ZALL 卓尔智联

Zall Smart Commerce Group Ltd.
卓爾智聯集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2098

Interim Report 2019

About

Zall Smart Commerce Group Ltd.

The Group constructs and operates B2B trading platforms for consumer goods, agricultural products, chemicals, plastic raw materials, black and non-ferrous metals, etc., and provides services such as finance, property, logistics, cross-border trading and supply chain management based on the trading scenario and transaction data. The Group also develops and operates large-scale, consumer product focused wholesale shopping malls.

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Corporate Information

DIRECTORS

Executive Directors	Mr. Yan Zhi *(Co-chairman and Co-chief executive officer)* Dr. Gang Yu *(Co-chairman)* Mr. Wei Zhe, David Mr. Qi Zhiping *(Co-chief executive officer)* Mr. Cui Jinfeng Ms. Min Xueqin *(appointed on 16 April 2019)*
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	No. 1 Enterprise Community 1 Chutian Avenue Panlongcheng Economics and Technology Development Zone Wuhan, Hubei Province China 430000
Principal Place of Business in Hong Kong	Suite 2101, 21st Floor Two Exchange Square Central Hong Kong
Audit Committee	Mr. Cheung Ka Fai *(Chairman)* Mr. Wu Ying Mr. Zhu Zhengfu
Nomination Committee	Mr. Wu Ying *(Chairman)* Mr. Yan Zhi Mr. Cheung Ka Fai
Remuneration Committee	Mr. Zhu Zhengfu *(Chairman)* Mr. Qi Zhiping Mr. Wu Ying

Risk Management Committee	Mr. Zhu Zhengfu *(Chairman)* Mr. Cui Jinfeng Mr. Cheung Ka Fai
Company Secretary	Ms. Foo Man Yee, Carina
Company Website	http://www.zallcn.com/
Authorized Representatives	Mr. Cui Jinfeng Ms. Foo Man Yee, Carina
Hong Kong Share Registrar	Tricor Investor Services Limited Level 54, 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 Advisors	P. C. Woo & Co. Sidley Austin
Principal Bankers	China Construction Bank China Minsheng Banking Corp., Ltd. Industrial and Commercial Bank of China China CITIC Bank

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Zall Smart Commerce Group Ltd. (the "**Company**" or "**Zall Smart**"), I am pleased to present the interim report of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2019.

During a period characterised by complex international economic conditions and increasing downward pressure on the domestic economy, Zall Smart continues to uphold its philosophy of "connecting global business intelligently and creating value for clients" and actively downplayed the adverse effects caused by the macro environment. The Company's well-defined operating objectives, distinct business model, stable workforce and solid fundamentals enabled its different platforms to leverage their strengths and realize positive development.

During the first half of the year, the Company focused on the industrial internet and established new types of trading platforms. The Company achieved a gradual increase in transaction volume and maintained a steady performance growth. Zall Smart trading systems continues to integrate and develop, with each platform covering more of the industrial chain and further strengthened the Company's influence in the industry. The promotion of "commerce + technology" development drivers was accelerated, with the application of technologies such as Internet of Things and Blockchain making new progress. The offline market experienced a satisfying level of development and comprehensive online work was duly launched. The risk control system was further improved, and the establishment of a finance empowered trading platform began to show its effect. Expansion of overseas business was accelerated and the Company's internationalisation continued steadily.

With respect to the offline market, the Group achieved good development through the continuous enhancement of customer service, refined brand management and improvements to its property system. The Group achieved prosperous business development in each market, in which North Hankou International Trade Center's performance exceeded its half-year revenue target. North Hankou continues to focus on its overseas business, with export volumes increasing significantly, a new gateway and passageway being enclosed for operation, and its cross-border e-commerce customs clearance platform has successfully into operation. A system establishment for "Digital North Hankou" was also commenced to proactively explore online solutions for wholesale markets nationwide.

Each of the Company's online platforms continued to make progress in penetrating the industry. Subsidiaries such as Shenzhen Sinoagri E-commerce Co., Ltd. ("**Shenzhen Sinoagri**") and HSH International Inc. ("**HSH**"), as well as Zall Steel E-Commerce Co., Ltd ("**Zall Steel**"), actively planned for the whole industrial chain, including enhancing supply chain service levels, expanding vertical segmentation, and expanding their overseas business. Bulk commodities services such as agricultural products, chemicals, plastic raw materials and black metals expanded continuously. By offering convenient, intelligent and efficient trading platform services, these subsidiaries provided better solutions for procurement, distribution, payment, logistics and lowered the transaction costs for upstream and downstream industry enterprises.

In the future, Zall Smart will continue to engage in its principal B2B and supply chain services business, promoting online and offline platform integration, engagement with upstream and downstream industry businesses, technological innovation and exploration of opportunities for in-depth trading services to realize the Company's high quality development.

The wholesale market presents a typical scenario that is suitable for B2B trading development. Zall Smart originated from an offline trading platform, and after four years of internet transformation, it had accumulated operating experience in the physical market as well as the new economy. Wholesale markets' core value is the prosperity of trading. The online transformation will aid the prosperous development of offline markets, while the offline markets will contribute traffic and scale effect to the online platforms. We will accelerate the application of online and offline integration, and by leveraging on their two-way empowerment and mutual development, create larger development potential for Zall Smart.

"Making transactions smooth and simple through global intelligent trading platforms" will continue to be the principal business of Zall Smart. Going forward, we will strive for innovation while maintaining an efficient, low-cost, open, win-win trading system to intelligently connect global business. We look forward to having more cooperation with Chinese and international enterprises through integration and mutual development, leading to the redefinition of B2B and even global trading for a new era.

Yan Zhi
Co-chairman

Hong Kong, 30 August 2019

Management Discussion and Analysis

BUSINESS REVIEW

Consumer product-focused wholesale trading

The Group's heavily invested core project, the North Hankou International Trade Center, has now formed 30 large specialized market clusters covering footwear and leatherware, branded clothing, hotel supplies, small merchandises, bedding, automobile and second-handed vehicles, hardware and electrical products, etc., with merchants reaching 32,000 operating stably. The total developed and developing area of market clusters exceeded 6.8 million square meters. The transaction amount achieved in the first half of 2019 was RMB38.0 billion. It was honoured as "National Trading Market System-Demonstration Market on Transformation, Upgrade, Innovation and Development for 2018" and "The Most Influential Brand Market in China over the Past 40 Years of Reform and Opening-Up".

In the first half of 2019, 172,600 square meters were added to the area for investment in the North Hankou International Trade Center, with the Branded Clothing City (品牌服裝城) striving to provide new retail model and O2O consumer experience area for boutique clothing and accessories; the Big World of Flowers, Birds, Fish and Pets (花鳥魚寵大世界) fully assuming the relocation and transfer of old markets and establishing itself as an one-stop pet shopping center in Central China; and the National Hotel Supplies Trading Center (全國酒店用品貿易中心) integrating supply chain resources to form a marketing platform for resources of the industry covering the whole country. At the same time, the markets organised various activities such as order fairs, internal purchase fairs, procurement days, group buying fair, etc. for a total of 34 times including "Spring Trade Fair" (春季商品交易會), "Ordering Fair for New Footwear" (鞋業新品訂貨會), "Spring Ordering Fair for Curtains" (窗幕春季訂貨會), "Garment Purchasing Day" (服裝掃貨日), "Stationery and Sporting Goods Expo" (文體博覽會), "Dream Car Purchasing Season" (夢想購車季) etc. Corresponding activities were held prior to the activities mentioned above to develop customers in key cities and counties in Central China, release activity information to precise targets and publicize the prosperity and activities of the Center.

In the first half of 2019, the Group continued to strengthen the pilot construction of the national market procurement and trading mode, and comprehensively deepened the development of new foreign trading business to become the only export industrial park in China integrating market procurement, cross-border e-commerce and general trade. In the first half of 2019, total pilot export reached USD390 million, representing an increase of 145% year-on-year. In terms of e-commerce, delivery was completed for warehousing centers of 150,000 square meters and cross-border e-commerce headquarters of 50,000 square meters. In terms of export comprehensive services, 4 overseas warehouses were added; air freight logistics services for Wuhan-Nordic and Wuhan-Chicago was added; and "Development Letter" (開發信) service was launched to help export enterprises contact and develop overseas buyers, so that buyers can directly connect with manufacturers.

Tianjin E-commerce Mall is the Group's flagship project in Northern China. Portions of the commercial, trade and e-commerce zones of Phase I have commenced operation gradually. 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 reached a strategic cooperation with Beijing Tianya Group (北京天雅集團) and established a joint venture company in May 2019. Both parties will step up cooperation in recruiting merchants and operation, and speed up the taking up of large-scale wholesale markets moving out of Beijing.

Supply chain management and trading

The Group has acquired and established various companies in the industrial internet sector focusing on the construction and operation of intelligent trading and service platforms. The Group has established B2B trading platform matrix for agricultural products, chemicals and plastic raw materials, black metals and non-ferrous metals, etc.

Shenzhen Sinoagri, which focuses on vertical segmentation of bulk agricultural products, provides whole supply chain service solutions in the fields of trading, information, settlement, financing and logistics to manufacturers, processing enterprises, suppliers and terminal suppliers both upstream and downstream. In the first half of 2019, Shenzhen Sinoagri engaged in closed-loop of whole industrial chain and extended overseas through actively extending to the upstream and downstream ends of the industrial chain, which effectively connected upstream and downstream customers and helped them to solve "pain points" of the industry, and secured the stability and growth of its own results. As of 30 June 2019, the platform added 4,218 new customers, bringing the number of accumulated registered members to 86,837 and achieving operating revenue of RMB17.94 billion, representing a growth of 37% year-on-year. In addition to traditional products such as sugar, cocoon and silk, Shenzhen Sinoagri jointed with quality resources of the industry to develop other types of agricultural products, such as grain, quality food products, hot peppers and coffee and further develop import and export business. Meanwhile, it strengthened the quality enhancement of the infrastructure construction of the underlying services at the logistics side and built a logistics management system based on the application of the Internet of Things and other technologies. The business of its logistics company rose steadily in the first half of 2019. Through the expansion of warehousing, transportation and transportation capacity financial services, it recorded operating revenue of RMB36 million, and developed 80 customers and 57 cooperative suppliers. The shipment volume was 340,000 tons.

As a chemical e-commerce operator that leads the future, HSH is committed to promote the infrastructure construction of the "Internet + chemicals" and plastic raw materials, opening up the closed loop of transaction of information flow, logistics and capital flow in the entire industrial chain for chemicals and plastic raw materials. It aims to construct HSH as a new ecosystem for the entire industrial chain of chemical and plastic raw material industry through an innovative mode of distributed sharing platform. In the first half of 2019, on the foundation of its self-operated business, HSH further expanded platform business and provided consignment and pre-sale business according to the requirements of upstream resources and downstream customers. It took key commodities as a breakthrough point to develop business and generate revenue. For the first half of 2019, the total revenue amount reached RMB5.46 billion and the number of self-operated orders amounted to 5,904.

