liquidity risk (Continued)

	2016					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans and loans from other financial institutions	2,363,436	3,299,577	2,568,347	967,128	9,198,488	8,393,922
Trade and other payables (excluding receipts in advance)	3,848,236	18,872	–	–	3,867,108	3,867,108
Amount due to related parties	631,881	–	–	–	631,881	631,881
	6,843,553	3,318,449	2,568,347	967,128	13,697,477	12,892,911

(c) Interest rate risk

The Group's interest rate risk arises primarily from cash and cash equivalents, fixed deposits with banks with original maturity over three months, pledged bank deposits, receivables and payables generated from financial services business and borrowings issued at variable rates.

The Group does not anticipate significant impact to cash and cash equivalents, fixed deposits with banks with original maturity over three months, pledged bank deposits and the receivables because the interest rates of bank deposits and the receivables are not expected to change significantly.

The interest rates and terms of repayment of bank loans of the Group are disclosed in note 26 to the consolidated financial statements. The Group does not carry out any hedging activities to manage its interest rate exposure.

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

(c) Interest rate risk (Continued)

(i) Interest rate profile

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

	2017		2016	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Bank loans and loans from other financial institutions	2.50%-11.00%	6,830,343	4.35%-12.40%	2,327,889
Trade payables	7.40%-12.00%	594,067	7.40%-12.00%	370,339
Variable rate borrowings:				
Bank loans and loans from other financial institutions	4.75%-13.00%	4,164,074	4.75%-13.00%	6,066,033
Total borrowings		11,588,484		8,764,261
Fixed rate borrowings as a percentage of total borrowings		64%		31%

(ii) Sensitivity analysis

At 31 December 2017, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately RMB15,615,000 (2016: decrease/increase profit after tax by approximately RMB22,748,000) in response to the general increase/decrease in interest rates, which has not taken into account of interest capitalisation to property for sales.

The sensitivity analysis above indicates the instantaneous change in the Group's profit/loss after tax (and retained profits) and other components of consolidated equity that would arise in respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period. The impact on the Group's profit after tax (and the retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expenses or income of such a change in interest rates. The analysis is performed on the same basis as 2016.

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

(d) Currency risk

As the Group's principal activities are carried out in the PRC, the Group's transactions are mainly denominated in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

The management does not expect that there will be any significant currency risk for the Group for both years ended 31 December 2017 and 2016.

(e) Equity price risk

The Group is exposed to equity price changes arising from listed equity investments classified as trading securities (see note 18).

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

The Group is also exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivatives of the Group. As at the end of the reporting period, the Group is exposed to this risk through the contingent consideration as disclosed in note 35.

At 31 December 2017, it is estimated that an increase/(decrease) of 10% in the relevant stock market index (for listed investments) or the Company's own share price (for the contingent consideration) as applicable, with all other variables held constant, would have increased/decreased the Group's profit after tax (and retained profits) as follows:

	2017		2016	
		Effect on profit after tax and retained profits RMB'000		Effect on profit after tax and retained profits RMB'000
Change in the relevant equity price risk variable:				
Increase	10%	211,167	10%	220,348
Decrease	(10)%	(211,167)	(10)%	(220,348)

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

(e) Equity price risk (Continued)

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2016.

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

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

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

	Fair value at 31 December 2017	Fair value measurements as at 31 December 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	2,123,751	2,123,751	—	—	2,203,480	2,203,480	—	—
— Warrant	3	—	3	—	5,241	—	5,241	—
— Wealth management products and trust products (i)	2,761,540	2,761,540	—	—	—	—	—	—
— Forward contracts	182,408	—	182,408	—	—	—	—	—
— Contingent consideration	6,915	—	—	6,915	—	—	—	—
Liabilities:								
— Forward contracts	450,140	267,732	182,408	—	—	—	—	—

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(f) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

(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) During the year ended 31 December 2017 and 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

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

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

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	Contingent consideration
Balance at 31 December and 1 January 2017	–
Assumed in a business combination	20,892
Net change in fair value	(13,977)
Balance at 31 December 2017	6,915

Sensitivity analysis

For the fair values of contingent consideration, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

	Profit or loss	
	Increase RMB'000	Decrease RMB'000
Revenue (5% movement)	**(5,168)**	21,312
Net profit (5% movement)	**(2,530)**	4,980
Equity price (5% movement)	**346**	(346)
	(7,352)	25,946

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2017 and 31 December 2016.