Zall Steel mainly provides overall integrated supply chain services and solutions for trading, warehousing and processing, supply chain finance and other services to upstream, midstream and downstream supply chain partners in the bulk black commodity sector. Since its establishment on 23 March 2018, Zall Steel has established business partnerships with approximately 8,000 upstream and downstream customers. As of 30 June 2019, it only took six months for Zall Steel to realize operating revenue of RMB9.0 billion. For the second half of the year, Zall Steel will continue to promote offline and online service integration, develop and expand online supply chain services including warehousing, logistics, finance etc. Leveraging on the resources of the Group's ecosphere, Zall Steel will explore new resource channels, focus on customer needs, expand the scope of integrated services and enhance its value creation and influence in the bulk black commodity industry.

The Group's Commodities Intelligence Centre Pte. Ltd. ("**CIC**") provides integrated services covering transaction matching, custom clearing and declaration, supply chain logistics, trade financing, supply chain finance and global compliance regulation in the area of online global commodity trading, as well as provides trade data and trade index services, realizing intelligence of the whole process of bulk commodity trading. As of 30 June 2019, the CIC trading platform recorded accumulative transaction amount of nearly USD5 billion, over 4,000 registered users, which are from China, Singapore, India, Malaysia and various countries in Asia, focusing on transactions of ferrous and non-ferrous metals, chemicals and plastics, agricultural products, oil products etc. In the first half of 2019, the registration of ZMA Smart Capital Pte. Ltd. ("**ZMA**") was completed. ZMA is jointly established by CIC and Marubeni Corporation in Japan, one of the Global 500 enterprises. Based on the Blockchain technology of CIC, ZMA will continuously strengthen e-finance services, provide effective risk management, provide new solutions for international e-finance services, reduce costs, broaden channels, enhance trading efficiency and promote the development of international trade. In the first half of 2019, CIC made its debut presentation at "the 7th Singapore Iron Ore Week" (第7屆新加坡鐵礦石周), "the Global Trader Dialogue" (環球貿易商會議) organised by Enterprise Singapore, "the Singapore Trade and Connectivity Challenge" (TCC) (新加坡貿易與互聯互通挑戰賽(TCC)), "11th CWC World LNG & Gas Series: Asia Pacific Summit" (第11屆CWC國際液化天然氣會議亞洲峰會), "First Internet of Logistics (IoL) Summit" (首屆物流互聯網(IoL)峰會) and other major meeting activities. CIC presented its new model of one-stop service transaction to overseas traders through platform-specific trading demonstration, introduction of financial services and discussion of Blockchain technology, which has laid a solid foundation for the future expansion of global bulk commodity trade cooperation.

Through the online and offline integration development in recent years, the Group has established and operated B2B trading platforms with significant influence for agricultural products, chemicals, plastics, ferrous and non-ferrous metals, etc., and its supply chain management and trade business grew significantly. The Group will further expand into other sectors through organic development or merger and acquisition when appropriate opportunity arises, continuously enrich and perfect Zall Smart's intelligent ecosphere and further enhance operating efficiency.

Warehousing and logistics services

In respect of warehousing services, in the first half of 2019, Zall Cloud Warehouse has successfully linked with multiple enterprises inside and outside the Group with businesses distributed in over 50 cities such as Shanghai, Guangzhou, Hangzhou and Qingdao. It signed new contracts for 52 regulatory warehouses, bringing the total number to 312 with goods throughput of approximately 6.57 million tons. In respect of the construction of regulatory platform for intelligent cloud warehouse, linkage has been made with the online warehousing system of Zall Steel under the Group, realizing real time data monitoring. In the first half of 2019, Zall Cloud Warehouse focused on the development of integrated services for the overall warehousing and distribution of fast-moving consumer goods, with an actual operating area of 200,000 square meters. Currently, it has reached cooperation intentions with over 30 merchants from industries such as electrical appliances, maternal and child, shoe and clothing and fast-moving consumer goods, providing a new alternative of high quality warehousing service for merchants. In the future, Zall Cloud Warehouse will utilize five core cities including Wuhan, Guangzhou, Shanghai, Chengdu and Beijing as the base points and actively establish cooperative branch warehouses throughout the country. Through covering major cities across the country by the Zall Cloud Warehouse platform management and alliance, we will build an intelligent warehousing service platform with significant influence in China.

In respect of logistics services, based on the development strategy of "Technology Driven + Supply Chain Driven", Zallsoon Information Technology (Wuhan) Co., Ltd. ("**Zallsoon**"), the subsidiary of the Group, made innovation and development in logistics information and supply chain management, and helped the logistics industry to reduce costs and increase efficiency with the help of technology in 2019, in addition to providing enterprise customers with one-stop logistics services such as same city express transportation, long-distance freight transportation, cold chain warehousing and distribution. Zallsoon has so far obtained eight software copyrights and three patent inventions, and was recognised as "National High and New Technology Enterprise" jointly awarded by the Ministry of Science and Technology of Hubei Province, the Bureau of Finance of Hubei Province and the Tax Bureau of Hubei Province of the State Administration of Taxation in March 2019. At present, nearly 110,000 drivers on the Zallsoon logistics system platform, and the accumulated number of orders in aggregate is over 82 million.

FUTURE PROSPECTS

Originated from the offline wholesale market, Zall Smart has undergone four years of internet transformation with experience in the physical market and new economic operations. The core value of the wholesale market is the level of prosperity in terms of transactions. Online transformation will help the prosperity of the offline markets, which in turn will contribute to the flow and scale of the online platforms. We will accelerate the integration of online and offline applications, and will bring greater development potential to Zall Smart through the mutual empowerment and joint development of online and offline platforms.

Zall Smart will continue to adhere to the main track of B2B and supply chain services with innovation, so as to build an intelligent trading system with high efficiency and low cost in a win-win situation and connecting global business intelligently. We look forward to working together with more companies in the PRC and overseas to achieve integration and symbiosis, redefining B2B and even the way in which the world trades, and jointly welcome the beginning of the new trade era.

INVESTMENT PORTFOLIO

The portfolio of listed equity investments of the Group as at 30 June 2019 and 31 December 2018 were as follows:

As at 30 June 2019

Stock code	Name of investee company	Number of shares held	Effective shareholding interest	Acquisition cost RMB'000	Carrying amount as at 30 June 2019 RMB'000	Unrealised holding loss arising on revaluation for the six months ended 30 June 2019 RMB'000	Dividend received for the six months ended 30 June 2019 RMB'000
00607.HKEX	Fullshare Holdings Limited ("**Fullshare**")	613,880,000	3.11%	685,837	261,903	(697,900)	–

As at 31 December 2018

Stock code	Name of investee company	Number of shares held	Effective shareholding interest	Acquisition cost RMB'000	Carrying amount as at 31 December 2018 RMB'000	Unrealised holding loss arising on revaluation for the year ended 31 December 2018 RMB'000	Realised holding loss arising on disposal for the year ended 31 December 2018 RMB'000	Dividend received for the year ended 31 December 2018 RMB'000
00607.HKEX	Fullshare	613,880,000	3.11%	685,837	968,187	(879,148)	(75,173)	10,922

As at 30 June 2019, the Group held approximately 613,880,000 (31 December 2018: 613,880,000) shares in Fullshare, representing approximately 3.11% of its entire issued share capital (31 December 2018: 3.11%). Fullshare is listed on the main board of the Hong Kong Stock Exchange. Its principal 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 RMB697.9 million for the six months ended 30 June 2019 (for the six months ended 30 June 2018: unrealised holding gain of RMB182.2 million). The carrying amount of investment in Fullshare accounts for approximately 0.46% of the Group's total assets as at 30 June 2019 (31 December 2018: 1.82%). The Group would like to emphasize that the unrealised holding loss is non-cash in nature and relates to the change in fair value of the Group's investment in Fullshare that are volatile in nature. The Group will closely monitor the performance of its investment and adjust its investment plan and portfolio when necessary.

RESULTS OF OPERATION

Operating revenue

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Revenue from sales of properties and related services	89,010	114,991
– Revenue from supply chain management and trading business	34,077,554	17,843,672
– Revenue from E-commerce and financial services business	43,103	25,048
– Revenue from construction contracts	2,118	2,054
– Others	1,400	19,494
	34,213,185	18,005,259
Revenue from other sources		
Gross rentals from investment properties	412,106	352,398
Financing income	97,667	136,954
	34,722,958	18,494,611

Revenue of the Group increased significantly by approximately 87.7% from RMB18,494.6 million for the six months ended 30 June 2018 to approximately RMB34,723.0 million for the six months ended 30 June 2019. 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 the revenue from sales of properties and related services; and (v) the decrease in revenue from financing income.

Revenue from supply chain management and trading business

The Group's revenue from supply chain management and trading business has contributed approximately 98.1% of the Group's total revenue for the six months ended 30 June 2019. The significant increase in revenue from supply chain management and trading business was primarily attributable to (i) completion of the acquisition of 52.48% equity interest in HSH in March 2018, resulting in the consolidation of the financial results of HSH for the full six months ended 30 June 2019, as compared to the consolidation of the financial results of HSH for only around three months from March 2018 to June 2018 in the financial results of the Group for the six months ended 30 June 2018; (ii) establishment of Zall Steel in March 2018, resulting in the consolidation of the financial results of Zall Steel for the full six months ended 30 June 2019, as compared to the consolidation of the financial results of Zall Steel for only around three months from March 2018 to June 2018 in the financial results of the Group for the six months ended 30 June 2018; and (iii) the significant increase in revenue of Shenzhen Sinoagri for the six months ended 30 June 2019, as compared to those for the six months ended 30 June 2018.

Rental income

The Group's rental income increased by approximately 16.9% from approximately RMB352.4 million for the six months ended 30 June 2018 to approximately RMB412.1 million for the six months ended 30 June 2019. The increase was primarily due to an increase in rental areas in the North Hankou Project.

Financing income

The Group's financing income decreased by 28.7% from RMB137.0 million for the six months ended 30 June 2018 to RMB97.7 million for the six months ended 30 June 2019. The decrease was mainly due to the decrease in volume of financing activities in the first half of 2019.

Revenue from E-commerce and financial services business

The Group's revenue from e-commerce and financial services business increased by approximately 72.1% from RMB25.0 million for the six months ended 30 June 2018 to RMB43.1 million for the six months ended 30 June 2019. The increase was mainly due to the increase in volume of E-commerce transactions in first half of 2019.

Revenue from construction contracts

The Group's revenue from construction contract to build certain properties on behalf of a third party increased by approximately 3.1% from approximately RMB2.0 million for the six months ended 30 June 2018 to approximately RMB2.1 million for the six months ended 30 June 2019. The revenue was recognised according to the actual cost incurred for the six months ended 30 June 2019. There were no significant fluctuations compared with prior period.

Sale of properties and related services

Revenue from the sale of properties decreased by approximately 22.6% from approximately RMB115.0 million for the six months ended 30 June 2018 to approximately RMB89.0 million for the six months ended 30 June 2019.

The Group's revenue from sales of properties was generated from the sales of industrial plants units, auxiliary facilities units, office and retails units and residential apartments. The decrease in revenue from sales of properties was mainly attributed to the decrease in the gross floor area delivered during the six months ended 30 June 2019.

Cost of sales

Cost of sales of the Group increased significantly by approximately 90.2% from approximately RMB17,924.2 million for the six months ended 30 June 2018 to approximately RMB34,096.5 million for the six months ended 30 June 2019. The increase is primarily due to full six months period impact of HSH and Zall Steel and increase in volume of transactions in Shenzhen Sinoagri, cost of inventories of approximately RMB33,874.8 million from the supply chain management and trading business.

Gross profit

Gross profit of the Group increased by approximately 9.8% from approximately RMB570.4 million for the six months ended 30 June 2018 to approximately RMB626.5 million for the six months ended 30 June 2019. The Group's gross profit margin decreased from 3.1% in first half year of 2018 to 1.8% in first half year of 2019 mainly due to the changes of the revenue portfolio of the Group since the acquisition of the majority equity interest in HSH in March 2018 and establishment of Zall Steel in March 2018. Given the characteristics of initial development of the supply chain management and trading business, it has contributed higher revenue but lower profit margin.

Other net (loss)/income

Other net income of the Group decreased significantly from a net gain of approximately RMB297.0 million for the six months ended 30 June 2018 to a net loss of approximately RMB808.4 million for the six months ended 30 June 2019. The other net loss was mainly due to the loss in the net fair value change on listed equity securities and contingent consideration at fair value through profit or loss amounted to approximately RMB697.9 million and RMB218.4 million respectively for the six months ended 30 June 2019.

Selling and distribution expenses

Selling and distribution expenses of the Group increased by approximately 12.7% from RMB91.4 million for the six months ended 30 June 2018 to approximately RMB102.9 million for the six months ended 30 June 2019. The increase was primarily due to the increase in approximately RMB6.0 million and RMB5.3 million in staff costs and advertising and promotion expenses respectively.

Administrative and other expenses

Administrative and other expenses of the Group increased by approximately 3.4% from RMB321.3 million for the six months ended 30 June 2018 to approximately RMB332.3 million for the six months ended 30 June 2019. The increase was mainly due to the offsetting effect of (i) increase in staff costs of approximately RMB18.1 million; and (ii) decrease in consultancy expenses of approximately RMB6.5 million.

Net valuation gain on investment properties

The Group holds a portion of properties which were 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 approximately by 33.7% from RMB1,471.6 million for the six months ended 30 June 2018 to approximately RMB1,967.5 million for the six months ended 30 June 2019. The increase was primarily due to the increased number of shopping mall units retained for rental purposes as compared to the first half of last year.

Finance income and costs

Finance income of the Group decreased by approximately 0.4% from RMB83.3 million for the six months ended 30 June 2018 to approximately RMB83.0 million for the six months ended 30 June 2019. There were no significant fluctuations compared with prior period.

Finance cost of the Group increased by approximately 45.4% from RMB320.9 million for the six months ended 30 June 2018 to approximately RMB466.5 million for the six months ended 30 June 2019. The increase was mainly attributable to the increase in interest expenses incurred on interest-bearing borrowings and the decrease in amounts capitalised into properties under development and investment properties under development as compared to the first half of last year.

Share of net losses of associates

Share of net losses of associates increased by 125.1% from approximately RMB26.3 million for the six months ended 30 June 2018 to approximately RMB59.1 million for the six months ended 30 June 2019. The increase is mainly due to the increase of loss from material associate LightInTheBox Holding Co., Ltd. comparing to the first half year of 2018.

Share of net profits/(losses) of joint ventures

Share of net losses of joint ventures of the Group changed from net losses of approximately RMB2.8 million for the six months ended 30 June 2018 to net profits of approximately RMB94,000 for the six months ended 30 June 2019. The share of net profits is primarily due to the Group's share of net profits of AP V-Best Supply Chain (Shanghai) Ltd. for the six months ended 30 June 2019.

Income tax

Income tax increased by approximately 26.7% from approximately RMB412.0 million for the six months ended 30 June 2018 to approximately RMB521.9 million for the six months ended 30 June 2019. The increase was mainly due to the increase in deferred tax of approximately RMB124.0 million as a result of the increase of net valuation gain from investment properties for the six months ended 30 June 2019.

Profit for the period

For the six months ended 30 June 2019, the Group recorded a net profit of approximately RMB312.2 million. Profit attributable to equity shareholders of the Company was approximately RMB340.5 million, representing a decrease of approximately 72.5% over the amount of approximately RMB1,236.1 million for the six months ended 30 June 2018.

Liquidity and capital resources

The Group has consistently maintained sufficient working capital. As at 30 June 2019, the Group had net current assets of approximately RMB293.7 million (31 December 2018: approximately RMB605.8 million) and net assets of approximately RMB19,981.0 million (31 December 2018: approximately RMB19,608.8 million). As at 30 June 2019, the Group's equity attributable to equity shareholders of the Company amounted to approximately RMB19,296.2 million (31 December 2018: approximately RMB18,779.6 million), comprising issued capital of approximately RMB32.7 million (31 December 2018: approximately RMB32.4 million) and reserves of approximately RMB19,263.5 million (31 December 2018: approximately RMB18,747.2 million).

Cash position

The Group's cash and cash equivalents consist primarily of cash on hand and bank balances which are primarily held in RMB denominated accounts with banks in the PRC. The Group's cash and cash equivalents increased by approximately 17.4% from approximately RMB1,118.6 million as at 31 December 2018 to approximately RMB1,313.0 million as at 30 June 2019. The increase was mainly attributable to the increased amount of cash and cash equivalents obtained from the interest-bearing borrowings.

Interest-bearing borrowings

The Group's total interest-bearing borrowings increased by approximately 6.3% from approximately RMB14,225.9 million as at 31 December 2018 to approximately RMB15,128.7 million as at 30 June 2019. Majority of the loans were denominated in RMB, being the functional currency of the Group.

Net gearing ratio

The Group's net gearing ratio increased from 52.4% as at 31 December 2018 to 55.3% as at 30 June 2019. The increase in net gearing ratio was mainly due to the increase in total amount of interest-bearing borrowings to strengthen the Group's operating capacity. The net gearing ratio is calculated by dividing interest-bearing borrowings and lease liabilities 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 30 June 2019, the Group did not use any financial instruments for hedging purpose. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

Charge on assets

As at 30 June 2019, the Group had pledged certain of its assets with a total book value of RMB27,403.7 million (31 December 2018: RMB22,832.9 million) and a total book value of RMB6,624.3 million (31 December 2018: RMB6,238.6 million) for the purpose of securing certain of the Group's borrowings and bills payables respectively.

Material acquisitions and disposals of subsidiaries or associated companies

In June 2019, Zalljinfu Corporate Management (Wuhan) Co., Ltd. ("**Zalljinfu Corporate Management**"), being an indirect wholly-owned subsidiary of the Company, and Zhong Bang Asset Management Co., Ltd. ("**Zhong Bang Asset Management**") entered into a disposal agreement, pursuant to which Zalljinfu Corporate Management agreed to sell, and Zhong Bang Asset Management agreed to purchase, the entire equity interest in Zalljinfu Information Technology (Wuhan) Co., Ltd. ("**Zalljinfu Information Technology**") at a total consideration of RMB21,000,000, and Zall Financial Services Group Co., Ltd. ("**Zall Financial Services**"), being an indirect wholly-owned subsidiary of the Company, and Zhong Bang Asset Management entered into a disposal agreement, pursuant to which Zall Financial Services agreed to sell, and Zhong Bang Asset Management agreed to purchase, 35% equity interest in Zhong Bang Financial Leasing Co., Ltd. ("**Zhong Bang Financial Leasing**") at a total consideration of RMB44,000,000. Zalljinfu Information Technology is a company established in the PRC with limited liability and the principal businesses of Zalljinfu Information Technology and its subsidiaries are asset management, consulting business and guarantee business, provision of finance leasing service and etc. Zhong Bang Financial Leasing is a company established in the PRC with limited liability and it principally engages in the provision of finance leasing service. The Group will cease to have any interest in each of the aforementioned companies and the financial results of each of the aforementioned companies will no longer be consolidated into the financial statements of the Group upon completion of the disposals.

Segment reporting

Details of the segment reporting of the Group for the six months ended 30 June 2019 are set out in note 3 of the interim condensed consolidated financial statements.

Contingent liabilities

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

Wuhan Hankoubei Guarantee Investment Company Limited ("**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 entrepreneurs in the PRC. In accordance with the terms stipulated in the relevant agreements, Wuhan Guarantee Investment is required to make payments to reimburse the beneficiary of the guarantee for the loss incurs if a specified borrower fails to make payment when due.

As at 30 June 2019, the guarantees in relation to provision of loan guarantee services amounted to RMB288.0 million (31 December 2018: RMB268.1 million) and the guarantees in relation to mortgage facilities granted to purchasers of the Group's properties amounted to RMB749.4 million (31 December 2018: RMB688.8 million).

CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRS, that are first effective for the current accounting period of the Group. For details, please refer to Note 2 to the unaudited condensed consolidated interim financial statements of the Company in this report.

EVENT SUBSEQUENT TO END OF REPORTING PERIOD

(a) Disposal of Zalljinfu Information Technology and 35% equity interest of Zhong Bang Financial Leasing

On 30 June 2019, the Group entered into two disposal agreements with Zhong Bang Asset Management, a connected person of the Company which is controlled by controlling shareholder of the Company in relation to disposal total equity interest of Zalljinfu Information Technology and 35% equity interest of Zhong Bang Financial Leasing at a consideration of RMB21,000,000 and RMB44,000,000, respectively. Zalljinfu Information Technology owned 65% equity interest of Zhong Bang Financial Leasing. Together with its subsidiaries including Zhong Bang Financial Leasing, Zalljinfu Information Technology is principally engaged in asset management, insurance agent and related consulting business and guarantee business and the provision of finance leasing service. Upon completion of the disposal, Zalljinfu Information Technology and Zhong Bang Financial Leasing will be ceased to the subsidiaries of the Group and the financial results will no longer be consolidated into the financial statements of the Group.

The disposal of total equity interest of Zalljinfu Information Technology was completed in July and the disposal of 35% equity interest of Zhong Bang Financial Leasing is expected to be completed in the second half of 2019.

(b) Disposal of Wuhan Guarantee Investment

On 2 August 2019, the Group entered into a disposal agreement with Zhong Bang Asset Management, pursuant to which the Group agreed to dispose total equity interest of Wuhan Guarantee Investment at a consideration of RMB198,000,000. The principal business of Wuhan Guarantee Investment is provision of guarantee services. Upon completion of the disposal, Wuhan Guarantee Investment will be ceased to the subsidiary of the Group and the financial results will no longer be consolidated into the financial statements of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2019, the Group employed a total of 2,102 full time employees (30 June 2018: 2,140). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2019, the employees benefit expenses were approximately RMB173.9 million (for six months ended 30 June 2018: approximately RMB158.4 million). The increase is due to the completion of the acquisition of HSH and establishment of Zall Steel in March 2018, resulting in the consolidation of the financial results of those companies for the full six months ended 30 June 2019. The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires.

The Group has also adopted a share option scheme (the "**Share Option Scheme**") 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. In relation to the Share Option Scheme, 78,567,950 share options were outstanding as at 30 June 2019.