32 COMMITMENTS

(a) Operating lease commitment

At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	59,746	47,779
After 1 year but within 5 years	16,052	14,462
	75,798	62,241

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

(b) Capital commitments on development costs

As at 31 December 2017, the Group's capital commitments in respect of investment properties under development and properties under development are as follows:

	2017 RMB'000	2016 RMB'000
Contracted but not provided for		
Investment properties under development	112,354	84,554
Properties under development	1,133,544	756,625
	1,245,898	841,179

33 CONTINGENT LIABILITIES

	2017 RMB'000	2016 RMB'000
Bank financial guarantees (i)	104,740	56,829
Other non-bank financial guarantees (i)	36,950	91,940
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (ii)	845,189	1,881,805
Total maximum guarantees issued	986,879	2,030,574

(i) One of the Group's wholly-owned subsidiary named Wuhan North Hankou Guarantee Investment Co., Ltd. ("Wuhan Guarantee Investment") is principally engaged in provision of loan guarantee services to enterprises in the PRC.

Zalljinfu Information Technology (Wuhan) Co., Ltd. ("Zalljinfu, a wholly owned subsidiary of the Group), operates peer-to-peer lending business through Zalljinfu (its website is www.zalljinfu.com). Zalljinfu is an internet platform to provide loan information and borrowers can obtain funding from lenders through Zalljinfu.

Harvest Financial Information Service (Hangzhou) Co., Ltd ("HFS", a non-wholly owned subsidiary of the Group) 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 Zalljinfu and Jia Shiliu, pursuant to the relevant agreements, Wuhan Guarantee Investment, Zalljinfu 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.

(ii) 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.

34 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere above, the Group and the Company entered into the following material related party transactions.

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

(a) Transactions with key management personnel

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

	2017 RMB'000	2016 RMB'000
Wages, salaries and other benefits	9,843	6,660
Contribution to defined benefit retirement scheme	211	162
Equity settled share-based payment expenses	65,259	—
	75,313	6,822

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

(b) Other transactions and balances with related parties

Related party transactions

	2017 RMB'000	2016 RMB'000
(i) Advances from related parties		
— Immediate Parent	—	166,379
— Ultimate Controlling Party	200,000	3,900
— Associates	371	—
— Joint ventures	60,939	10,000
— Non-controlling interests of subsidiaries	1,250	—
— Entities controlled by Ultimate Controlling Party	11,315	69
— Entities controlled by non-controlling interests of subsidiaries	370,352	—
	644,227	180,348

34 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions and balances with related parties (Continued)

Related party transactions (Continued)

Advances from related parties are unsecured, interest free and repayable on demand.

	2017 RMB'000	2016 RMB'000
(ii) Payments to related parties		
— Immediate Parent	469,512	38,606
— Ultimate Controlling Party	200,000	—
— Associates	20,277	—
— Joint ventures	85,969	—
— Entities controlled by Ultimate Controlling Party	11,223	—
— Entities controlled by non-controlling interests of subsidiaries	256,152	—
	1,043,133	38,606

	2017 RMB'000	2016 RMB'000
(iii) Advances to related parties		
— Associates	47,807	—
— Joint ventures	309,479	8,620
— Non-controlling interests of subsidiaries	30,228	—
— Entities controlled by Ultimate Controlling Party	1,508	1,250
	389,022	9,870

Advances to related parties are unsecured, interest free and repayable on demand.

	2017 RMB'000	2016 RMB'000
(iv) Repayment from related parties		
— Associates	27,512	—
— Joint ventures	298,670	8,620
— Non-controlling interests of subsidiaries	229	—
— Entities controlled by Ultimate Controlling Party	331	—
	326,742	8,620

34 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions and balances with related parties (Continued)

Related party transactions (Continued)

	2017 RMB'000	2016 RMB'000
(v) Sales to related parties		
— Associates	11,409	—
— Non-controlling shareholders of subsidiaries	7,667	—
— Companies controlled by non-controlling shareholders of subsidiaries	901	—
	19,977	—

The directors consider that sales to related parties during the year ended 31 December 2017 were conducted on normal commercial terms and in the ordinary and usual course.