Disclosure of Other Information

INFORMATION ON SHARE OPTION SCHEME

Pursuant to the sole shareholder's resolutions of the Company on 20 June 2011, the Company has adopted a Share Option Scheme for the purpose of providing incentives and rewards to Eligible Participants (as defined in paragraph 2 below) who contribute to the success of the Group's operations.

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

1. *Purpose of the Share Option Scheme*

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

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

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

2. *Participants of the Share Option Scheme*

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

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

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

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

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

The maximum number of shares which may be issued upon exercise of options which may be granted under the Share Option Scheme shall not in aggregate exceed 1,050,000,000 shares, representing approximately 8.91% 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 amounted to 954,332,050 shares, representing approximately 8.1% 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 Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"); and

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

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

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

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

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

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

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

8. *The basis of determining the exercise price*

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

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

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

10. *Movement of Share Options during the period under review*

Particulars of share options under the Share Option Scheme (the "**Share Options**") outstanding at the beginning and at the end of the six months ended 30 June 2019 and Share Options granted, exercised, cancelled or lapsed during such period are as follows:

Category of participant	Date of Grant	Exercise price per share	Vesting date and exercise period	Balance as at 1 January 2019	Transfer from/ (to) other category	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Balance as at 30 June 2019	Price per Share immediately before the date of grant	Price per Share on exercise date
Directors:												
Mr. Qi Zhiping	22 December 2017	HK$8.48	From the date when the exercise conditions are met to 21 December 2027 (Note 1)	2,283,398	-Nil-	-Nil-	-Nil-	-Nil-	-Nil-	2,283,398	HK$8.46	N/A (Note 3)
	4 September 2018	HK$6.66	(Note 2)	3,000,000	-Nil-	-Nil-	-Nil-	-Nil-	(900,000)	2,100,000	HK$6.52	N/A (Note 3)
Spouse of Mr. Qi Ziping	22 December 2017	HK$8.48	From the date when the exercise conditions are met to 21 December 2027 (Note 1)	41,101,154	-Nil-	-Nil-	-Nil-	-Nil-	-Nil-	41,101,154	HK$8.46	N/A (Note 3)
Mr. Cui Jinfeng	4 September 2018	HK$6.66	(Note 2)	2,000,000	-Nil-	-Nil-	-Nil-	-Nil-	(600,000)	1,400,000	HK$6.52	N/A (Note 3)
Ms. Min Xueqin (Note 4)	4 September 2018	HK$6.66	(Note 2)	N/A	2,000,000	-Nil-	-Nil-	-Nil-	(600,000)	1,400,000	HK$6.52	N/A (Note 3)
Employees of the Group	22 December 2017	HK$8.48	From the date when the exercise conditions are met to 21 December 2027 (Note 1)	2,283,398	-Nil-	-Nil-	-Nil-	-Nil-	-Nil-	2,283,398	HK$8.46	N/A (Note 3)
	4 September 2018	HK$6.66	(Note 2)	43,700,000	(2,000,000)	-Nil-	-Nil-	-Nil-	(13,700,000)	28,000,000	HK$6.52	N/A (Note 3)
Total				94,367,950	-Nil-	-Nil-	-Nil-	-Nil-	(15,800,000)	78,567,950		

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 Options" in the circular of the Company dated 15 February 2017.

2. Subject to fulfillment of certain financial performance targets set out in the respective letters of grant, these Share Options shall be exercisable in the following manner:

   (i) the first 30% of the Share Options shall be exercisable by the grantee commencing from the first trading date after the 12-month period from the date of grant and ending on the last trading date of the 24-month period from the date of grant. However, certain financial performance target of the first 30% of the Share Options has not been fulfilled and those Share Options have lapsed;

(ii) the second 30% of the Share Options shall be exercisable by the grantee commencing from the first trading date after the 24-month period from the date of grant and ending on the last trading date of the 36-month period from the date of grant; and

(iii) the remaining 40% of the Share Options shall be exercisable by the Grantee commencing from the first trading date after the 36-month period from the date of grant and ending on the last trading date of 48-month period from the date of grant.

3. No Share Options had been exercised during the six months ended 30 June 2019.

4. Ms. Min Xueqin was appointed as an executive Director on 16 April 2019.

Save as disclosed above, there were no outstanding Share Options at the beginning and/or at the end of the six months ended 30 June 2019 and there were no other Share Options granted during the six months ended 30 June 2019.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "Information on Share Option Scheme" in this report, at no time during the period under review was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors or chief executive of the Company or their spouses or minor children had any right to subscribe for equity and debt securities of the Company or any of its associated corporations or had exercised any such right during the period under review.

CHANGES IN INFORMATION OF DIRECTORS

The changes in information of Directors since the Company's last published annual report are as follows:

1. Mr. Yan Zhi was appointed as an independent director of DouYu International Holdings Limited, which is listed on Nasdaq Stock Market, in July 2019.

2. Mr. Wei Zhe, David resigned as an independent non-executive director of Informa Plc, which is listed on the London Stock Exchange, in May 2019.

3. Ms. Min Xueqin was appointed as an executive Director of the Company with effect from 16 April 2019. She was appointed as the vice president of the 8th Hubei Young Entrepreneurs Association* (湖北省青年企業家協會) in June 2019.

Save as disclosed above, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published annual report.

* *for identification purpose only*

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

As at 30 June 2019, the interests or short positions of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company or its any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are being taken or deemed to have taken under such provision of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Interests in shares and underlying shares of the Company

Name of director	Nature of interest	Number of ordinary shares/ underlying shares held	Approximate percentage of shareholding as at 30 June 2019 [6]
Yan Zhi	Interest of a controlled corporation	6,609,022,268 (L)[1]	56.09%
	Beneficial owner	56,613,000 (L)	0.48%
Gang Yu	Beneficial owner	61,090,840 (L)	0.52%
	Interest of spouse	11,800,000 (L)	0.10%
Cui Jinfeng	Beneficial owner	3,992,500 (L)[3]	0.03%
Wei Zhe, David	Interest of a controlled corporation	132,144,000 (L)[2]	1.12%
		132,144,000 (S)[2]	1.12%
	Beneficial owner	10,746,000 (L)	0.09%
		10,746,000 (S)	0.09%
Qi Zhiping	Beneficial owner	4,786,351 (L)[4(a)]	0.04%
	Interest of spouse	48,414,298 (L)[4(b)]	0.41%
Min Xueqin	Beneficial owner	1,459,000 (L)[5]	0.01%

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

Notes:

(1) The 6,609,022,268 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 in 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 the long and short positions in 42,981,000 shares are held by Vision Knight Capital Management Limited, a company which is directly owned as to 99% by Mr. Wei Zhe, David.

(3) These interests comprise 2,592,500 shares and 1,400,000 underlying shares in respect of share options granted by the Company pursuant to the Share Option Scheme, details of which are set out in the section headed "Information on Share Option Scheme".

(4) (a) These interests comprise 402,953 shares and 4,383,398 underlying shares in respect of share options granted by the Company pursuant to the Share Option Scheme, details of which are set out in the section headed "Information on Share Option Scheme".

(b) These interests comprise 7,313,144 shares and 41,101,154 underlying shares in respect of share options granted by the Company pursuant to the Share Option Scheme, details of which are set out in the section headed "Information on Share Option Scheme".

(5) These interests comprise 59,000 shares and 1,400,000 underlying shares in respect of share options granted by the Company pursuant to the Share Option Scheme, details of which are set out in the section headed "Information on Share Option Scheme".

(6) The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2019 (11,782,825,800 ordinary shares).

Save as disclosed above, as at 30 June 2019, 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.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director, as at 30 June 2019, 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 ordinary shares/ underlying shares held	Approximate percentage of shareholding as at 30 June 2019[3]
Substantial shareholder			
Zall Development Investment	Beneficial owner	6,609,022,268 (L) [1]	56.09%
Other persons			
Mr. Ji Changqun	Interest of controlled corporation	949,224,000 (L) [2]	8.06%
Magnolia Wealth International Limited	Interest of controlled corporation	949,224,000 (L) [2]	8.06%
Fullshare Holdings Limited	Interest of controlled corporation	949,224,000 (L) [2]	8.06%
Rich Unicorn Holdings Limited	Beneficial owner	949,224,000 (L) [2]	8.06%

(L) represents long position

Notes:

(1) Zall Development Investment is a company wholly owned by Mr. Yan Zhi.

(2) The 949,224,000 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 45.05% by Magnolia Wealth International Limited, which in turn is wholly owned by Mr. Ji Changqun. Mr. Ji Changqun also directly owns approximately 4.61% of Fullshare Holdings Limited.

(3) The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2019 (11,782,825,800 ordinary shares).

Save as disclosed above, as at 30 June 2019, the Company had not been notified by any person, other than a Director or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its corporate governance code of practices. In the opinion of the Board, the Company had complied with all the code provisions as set out in the CG Code throughout the six months ended 30 June 2019.

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 six months ended 30 June 2019. The Board confirms that, having made specific enquiries with each of the Directors, all Directors have complied with the required standards of the Model Code during the six months ended 30 June 2019 and its code of conduct regarding directors' securities transactions.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

ISSUE OF CONSIDERATION SHARES

Reference is made to the circular of the Company dated 15 February 2017 (the "**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 Circular.

Pursuant to the Acquisition Agreement, completion of purchase of the entire issued share capital of Sweet Returns Investment Limited ("**Target Shares D2**") will be conditional upon, among others, Sweet Returns Investment Limited having acquired the remaining 1.94% equity interest in Shenzhen Sinoagri owned by the Management Team, and in the event that the equity interest in Shenzhen Sinoagri acquired by Sweet Returns Investment Limited is less than 1.94%, the shares of the Company to be issued to the relevant vendor, Chan Nanjula Wai Po, shall be adjusted proportionately.

On 10 June 2019, as all the Second Completion Conditions to the Acquisition Agreement have been fulfilled or otherwise waived and Sweet Returns Investment Limited has acquired the remaining 1.94% equity interest in Shenzhen Sinoagri owned by the Management Team, 81,252,000 Consideration Shares (in respect of the entire issued shares of Ronald Development International Limited) and 19,842,000 Consideration Shares (in respect of the Target Shares D2), totaling 101,094,000 Consideration Shares which represent approximately 0.86% of the enlarged issued share capital of the Company immediately after the Second Completion, have been issued to Chan Nanjula Wai Po at the issue price of HKD4.19 per share. The 101,094,000 shares issued to Chan Nanjula Wai Po are subject to the lock-up arrangement as described under the paragraph headed "Letter from the Board – Lock-up Undertakings by the Vendors" in the Circular.

DEED OF NON-COMPETITION

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

As at 30 June 2019, 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 207,000 square meters in North Hankou region. As satisfiable profit and cash flow could be generated from this project, the Group has hold back the project and sold part of it based on the market circumstances. As at 30 June 2019, approximately 118,000 square meters was pre-sale and the construction is expected to be completed in 2020.

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

REVIEW OF THE INTERIM RESULTS

The interim financial report for the six months ended 30 June 2019 is unaudited and has not been reviewed by the auditors of the Company, but has been reviewed by the audit committee of the Company (the "**Audit Committee**"). The Audit Committee has reviewed the Group's unaudited condensed consolidated interim results and financial report for the six months ended 30 June 2019 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 of the Group.

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, risk management and internal control systems of the Company and to assist the Board to fulfill its responsibilities over audit.

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

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2019.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

DIRECTORS

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

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

Hong Kong, 30 August 2019

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2019 RMB'000	2018 (Note) RMB'000
Revenue	3(a)	34,722,958	18,494,611
Cost of sales		(34,096,482)	(17,924,179)
Gross profit		626,476	570,432
Other net (loss)/income	4	(808,439)	297,043
Selling and distribution expenses		(102,936)	(91,352)
Administrative and other expenses		(332,276)	(321,319)
Impairment loss on trade and other receivables		(73,580)	(36,190)
(Loss)/profit from operations before changes in fair value of investment properties		(690,755)	418,614
Net valuation gain on investment properties	8	1,967,478	1,471,596
Profit from operations		1,276,723	1,890,210
Finance income	5(a)	82,968	83,293
Finance costs	5(a)	(466,510)	(320,938)
Share of net losses of associates		(59,127)	(26,264)
Share of net profits/(losses) of joint ventures		94	(2,800)
Profit before taxation	5	834,148	1,623,501
Income tax	6	(521,946)	(412,017)
Profit for the period		312,202	1,211,484
Attributable to:			
Equity shareholders of the Company		340,528	1,236,122
Non-controlling interests		(28,326)	(24,638)
Profit for the period		312,202	1,211,484
Earnings per share (RMB cents)			
Basic	7(a)	2.91	10.63
Diluted	7(b)	2.91	10.63

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 31 to 72 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 20(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2019 RMB'000	2018 (Note) RMB'000
Profit for the period		312,202	1,211,484
Other comprehensive income for the period (after tax and reclassification adjustments):			
Item that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		–	(1,123)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of:			
— financial statements of operations outside Mainland China		(5,888)	(30,926)
Other comprehensive income for the period		(5,888)	(32,049)
Total comprehensive income for the period		306,314	1,179,435
Attributable to:			
Equity shareholders of the Company		334,583	1,206,455
Non-controlling interests		(28,269)	(27,020)
Total comprehensive income for the period		306,314	1,179,435

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 31 to 72 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2019 — unaudited
(Expressed in Renminbi)

	Note	At 30 June 2019 RMB'000	At 31 December 2018 (Note) RMB'000
Non-current assets			
Investment properties	8	28,113,840	25,456,399
Property, plant and equipment	9	337,726	314,300
Intangible assets		747,398	755,305
Goodwill	10	1,263,446	1,252,042
Interests in associates		413,364	467,588
Interests in joint ventures		26,768	25,519
Equity investments at fair value through other comprehensive income		8,702	8,702
Contract assets	11(a)	334,318	329,876
Deferred tax assets		108,279	211,047
Other non-current assets		16,206	–
		31,370,047	28,820,778
Current assets			
Financial assets at fair value through profit or loss	12	4,022,118	4,785,355
Inventories and other contract costs	13	6,006,723	6,277,105
Prepaid taxes		16,464	12,017
Trade and other receivables	14	10,259,090	8,604,425
Amounts due from related parties	24(c)	171,678	193,293
Fixed deposits with banks with original maturity over three months		329	203,287
Pledged bank deposits	15	3,167,419	3,066,232
Cash and cash equivalents	16	1,313,009	1,118,626
		24,956,830	24,260,340
Current liabilities			
Financial liabilities at fair value through profit or loss	12	148,796	142,327
Trade and other payables	17	12,518,223	11,006,540
Contract liabilities	11(b)	2,172,753	1,835,718
Lease liabilities	2(d)	13,899	–
Amounts due to related parties	24(c)	629,502	956,391
Interest-bearing borrowings	18	8,672,063	9,255,114
Current taxation		502,190	452,480
Deferred income		5,716	5,993
		24,663,142	23,654,563
Net current assets		293,688	605,777
Total assets less current liabilities		31,663,735	29,426,555

Consolidated Statement of Financial Position (Continued)

At 30 June 2019 — unaudited
(Expressed in Renminbi)

	Note	At 30 June 2019 RMB'000	At 31 December 2018 (Note) RMB'000
Non-current liabilities			
Interest-bearing borrowings	18	6,456,680	4,970,830
Deferred income		1,053	2,879
Lease liabilities	2(d)	16,848	–
Financial liabilities at fair value through profit or loss	12	69,709	59,024
Deferred tax liabilities		5,138,403	4,785,009
		11,682,693	9,817,742
NET ASSETS		19,981,042	19,608,813
CAPITAL AND RESERVES			
Share capital	20	32,733	32,437
Reserves		19,263,508	18,747,155
Total equity attributable to equity shareholders of the Company		19,296,241	18,779,592
Non-controlling interests		684,801	829,221
TOTAL EQUITY		19,981,042	19,608,813

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

Approved and authorised for issue by the Board of Directors on 30 August 2019.

Yan Zhi
Co-chairman and Executive Director

Cui Jinfeng
Executive Director

The notes on pages 31 to 72 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019 — unaudited
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company												
	Note	Share capital RMB'000	Share premium RMB'000	Shares held for various incentive plans RMB'000	PRC statutory reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Revaluation reserve RMB'000	Equity-settled share-based payment reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018		32,292	4,362,842	(59,175)	437,413	194,467	(127,504)	36,946	122,484	(953)	12,546,904	17,545,716	871,526	18,417,242
Changes in equity for the six months ended 30 June 2018:														
Profit for the period		–	–	–	–	–	–	–	–	–	1,236,122	1,236,122	(24,638)	1,211,484
Other comprehensive income		–	–	–	–	–	(28,544)	–	–	(1,123)	–	(29,667)	(2,382)	(32,049)
Total comprehensive income		–	–	–	–	–	(28,544)	–	–	(1,123)	1,236,122	1,206,455	(27,020)	1,179,435
Issue of shares for Incentive Shares		23	69,850	(69,873)	–	–	–	–	–	–	–	–	–	–
Issue of shares for VKC Consultancy Service Consideration Shares		93	280,496	(280,589)	–	–	–	–	–	–	–	–	–	–
Capital injection from non-controlling interest of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	9,493	9,493
Appropriation to statutory reserve		–	–	–	1,687	–	–	–	–	–	(1,687)	–	–	–
Dividends approved in respect of the previous year		–	(246,653)	–	–	–	–	–	–	–	–	(246,653)	–	(246,653)
Dividends to non-controlling interests of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	(13,302)	(13,302)
Equity-settled share-based payment for employee	19	6	8,895	11,835	–	(16,968)	–	–	22,580	–	–	26,348	17,082	43,430
Equity-settled share-based payment for non-employee	19	23	54,337	–	–	–	–	–	1,492	–	–	55,852	–	55,852
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	12,268	12,268
Balance at 30 June 2018 and 1 July 2018		32,437	4,529,767	(397,802)	439,100	177,499	(156,048)	36,946	146,556	(2,076)	13,781,339	18,587,718	870,047	19,457,765
Changes in equity for the six months ended 31 December 2018:														
Profit for the period		–	–	–	–	–	–	–	–	–	135,182	135,182	(72,759)	62,423
Other comprehensive income		–	–	–	–	–	10,128	–	–	(772)	–	9,356	5	9,361
Total comprehensive income		–	–	–	–	–	10,128	–	–	(772)	135,182	144,538	(72,754)	71,784
Issue of shares for VKC Consultancy Service Consideration Shares		–	(1,115)	1,115	–	–	–	–	–	–	–	–	–	–
Capital injection from non-controlling interest of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	29,247	29,247
Acquisition of non-controlling interest of subsidiaries		–	–	–	–	(14,504)	–	–	–	–	–	(14,504)	(142)	(14,646)
Appropriation to statutory reserve		–	–	–	11,339	–	–	–	–	–	(11,339)	–	–	–
Equity-settled share-based payment for employee		–	160	–	–	(9,503)	–	–	28,382	–	–	19,039	9,713	28,752
Equity-settled share-based payment for non-employee		–	(4,510)	–	–	–	–	–	46,139	–	–	41,629	–	41,629
Acquisition of subsidiaries		–	–	–	–	1,172	–	–	–	–	–	1,172	(130)	1,042
Disposal of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	(6,760)	(6,760)
Balance at 31 December 2018 (Note)		32,437	4,524,302	(396,687)	450,439	154,664	(145,920)	36,946	221,077	(2,848)	13,905,182	18,779,592	829,221	19,608,813

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2019 — unaudited
(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company												
		Share capital RMB'000	Share premium RMB'000	Shares held for various incentive plans RMB'000	PRC statutory reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Revaluation reserve RMB'000	Equity-settled share-based payment reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Adjusted balance at 1 January 2019		32,437	4,524,302	(396,687)	450,439	154,664	(145,920)	36,946	221,077	(2,848)	13,905,182	18,779,592	829,221	19,608,813
Changes in equity for the six months ended 30 June 2019:														
Profit for the period		–	–	–	–	–	–	–	–	–	340,528	340,528	(28,326)	312,202
Other comprehensive income		–	–	–	–	–	(5,945)	–	–	–	–	(5,945)	57	(5,888)
Total comprehensive income		–	–	–	–	–	(5,945)	–	–	–	340,528	334,583	(28,269)	306,314
Acquisition of non-controlling interest of subsidiaries	20(a)	296	172,066	–	–	(13,112)	–	–	–	–	–	159,250	(125,348)	33,902
Appropriation to statutory reserve		–	–	–	41,080	–	–	–	–	–	(41,080)	–	–	–
Equity-settled share-based payment for employee	19	–	(21,536)	26,633	–	(7,718)	–	–	3,225	–	–	604	7,718	8,322
Equity-settled share-based payment for non-employee	19	–	(8,430)	69,868	–	–	–	–	(39,226)	–	–	22,212	–	22,212
Capital injection from non-controlling interest of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	1,479	1,479
Balance at 30 June 2019		32,733	4,666,402	(300,186)	491,519	133,834	(151,865)	36,946	185,076	(2,848)	14,204,630	19,296,241	684,801	19,981,042

The notes on pages 31 to 72 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2019 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2019 RMB'000	2018 (Note) RMB'000
Operating activities			
Cash generated from operations		58,240	592,146
Income tax paid		(20,564)	(26,546)
Net cash generated from operating activities		37,676	565,600
Investing activities			
Payment for the purchase of property, plant and equipment		(6,582)	(4,800)
Payment for the purchase of intangible assets		(25,268)	(9,674)
Proceeds from disposal of property, plant and equipment		1,535	34
Proceeds from disposal of intangible assets		414	642
Maturity of fixed deposits at banks with original maturity over three months		202,958	52,777
Interest received		41,453	83,293
Cash generated from/(used in) acquisition of a subsidiary/subsidiaries		177	(118,744)
Payment for investment in associates		(4,000)	(121,500)
Payment for investment in joint ventures		(1,155)	–
Dividends received from financial assets at fair value through profit or loss		–	10,711
Cash receipt from maturity of wealth management products and trust products		1,387,308	1,397,439
Payment to equity investment in an insurance company		–	(101,750)
Purchase of wealth management products and trust products		(1,395,930)	(795,672)
Cash receipt from return of loans to a third party		–	167,585
Cash paid for disposal of a subsidiary		–	(26)
Other cash generated from/(used in) investing activities		21,615	(26,741)
Net cash generated from investing activities		222,525	533,574
Financing activities			
Net payment to related parties	24(b)	(326,889)	(98,812)
Proceeds from new bank loans and loans from other financial institutions		3,528,972	2,417,046
Repayment of bank loans and loans from other financial institutions		(3,718,031)	(2,994,597)
Proceeds from loans from third parties		2,947,322	1,711,213
Repayment of loans to third parties		(1,855,464)	(477,415)
Increase in pledged bank deposits		(101,187)	(687,044)
Interest and other borrowing costs paid		(532,125)	(581,798)
Dividend paid to non-controlling interests of subsidiaries		–	(6,575)
Proceeds from shares issued under share option scheme of subsidiaries		–	46
Proceeds from capital injection from non-controlling interests		1,479	9,493
Redemption of convertible redeemable preference shares of a subsidiary		–	(12,554)
Settlement of a future contract		–	(135,235)
Capital element of lease rentals paid		(9,766)	–
Interest element of lease rentals paid		(345)	–
Net cash used in financing activities		(66,034)	(856,232)
Net increase in cash and cash equivalents		194,167	242,942
Cash and cash equivalents at 1 January	16	1,118,626	1,283,647
Effect of foreign exchange rate changes		216	(5,553)
Cash and cash equivalents at 30 June	16	1,313,009	1,521,036

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 31 to 72 form part of this interim financial report.