	2017 RMB'000	2016 RMB'000
(vi) Purchase from related parties		
— Non-controlling shareholders of subsidiaries	1,680	—

The directors consider that purchase from related parties during the year ended 31 December 2017 were conducted on normal commercial terms and in the ordinary and usual course.

	2017 RMB'000	2016 RMB'000
(vii) Rental income from related parties		
— Entities controlled by Ultimate Controlling Party	19,712	2,119

The directors consider that rental income from related parties during the year ended 31 December 2017 were conducted on normal commercial terms and in the ordinary and usual course.

	2017 RMB'000	2016 RMB'000
(viii) Loans guaranteed by related parties		
— Entities controlled by Ultimate Controlling Party (Note 26(d))	160,000	180,000
— Immediate Parent and Ultimate Controlling Party	—	447,255
	160,000	627,255

No guarantee income was charged by related parties for the guarantee of loans.

34 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

Save for the related party transactions in respect of transactions 34(b)(vii) above, none of the related party transactions set out above constitutes connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules. For details of the related party transactions 34(b)(vii) above, please refer to the section "Connected Transaction" of the Directors' Report. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions of the Group.

35 ACQUISITION OF SUBSIDIARIES

Acquisition of interest in 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 Acquisition was approved by the shareholder of the Company on 9 March 2017. 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 IFRS3 (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.

From the post acquisition date to 31 December 2017, Shenzhen Sinoagri recognized revenue of RMB17,165,471,000 and gain of RMB24,315,000, if considering the amortisation of intangible assets and equity settled share-based payment of RMB12,347,000 and RMB52,312,000 arisen from the Acquisition, the loss contributed to the Group's result amounted to RMB40,344,000. If the acquisition had occurred on 1 January 2017, management estimates that consolidated revenue would have been RMB37,678,539,000, and consolidated profit for the year would have been RMB2,463,435,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2017.

35 ACQUISITION OF SUBSIDIARIES (Continued)

Acquisition of Shenzhen Sinoagri

	Note	Pre-acquisition carrying amount RMB'000	Fair value adjustment RMB'000	Recognised value on acquisition RMB'000
Property, plant and equipment	11	87,966	—	87,966
Interest in associates		1,547	(468)	1,079
Interest in a joint venture		24,233	—	24,233
Intangible assets	12	316,752	590,200	906,952
Deferred tax assets		32,002	—	32,002
Goodwill	13	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		779,308	—	779,308
Loans receivable		2,749,186	—	2,749,186
Amounts due from related parties		6,215	—	6,215
Fixed deposits with banks with original maturity over three months		10,000	—	10,000
Restricted cash		2,230,389	—	2,230,389
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
Less: The proportion of the original minority shareholders				(165,139)
				1,375,683
Non-controlling interests (49.4%)				679,587
Proportion of ownership (50.6%)				696,096
Consideration, satisfied by:				
— Equity instruments (517,227,000 ordinary shares) (i)	30(b)(ii)			2,220,148
— Contingent consideration	31			(20,892)
Total fair value of the consideration				2,199,256
Goodwill arising on acquisition	13			1,503,160

35 ACQUISITION OF SUBSIDIARIES (Continued)

Acquisition of Shenzhen Sinoagri (Continued)

(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.

(ii) The valuation techniques used for measuring the fair value of material asset acquired and contingent consideration were as follows:

Assets Acquired	Valuation Approach and Methodology
Intangible assets – customer relationship	Estimated using excess earning approach, under which associated contributory assets returns are deduced from projected income stream to measure cash flow attributable to subject assets, and discounted projected excess earning by risk-adjusted discount rate.
Intangible assets – trademarks	Estimated using relief from royalty approach, under which projected royalty income is estimated based on comparable royalty rates, and discounted projected after-tax royalty income by risk-adjusted discount rate.
Intangible assets – favorable contracts	Estimated with-and-without approach, under which cash flow attributable to incremental cost saving associated with subject asset is estimated, and the projected cash flows are discounted by risk-adjusted discount rate.
Contingent consideration	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.

35 ACQUISITION OF SUBSIDIARIES (Continued)

Acquisition of Zall Heng Supply Chain Management (Wuhan) Co., Ltd. ("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 31 December 2017, Wuhan Zall Heng contributed revenue of RMB3,233,749,000 and loss of RMB2,413,000 to the Group's results. If the acquisition had occurred on 1 January 2017, management estimates that consolidated revenue would have been RMB24,425,802,000, and consolidated profit for the year would have been RMB2,356,387,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2017.