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 30 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Zall Smart Commerce Group Ltd. (the "Company") and its subsidiaries (together referred to as the "Group") since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2018 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2019.

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

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, *Leases*

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

IFRS 16, *Leases* (Continued)

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 9.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

IFRS 16, *Leases* (Continued)

(a) *Changes in the accounting policies (Continued)*

(ii) Lessee accounting (Continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

– right-of-use assets that meet the definition of investment properties are carried at fair value;

– right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value; and

– right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Leasehold investment property

Under IFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of IFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply IAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

IFRS 16, *Leases* (Continued)

(a) Changes in the accounting policies (Continued)

(iv) Lessor accounting

In addition to leasing out the investment property referred to in paragraph (a)(iii) above, the Group leases out a number of items of properties as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17.

Under IFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of IFRS 16 does not have a significant impact on the Group's financial statements in this regard.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

(i) Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.75%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

2 CHANGES IN ACCOUNTING POLICIES (Continued)

IFRS 16, *Leases* (Continued)

(c) Transitional impact (Continued)

(iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in note 22(a) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 RMB'000
Operating lease commitments at 31 December 2018	35,745
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(4,178)
Less: total future interest expenses	(1,909)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and total lease liabilities recognised at 1 January 2019	29,658

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and presents lease liabilities separately in the statement of financial position.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

IFRS 16, *Leases* (Continued)

(c) Transitional impact (Continued)

(iii) (Continued)

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 RMB'000	Capitalisation of operating lease contracts RMB'000	Carrying amount at 1 January 2019 RMB'000
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Property, plant and equipment	314,300	29,790	344,090
Total non-current assets	28,820,778	29,790	28,850,568
Trade and other receivables	8,604,425	(379)	8,604,046
Total current assets	24,260,340	(379)	24,259,961
Trade and other payables	11,006,540	(247)	11,006,293
Lease liabilities (current)	–	12,121	12,121
Current liabilities	23,654,563	11,874	23,666,437
Net current assets	605,777	(12,253)	593,524
Total assets less current liabilities	29,426,555	17,537	29,444,092
Lease liabilities (non-current)	–	17,537	17,537
Total non-current liabilities	9,817,742	17,537	9,835,279
Net assets	19,608,813	–	19,608,813

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to IFRS 16 is as follows:

	At 30 June 2019 RMB'000	At 1 January 2019 RMB'000
Included in "Property, plant and equipment":		
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost	253,144	272,095
Other properties leased for own use, carried at depreciated cost	34,217	29,790
Included in "Investment properties":		
Ownership interests in leasehold investment properties, carried at fair value	28,113,840	25,456,399
Included in "Inventories and other contract costs":		
Completed properties held for sale	1,144,373	1,700,152
Properties under development for sale	1,287,080	1,290,297

2 CHANGES IN ACCOUNTING POLICIES (Continued)

IFRS 16, *Leases* (Continued)

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to IFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	13,899	14,260	12,121	12,130
After 1 year but within 2 years	9,531	10,278	10,978	11,835
After 2 years but within 5 years	7,317	8,358	6,559	7,602
	16,848	18,636	17,537	19,437
	30,747	32,896	29,658	31,567
Less: total future interest expenses		(2,149)		(1,909)
Present value of lease liabilities		30,747		29,658

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables may give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under IFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply to 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

IFRS 16, *Leases* (Continued)

(e) Impact on the financial result, segment results and cash flows of the Group (Continued)

	2019				2018
	Amounts reported under IFRS 16 (A) RMB'000	Add back: IFRS 16 depreciation and interest expense (B) RMB'000	Deduct: Estimated amounts related to operating lease as if under IAS 17 (Note 1) (C) RMB'000	Hypothetical amounts for 2019 as if under IAS 17 (D=A+B-C) RMB'000	Compared to amounts reported for 2018 under IAS 17 RMB'000
Financial result for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:					
Profit from operations	1,276,723	6,410	6,281	1,276,852	1,890,210
finance costs	(466,510)	345	–	(466,165)	(320,938)
Profit before taxation	834,148	6,755	6,281	834,622	1,623,501
Profit for the period	312,202	6,755	6,281	312,676	1,211,484
Reportable segment profit/(loss) for the six months ended 30 June 2019 (note 3(b)) impacted by the adoption of IFRS 16:					
– Property development and related services	191,035	143	115	191,063	244,915
– E-commerce and financial services	(10,996)	–	–	(10,996)	(36,089)
– Supply chain management and trading	(36,051)	5,973	5,898	(35,976)	(8,889)
Total	143,988	6,116	6,013	144,091	199,937

	2019			2018
	Amounts reported under IFRS 16 (A) RMB'000	Estimated amounts related to operating leases as if under IAS 17 (Note 1&2) (B) RMB'000	Hypothetical amounts for 2019 as if under IAS 17 (C=A+B) RMB'000	Compared to amounts reported for 2018 under IAS 17 RMB'000
Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:				
Cash generated from operations	58,240	(10,111)	48,129	592,146
Net cash generated from operating activities	37,676	(10,111)	27,565	565,600
Capital element of lease rentals paid	(9,766)	9,766	–	–
Interest element of lease rentals paid	(345)	345	–	–
Net cash used in financing activities	(66,034)	10,111	(55,923)	(856,232)

2 CHANGES IN ACCOUNTING POLICIES (Continued)

IFRS 16, *Leases* (Continued)

(e) *Impact on the financial result, segment results and cash flows of the Group (Continued)*

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

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. Further details regarding the Group's principal activities are disclosed in note 3(b).

(i) *Disaggregation of revenue*

Disaggregation of revenue from contracts with customers by major products or services lines is as follows:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Revenue from sales of properties and related services	89,010	114,991
– Revenue from supply chain management and trading business	34,077,554	17,843,672
– Revenue from E-commerce and financial services business	43,103	25,048
– Revenue from construction contracts	2,118	2,054
– Others	1,400	19,494
	34,213,185	18,005,259
Revenue from other sources		
Gross rentals from investment properties	412,106	352,398
Financing income	97,667	136,954
	34,722,958	18,494,611

3 REVENUE AND SEGMENT REPORTING (Continued)

(a) Revenue (Continued)

(i) *Disaggregation of revenue (Continued)*

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 3(b).

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 six months ended 30 June 2019 (six months ended 30 June 2018: one).

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

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by 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-focused wholesale shopping malls and provide 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, chemical materials, plastic raw materials, consumer goods, black and non-ferrous metals, etc., and also provides trading related supply chain finance services.

(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.

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

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.

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2019 and 2018 is set out below.

	Property development and related services		E-commerce and financial services		Supply chain management and trading		Total	
	2019	2018 (Note)	2019	2018 (Note)	2019	2018 (Note)	2019	2018 (Note)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June								
Disaggregated by timing of revenue recognition								
Point in time	59,713	75,035	43,103	25,048	34,077,554	17,843,672	34,180,370	17,943,755
Overtime	443,521	394,145	21,793	22,630	75,874	114,324	541,188	531,099
Revenue from external customers and reportable segment revenue	503,234	469,180	64,896	47,678	34,153,428	17,957,996	34,721,558	18,474,854
Reportable segment profit/(loss)	191,035	244,915	(10,996)	(36,089)	(36,051)	(8,889)	143,988	199,937
Net valuation gain on investment properties	1,967,478	1,471,596	–	–	–	–	1,967,478	1,471,596
Finance income	548	57,024	103	194	82,316	26,074	82,967	83,292
Finance costs	(218,329)	(152,442)	(3,757)	(4,436)	(244,146)	(122,389)	(466,232)	(279,267)
Depreciation and amortisation	(7,261)	(12,722)	(1,114)	(663)	(42,435)	(30,310)	(50,810)	(43,695)
Share of net losses of associates	–	(168)	(57,980)	(21,815)	(1,147)	(4,281)	(59,127)	(26,264)
Share of net profits/(losses) of joint ventures	–	(1,305)	–	–	94	(1,495)	94	(2,800)
Additions to non-current segment assets	1,388	2,553	11,898	481	24,130	165,141	37,416	168,175
As at 30 June/31 December								
Reportable segment assets	36,838,566	32,240,057	609,719	630,189	11,913,445	10,549,379	49,361,730	43,419,625
Reportable segment liabilities	14,307,570	11,872,360	2,173,332	2,177,283	15,827,102	14,050,893	32,308,004	28,100,536

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

	Six months ended 30 June	
	2019 RMB'000	2018 (Note) RMB'000
Revenue		
Reportable segment revenue	34,721,558	18,474,854
Other revenue	1,400	19,757
Consolidated revenue (note 3(a))	34,722,958	18,494,611
Profit		
Reportable segment profit	143,988	199,937
Other net (loss)/income	(808,439)	297,043
Net valuation gain on investment properties	1,967,478	1,471,596
Finance income	82,968	83,293
Finance costs	(466,510)	(320,938)
Share of net losses of associates	(59,127)	(26,264)
Share of net profits/(losses) of joint ventures	94	(2,800)
Unallocated head office and corporate expenses	(26,304)	(78,366)
Consolidated profit before taxation	834,148	1,623,501

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment property, other property, plant and equipment, intangible assets, goodwill, interest in associates and joint ventures ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interest in an associates and joint ventures.

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(iii) Geographic information (Continued)

	Revenue from external customers		Specified non-current assets	
	Six months ended 30 June 2019 RMB'000	Six months ended 30 June 2018 RMB'000	30 June 2019 RMB'000	31 December 2018 RMB'000
PRC	34,000,870	18,494,611	30,895,384	28,268,170
Singapore	722,088	–	7,158	2,983
	34,722,958	18,494,611	30,902,542	28,271,153

The analysis above includes property rental income from external customers in Mainland China for the six months ended 30 June 2019 of RMB412,106,000 (six months ended 30 June 2018: RMB352,398,000).

4 OTHER NET (LOSS)/INCOME

	Six months ended 30 June	
	2019 RMB'000	2018 (Note) RMB'000
Net fair value changes on financial instruments at fair value through profit or loss		
– listed equity securities	(697,900)	182,187
– derivative financial instrument	–	(608)
– wealth management products and trust products	112,058	42,618
– contingent consideration	(218,409)	45,885
– convertible redeemable preference shares of a subsidiary	(10,442)	(255)
Dividend received from financial assets at fair value through profit or loss	–	10,711
Government subsidies	3,482	23,430
Others	2,772	(6,925)
	(808,439)	297,043

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

5 PROFIT BEFORE TAXATION

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

(a) Finance (income)/costs

	Six months ended 30 June	
	2019 RMB'000	2018 (Note) RMB'000
Finance income		
Interest income	(82,968)	(83,293)
Finance costs		
Interest on interest-bearing borrowings	580,079	522,509
Interest on lease liabilities	345	–
Other borrowing costs	4,074	52,207
Less: Amounts capitalised into properties under development and investment properties under development	(137,428)	(264,646)
	447,070	310,070
Bank charge and others	19,088	10,808
Net foreign exchange loss	352	60
	466,510	320,938

(b) Staff costs

	2019 RMB'000	2018 (Note) RMB'000
Salaries, wages and other benefits	131,809	100,276
Contributions to defined contribution retirement plans	20,610	14,818
Equity settled share-based payment expenses (note 19)	21,442	43,351
	173,861	158,445

(c) Other items

	2019 RMB'000	2018 (Note) RMB'000
Amortisation	28,669	29,703
Depreciation		
– owned property, plant and equipment	16,224	14,883
– right-of-use assets	6,410	–
Impairment losses		
– trade debtors and bill receivables	77,373	34,120
– loans and factoring receivables	(3,793)	2,070
Operating lease charges	8,704	18,447
Cost of construction contract	2,118	2,054
Cost of commodities sold	33,874,833	17,763,596
Cost of properties sold	79,715	52,430

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

6 INCOME TAX

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Current tax		
PRC Corporate Income Tax ("PRC CIT")	60,514	61,334
PRC Land Appreciation Tax ("PRC LAT")	5,270	5,568
	65,784	66,902
Deferred tax		
Origination and reversal of temporary differences	456,162	345,115
	521,946	412,017

(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 or Singapore Corporate Income Tax as the Group did not earn any assessable income subject to Hong Kong Profits Tax or Singapore Corporate Income Tax during the six months ended 30 June 2019 and 2018.

(iii) Pursuant to the rules and regulations applicable to encouraged industries in the PRC western development strategy, one subsidiary of the Group, GSMN Logistics Co., Ltd., is subject to PRC CIT at a preferential tax rate of 15% for the six months ended 30 June 2019, 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 six months ended 30 June 2019. Pursuant to the rules and regulations applicable to advanced technology enterprises of the PRC, two subsidiaries of the Group, Shenzhen AP88.com Agriculture Information Technology Limited and Zallsoon Information Technology (Wuhan) Co., Ltd. are subject to PRC CIT at a preferential tax rate of 15% for the six months ended 30 June 2019.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 six months ended 30 June 2019 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.

6 INCOME TAX (Continued)

(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 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.

The provision of the related deferred tax liabilities, if any, are 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. Deferred tax liabilities 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.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB339,206,000 (adjusted for ordinary shares issued for Management Share Award Scheme, Incentive Shares, VKC Consultancy Service Consideration Shares) (six months ended 30 June 2018: RMB1,235,106,000) and the weighted average of 11,648,234,000 ordinary shares (adjusted for ordinary shares issued for Management Share Award Schame, Incentive Shares, VKC Consultancy Service Consideration Shares) (six months ended 30 June 2018: 11,621,809,000) in issue during the six months ended 30 June 2019.

(b) Diluted earnings per share

The effect of the Company's share option and various incentive plans was anti-dilutive for the six months ended 30 June 2019.

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,235,782,000 (adjusted for ordinary shares issued for Incentive Shares and VKC Consultancy Service Consideration Shares) and the weighted average of 11,630,786,000 ordinary shares (adjusted for ordinary shares issued for Incentive Shares and VKC Consultancy Service Consideration Shares) in issue during the six months ended 30 June 2018.

8 INVESTMENT PROPERTIES

During the six months ended 30 June 2019, the Group transferred certain completed properties held for sale to investment properties since there was a change in use from sale to earning rental income purpose.

The Group's investment properties carried at fair value were revalued as at 30 June 2019 by Jones Lang Lasalle Corporate Appraisal and Advisory Limited, an independent firm of surveyors, using the same valuation techniques as were used by this valuer when arranging out the December 2018 valuations.

As a result of the update, a net fair value gain of RMB1,967,478,000 (six months ended 30 June 2018: RMB1,471,596,000), and deferred tax thereon of RMB491,870,000 (six months ended 30 June 2018: RMB367,899,000), has been recognised in profit or loss in respect of investment properties.

As at 30 June 2019, the Group's investment properties and investment properties under development with an aggregated carrying value of RMB23,441,533,000 (31 December 2018: RMB18,991,425,000) were pledged as collateral for the Group's interest-bearing borrowings (note 18).

9 PROPERTY, PLANT AND EQUIPMENT

As discussed in note 2, the Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in note 2.

During the six months ended 30 June 2019, the Group entered into a number of lease agreements for use of office premises and warehouses, and therefore recognised the additions to right-of-use assets of RMB10,855,000.

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment with aggregate costs of RMB7,634,000 (six months ended 30 June 2018: RMB5,208,000), of which aggregate costs of RMB1,052,000 was from business combination.

Items of property, plant and equipment with net book value of RMB1,924,000 were disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB64,000), resulting in a loss on disposal of RMB389,000 (six months ended 30 June 2018: RMB30,000).

As at 30 June 2019, the ownership certificates for certain buildings with net book value of RMB16,369,000 have not been obtained (31 December 2018: RMB16,449,000).

As at 30 June 2019, the Group's buildings with carrying value of RMB47,859,000 (31 December 2018: RMB248,394,000) were pledged as collateral for the Group's interest-bearing borrowings (note 18).

10 GOODWILL

	RMB'000
Cost	
At 1 January 2018	1,606,280
Additions through business combination	106,797
Disposal of subsidiaries	(7)
At 31 December 2018 and 1 January 2019	1,713,070
Acquisition of a subsidiary	11,404
At 30 June 2019	1,724,474
Accumulated impairment losses:	
At 1 January 2018	–
Impairment loss	(461,028)
At 31 December 2018, 1 January 2019 and 30 June 2019	(461,028)
Carrying amount:	
At 31 December 2018	1,252,042
At 30 June 2019	1,263,446

11 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	30 June 2019 RMB'000	31 December 2018 RMB'000
Contract assets		
Arising from performance under construction contracts	334,318	329,876
Receivables from contracts with customers within the scope of IFRS 15, which are included in "Trade and other receivables" (note 14)	**2,409,501**	**2,068,252**

The amount of contract assets that is expected to be recovered more than one year is RMB334,318,000 as at 30 June 2019 (31 December 2018: RMB329,876,000).

(b) Contract liabilities

	30 June 2019 RMB'000	31 December 2018 RMB'000
Property development and related services		
– Forward sales deposits and instalments received	523,774	443,709
Supply chain management and trading		
– Deposits received from third parties	1,625,067	1,358,564
– Deposits received from related parties	11,153	27,439
Others		
– Deposits received	12,759	6,006
	2,172,753	1,835,718

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Financial assets at fair value through profit or loss		
Listed equity securities in Hong Kong		
– Fullshare Holdings Limited	261,903	968,187
Derivative financial instrument		
– Wealth management products and trust products (i)	3,509,040	3,388,360
Forward contracts	147,546	141,051
Contingent consideration		
– acquisition of Shenzhen Sinoagri (ii)	95,068	278,052
– acquisition of HSH (iii)	8,561	9,705
	4,022,118	4,785,355
Financial liabilities at fair value through profit or loss – current		
Forward contracts	147,546	141,051
Contingent consideration – acquisition of HSH (iii)	1,250	1,276
	148,796	142,327
Financial liabilities at fair value through profit or loss – non-current		
Convertible redeemable preference shares (iv)	69,709	59,024

(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. Wealth management products and trust products with an aggregate carrying amount of RMB3,509,010,000 (31 December 2018: RMB3,240,749,000) were pledged for bills payable of the Group (note 17).

(ii) The amount represents the contingent consideration of acquisition of Shenzhen Sinoagri amounting to RMB95,068,000 as at 30 June 2018 (31 December 2018: RMB278,052,000). The amount is generated as a result of part of the consideration of the acquisition which depends on the post-acquisition financial performance of Shenzhen Sinoagri.

(iii) The amount represents the contingent consideration of acquisition of HSH. The amount is generated as a result of part of the consideration of the acquisition which depends on the post-acquisition financial performance of HSH.

(iv) Convertible redeemable preference shares were issued by HSH. At the option of the holder, the convertible redeemable preference shares can be converted at any time into ordinary shares of HSH based on pre-determined conversion price, subject to certain anti-dilution adjustments. The holders of preference shares are entitled to redemption rights with various maturity periods.

13 INVENTORIES AND OTHER CONTRACT COSTS

	30 June 2019 RMB'000	31 December 2018 RMB'000
Properties under development for sale	4,231,652	4,113,217
Completed properties held for sale	1,144,373	1,700,152
Commodities	630,698	463,736
	6,006,723	6,277,105

As at 30 June 2019, properties under development for sale with an aggregate carrying value of RMB1,453,180,000 (31 December 2018: RMB1,204,985,000) and completed properties held for sale with an aggregate carrying value of RMB775,655,000 (31 December 2018: RMB1,426,811,000) were pledged as collateral for the Group's interest-bearing borrowings (note 18). As at 30 June 2019, completed properties held for sale with an aggregate carrying value of RMB60,600,000 (31 December 2018: nil) were pledged as collateral for the Group's bills payables (note 17).

14 TRADE AND OTHER RECEIVABLES

	30 June 2019 RMB'000	31 December 2018 RMB'000
Trade debtors and bills receivables, net of loss allowance	4,588,690	2,874,048
Loans and factoring receivables, net of loss allowance	2,248,735	3,347,928
	6,837,425	6,221,976
Advances to suppliers	1,530,528	873,441
Other receivables, deposits and prepayments	1,891,137	1,509,008
	10,259,090	8,604,425

As at 30 June 2019, certain bills receivables with carrying value of RMB1,641,276,000 (31 December 2018: RMB932,614,000) were pledged as collateral for the Group's interest-bearing borrowings (note 18).

(a) Ageing analysis of trade debtors and bill receivables

As at the end of the reporting period, the ageing analysis of trade debtors and bill receivables based on revenue recognition date and net of allowance for impairment losses, is as follows:

	30 June 2019 RMB'000	31 December 2018 RMB'000
Within 6 months	3,156,719	2,085,881
6 to 12 months	959,528	353,362
Over 12 months	472,443	434,805
	4,588,690	2,874,048

Customers are normally granted credit terms of 0 to 360 days, depending on the credit worthiness of individual customers.