	Note	Pre-acquisition carrying amount RMB'000	Recognised Fair value adjustment RMB'000	value on acquisition RMB'000
Property, plant and equipment	11	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, satisfied by cash				(1,250)
Goodwill arising on acquisition	13			7
Net cash flow arising from acquisition				
Cash acquired				789

36 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Interests in subsidiaries	14	2,979,940	707,480
Current assets			
Dividends receivable		500,660	515,681
Cash and cash equivalents		107,475	14,320
Trade and other receivables, prepayments		796,290	—
		1,404,425	530,001
Current liabilities			
Short-term loan		—	447,255
Trade and other payables		315,040	193,942
		315,040	641,197
Net current assets/(liabilities)		1,089,385	(111,196)
Total assets less current liabilities		4,069,325	596,284
NET ASSETS		4,069,325	596,284
CAPITAL AND RESERVES	30		
Share capital		32,292	29,727
Reserves		4,037,033	566,557
TOTAL EQUITY		4,069,325	596,284

37 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 31 December 2017, the directors consider the Immediate Parent and Ultimate Controlling Party of the Group to be Zall Development Investment and Mr. Yan Zhi respectively. Zall Development Investment does not produce financial statements available for public use.

38 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

On 11 October 2017, the Group entered into an agreement in relation to acquisition of 52.48% interest in HSH International Inc. ("HSH International") at an aggregate consideration of US$29,500,000 (equivalent to approximately RMB192,759,000). HSH International, a company incorporated in the Cayman Islands with limited liability, together with its subsidiaries, is principally engaged in the trading of chemical and plastic raw materials and operating the information services business. The transaction was approved by the shareholder of the Company on 5 March 2018 and completion took place on 28 March 2018, HSH International, together with its subsidiaries, became non-wholly owned subsidiaries of the Company.

(Expressed in Renminbi unless otherwise indicated)

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to IFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
Amendments to IAS 40, *Investment property: Transfers of investment property*	1 January 2018
IFRIC 22, *Foreign currency transactions and advance consideration*	1 January 2018
IFRS 16, *Leases*	1 January 2019
IFRIC 23, *Uncertainty over income tax treatments*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 9 and IFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

IFRS 9, Financial instruments

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, Financial instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

IFRS 9, Financial instruments (Continued)

(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):

— 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 interest revenue, impairment 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.

The group has assessed 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. Where investments in equity securities are held for strategic purposes, they will be held at FVTOCI and all other equity securities will be held at FVTPL. The Group assessed that upon the initial adoption of IFRS 9, this will give rise to a change in accounting policy as currently the Group recognizes the fair value changes of available-for-sale equity investments in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's policies set out in notes 1(g) and 1(m). However, the actual extent of impact of this new accounting policy will depend on the classification of available-for-sale equity investments and the Group is in the process of assessing the implication.

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 credit risk to be recognised in other comprehensive income (without reclassification to profit or loss).

(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 either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The group expects that the application of the expected credit loss model will result in earlier recognition of credit losses.

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

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.

The Group's revenue recognition policies are disclosed in note 1(x). Currently, revenue arising from construction contracts and the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers. Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

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

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

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

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

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from construction contracts. The Group is assessing whether the current timing of revenue recognition for sales of commodities and properities will still be appropriate under IFRS 15, and 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.

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

IFRS 16, Leases

As disclosed in note 1(l), 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 treatment as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 32(a), at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB75,798,000 for properties, the majority of which is payable 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 standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in IFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

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

	Project	Location	Expected date of completion	Intended use	Site area (sq.m.)	Gross Floor Area (sq.m.)	Group's interest (%)
1	Portion of North Hankou International Trade Center	Liudian and Shekou Villages, Panlongcheng Economics and Technology Development Zone, Technology Development Zone, Province, PRC	Dec-2018	Commercial	476,661	578,955	100%
2	No. 1 Enterprise Community (Phase IV)	Te No. 1 Chutian Road, Panlongcheng Economics and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Dec-2018	Residential	401,176	618,883	100%
3	Zall Life City – Hupan Haoting Residences (Phase II)	Panlongcheng Economics and Technology Development Zone, Huangpi District, Wuhan, Hubei	Oct-2019	Residential	72,771	175,162	100%
4	No.1 Enterprise Community – Changsha (Phase II)	Zhiji Village, Xingangzhen Kaifu District, Changsha, Hunan Province, PRC	Dec-2018	Commercial	120,652	278,352	80%
5	Portion of Jingzhou Zall City	Jinan Zhen, Sanhong Village, Jingzhou District, Jingzhou City, Hubei Province, PRC	Dec-2018	Commercial	137,802	229,006	100%
6	Tianjin E-commerce Mall (Area C)	Xijing District, Qingwu Xuefu Industrial Park, Tianjin City, PRC	Dec-2018	Commercial and residential	57,766	92,928	100%
7	Wuhan Inland Port Centre (Phase I)	Shigang Village, Yangluo Street, Xinzhou District, Wuhan, Hubei Province, PRC	Oct-2018	Logistic Center	235,971	126,857	100%

Major Properties Information

As at 31 December 2017

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

	Project	Location	Existing use	Gross Floor Area (sq.m.)	Group's interest (%)
1	Portion of North Hankou International Trade Center	Liudian and Shekou Villages, Panlongcheng Economics and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Shops and residential	365,787	100%
2	Portion of North Hankou International Trade Center – Automobile Big World	Liudian and Shekou Villages, Panlongcheng Economics and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Shops	25,224	100%
3	Portion of No. 1 Enterprise Community (Phase I, II & III)	Te No. 1 Chutian Road, Panlongcheng Economics Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Office	83,454	100%
4	Zall Life City – Hupan Haoting Residences	Panlongcheng Economics and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Residential	11,402	100%
5	Portion of Jingzhou Zall City	Jinan Zhen, Sanhong Village, Jingzhou District, Jingzhou City, Hubei Province, PRC	Shops	71,725	100%
6	No. 1 Enterprise Community – Changsha (Phase I)	Zhiji Village, Xingangzhen Kaifu District, Changsha, Hunan Province, PRC	Office	51,228	80%

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

	Project	Location	Stage of completion	Term of land	Approximate gross floor area (sq.m.)	Group's interest (%)
1	Portion of North Hankou International Trade Center	Liudian and Shekou Villages, Panlongcheng Economic and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Completed	Medium	1,061,005	100%
2	Portion of North Hankou International Trade Center	Te No. 1 Chutian Road, Panlongcheng Economic and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Under development	Medium	3,898	100%
3	Portion of North Hankou International Trade Center	Liudian and Shekou Villages, Panlongcheng Economic and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Completed	Medium	201,702	100%
4	North Hankou Logistics Center	Panlongcheng Economic and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Completed	Medium	25,550	100%
5	North Hankou Logistics Center	Jiangjunlu street, Dongxihu District, Wuhan, Hubei Province, PRC	Under development	Medium	18,354	100%
6	Portion of No. 1 Building Portion of No. 1 Building Community	Te No. 1 Chutian Road, Panlongcheng Economic and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Completed	Medium	6,911	100%
7	Portion of Commercial Street of No. 1 Enterprise Community	No. 18 Julong Road, Panlongcheng Economics and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Completed	Medium	11,597	100%
8	Portion of Tianjin E-commerce Mall (Area A & B)	Phase I, International Trade Centre, Tianjin E-commerce City, 32 Chuangxin Road, Xijing District, Tianjin City, PRC	Under development	Medium	519,458	100%

Financial Summary

	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Result					
Revenue	22,249,176	1,213,375	1,029,482	1,986,129	1,581,188
Gross Profit	1,012,255	361,307	271,210	976,104	664,849
Net valuation gain on investment properties	3,021,326	1,275,697	1,237,742	2,157,336	1,742,158
Profit for the year attributable to:					
Equity shareholders of the Company	2,379,077	2,048,951	2,037,727	1,572,819	1,583,747
Non-controlling interests	(22,595)	7,620	8,261	37,905	45,273
Profit for the year	2,356,482	2,056,571	2,045,988	1,610,724	1,629,020
Financial position					
Total assets	47,343,628	29,747,649	23,769,619	22,176,014	18,298,116
Total liabilities	28,682,741	17,608,417	13,459,088	13,613,874	11,408,962
Non-controlling interests	879,677	34,685	842,063	644,239	586,734
Total equity attributable to equity shareholders of the Company	17,781,210	12,104,547	9,468,468	7,917,901	6,302,420
Total Equity	18,660,887	12,139,232	10,310,531	8,562,140	6,889,154