14 TRADE AND OTHER RECEIVABLES (Continued)

(b) Loans and factoring receivables, net of loss allowance

	30 June 2019 RMB'000	31 December 2018 RMB'000
Guaranteed loans receivable, net of loss allowance	40,914	39,424
Secured loans receivable, net of loss allowance (i)	1,751,007	2,162,005
Unsecured loans receivable, net of loss allowance	30,941	740,474
Factoring receivables, net of loss allowance	425,873	406,025
	2,248,735	3,347,928

(i) Secured loans receivables represent secured loans advanced to third-party borrowers secured by the borrowers' inventories, properties or unlisted shares.

Ageing analysis

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

	30 June 2019 RMB'000	31 December 2018 RMB'000
Within 6 months	601,213	2,364,086
6 to 12 months	858,510	489,973
Over 12 months	789,012	493,869
	2,248,735	3,347,928

Borrowers are normally granted credit terms of 180 to 360 days, depending on the credit worthiness of individual customers.

15 PLEDGED BANK DEPOSITS

	Note	30 June 2019 RMB'000	31 December 2018 RMB'000
Secured for bank loans	18	36,203	20,699
Secured for letter of credit and bills payable	17	3,054,733	2,997,853
Others		76,483	47,680
		3,167,419	3,066,232

16 CASH AND CASH EQUIVALENTS

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Cash at bank and on hand	1,313,009	1,118,626

At 30 June 2019, cash and cash equivalents and pledged bank deposits with aggregate amount of RMB4,406,185,000 (31 December 2018: RMB4,087,685,000) 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.

17 TRADE AND OTHER PAYABLES

	30 June 2019 RMB'000	31 December 2018 RMB'000
Trade and bills payables (i)	8,952,573	8,143,449
Other borrowings (i)(ii)	1,092	135,110
Receipts in advance	265,284	294,356
Other payables and accruals	3,299,274	2,433,625
	12,518,223	11,006,540

(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:

	30 June 2019 RMB'000	31 December 2018 RMB'000
Within 6 months	5,908,641	4,140,186
6 to 12 months	2,745,051	2,386,941
Over 12 months	299,973	1,751,432
	8,953,665	8,278,559

(ii) Other borrowings mainly represented amounts generated from financial lending business. The interest rate of the other borrowings are ranging from 6.90%-9.30% for the six months ended 30 June 2019 (six months ended 30 June 2018: 8.45%-11.00%).

(iii) Bills payables of the Group were secured by certain pledged bank deposits, completed properties held for sale and wealth management products and trust products of the Group as at 30 June 2019 (notes 12, 13 and 15).

18 INTEREST-BEARING BORROWINGS

The analysis of the carrying amount of interesting-bearing borrowings is as follows:

	Note	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Current			
Bank loans and loans from other financial institutions	18(a)	6,961,779	7,554,865
Loans from an associate	18(b)	11,000	11,000
Other loans	18(c)	1,699,284	1,689,249
		8,672,063	9,255,114
Non-current			
Bank loans and loans from other financial institutions	18(a)	4,357,848	3,953,821
Other loans	18(c)	2,098,832	1,017,009
		6,456,680	4,970,830
		15,128,743	14,225,944

(a) Bank loans and loans from other financial institutions

At 30 June 2019, the bank loans and loans from other financial institutions were repayable as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within one year or on demand	6,961,779	7,554,865
After 1 year but within 2 years	2,852,117	2,368,953
After 2 years but within 5 years	1,221,231	1,311,118
After 5 years	284,500	273,750
	4,357,848	3,953,821
	11,319,627	11,508,686

(i) As at 30 June 2019, the bank loans and loans from other financial institutions were secured as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Secured	11,217,043	11,351,686
Unsecured	102,584	157,000
	11,319,627	11,508,686

18 INTEREST-BEARING BORROWINGS (Continued)

(a) Bank loans and loans from other financial institutions (Continued)

(ii) Assets of the Group pledged to secure the bank loans and loans from other financial institutions comprise:

	Note	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Pledged bank deposits	15	36,203	20,699
Bill receivables	14	1,641,276	932,614
Other receivables		8,000	8,000
Investment properties	8	18,833,729	16,246,645
Investment properties under development	8	3,871,626	2,744,780
Properties under development	13	1,340,989	1,204,985
Completed properties held for sale	13	739,892	1,426,811
Property, plant and equipment	9	47,859	248,394
		26,519,574	22,832,928

(iii) Bank loans and loans from other financial institutions bear interest ranging from 3.10% to 11.03% per annum for the six months ended 30 June 2019 (six months ended 30 June 2018: 1.85% to 13.00% per annum).

(iv) Certain banking facilities and borrowings of the Group are subject to the fulfilment of covenants relating to: (1) certain of the Group's operating subsidiaries' statement of financial position ratio; (2) restriction of profit distribution by certain of its subsidiaries; (3) early repayment of principal to be triggered when 70% of the gross sellable area for the underlying property project are sold; or (4) restriction of providing financial guarantees. These requirements are commonly found in lending arrangements with banks and financial institutions. If the Group was to breach such covenants, the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants and communicates with its lenders.

As at 30 June 2019, bank loans of the Group of RMB5,403,554,000 (31 December 2018: RMB5,632,854,000) was 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.

(b) Loans from an associate

The loans were unsecured, repayable upon demand and bear interest of 4.35% per annum.

18 INTEREST-BEARING BORROWINGS (Continued)

(c) Other loans

At 30 June 2019, other loans from third parties were repayable as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within one year or on demand	1,699,284	1,689,249
After 1 year but within 2 years	2,098,832	1,017,009
	3,798,116	2,706,258

(i) As at 30 June 2019, other loans from third parties were secured as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Secured	550,000	300,000
Unsecured	3,248,116	2,406,258
	3,798,116	2,706,258

(ii) Assets of the Group pledged to secure other loans from third parties comprise:

	Note	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Investment properties	8	736,178	–
Properties under development	13	112,191	–
Completed properties held for sale	13	35,763	–
		884,132	–

As at 30 June 2019 and 31 December 2018, a loan of RMB300,000,000 was secured by the proceeds from a subsidiary's sale transactions for a period from June 2019 to September 2019 with a cap of RMB324,000,000.

(iii) Other loans from third parties bear interest ranging from 4.00% to 18.00% per annum for the six months ended 30 June 2019.

(d) As at 30 June 2019, certain interest-bearing borrowings was guaranteed by related parties of the Group (note 24(c)).

(Expressed in Renminbi unless otherwise indicated)

19 EQUITY-SETTLED SHARE-BASED PAYMENTS

(a) 2017 Share Option Scheme

The Group has adopted a share option scheme ("2017 Share Option Scheme") which granted a total of 45,667,950 share options to certain senior management of Shenzhen Sinoagri ("Shenzhen Sinoagri Management Team") 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:

	Six months ended 30 June			
	2019		2018	
	weighted average exercise price	number of options	weighted average exercise price	number of options
Outstanding at the beginning/end of the period	HKD8.48	45,667,950	HKD8.48	45,667,950
Exercisable at the end of the period	HKD8.48	16,205,792	HKD8.48	9,133,590

As at 30 June 2019, the remaining contractual life of share option scheme is 8.5 years (31 December 2018: 9 years).

(Expressed in Renminbi unless otherwise indicated)

19 EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

(a) 2017 Share Option Scheme (Continued)

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 options granted 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 adjusted for any expected changes to future volatility based on publicly available information. 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. Changes in the subjective input assumptions could materially affect the fair value estimate.

For the six months ended 30 June 2019, the total expense recognised in the consolidated statement of profit or loss for share options granted to the recipients is RMB11,167,000 (six months ended 30 June 2018: RMB24,442,000).

(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 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 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 2017 Share Option Scheme.

The awarded shares granted were issued on 22 December 2017 and movements in the number of shares held for Management Shares for the six month ended 30 June 2019 are as follows:

	Six months ended 30 June	
	2019	2018
Number of Management Shares granted but not yet vested at the beginning of the period	6,447,240	8,059,050
Vested during the period	(1,248,036)	(1,611,810)
Number of Management Shares granted but not yet vested at the end of the period	5,199,204	6,447,240

(Expressed in Renminbi unless otherwise indicated)

19 EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

(b) Management Shares Award scheme (Continued)

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 RMB4,457,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB9,907,000) with a corresponding increase in equity-settled share-based payment 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, pursuant to which, Mr. Wei Zhe 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'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 Zhe 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 2017 Share Option Scheme with reference to revenue and net profit of Shenzhen Sinoagri. The Incentive Shares will be released to Mr. Wei Zhe 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 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 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 six months ended 30 June 2019 are as follows:

	Six months ended 30 June	
	2019	2018
Number of shares granted but not yet vested at the beginning of the period	8,596,800	10,746,000
Vested during the period	(2,149,200)	(2,149,200)
Number of shares granted but not yet vested at the end of the period	6,447,600	8,596,800

(Expressed in Renminbi unless otherwise indicated)

19 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 the market price of the Company's shares at that date and discount for lack of marketability, which is determined based on Asian put option pricing model. The fair value of the Incentive Shares on the grant 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 RMB5,780,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB9,002,000) with a corresponding increase in equity-settled 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), 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 six months ended 30 June 2019 are as follows:

	Six months ended 30 June	
	2019	2018
Number of shares granted but not yet vested at the beginning of the period	34,384,800	42,981,000
Vested during the period	(8,596,200)	(8,596,200)
Number of shares granted but not yet vested at the end of the period	25,788,600	34,384,800

The fair value of the granted shares is determined based on the market price of the Company's shares during the service rendering period and discount for lack of marketability, which is determined based on Asian put option pricing model. The Group recognised share based payment expenses of RMB9,106,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB55,852,000) with a corresponding increase in equity-settled share-based payment 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%

(Expressed in Renminbi unless otherwise indicated)

19 EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

(e) 2018 Share Option Scheme

The Group has adopted a share option scheme ("2018 Share Option Scheme") which granted a total of 50,000,000 share options during year ended 31 December 2018, to the eligible participants 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:

Dated granted	Vesting date	Expiry date	Number of shares option granted – Directors	Number of shares option granted – Employee	Exercise price	Total
4 Sep 2018	the first trading date after the 12-month period from the date of grant	the last trading date of the 24-month period from the date of grant	1,500,000	13,500,000	HKD6.66	15,000,000
4 Sep 2018	the first trading date after the 24-month period from the date of grant	the last trading date of the 36-month period from the date of grant	1,500,000	13,500,000	HKD6.66	15,000,000
4 Sep 2018	the first trading date after the 36-month period from the date of grant	the last trading date of the 48-month period from the date of grant	2,000,000	18,000,000	HKD6.66	20,000,000

The number of the options to be exercised after each vesting period is subject to fulfilment of certain financial performance targets as set out in the 2018 Share Option Scheme.

The number and weighted average exercise prices of share options are as follows:

	Six months ended 30 June 2019 – Weighted average exercise price *HKD*	Six months ended 30 June 2019 – Number of options
Outstanding at the beginning of the period	6.66	48,700,000
Lapsed during the period	6.66	(15,800,000)
Outstanding at the end of the period	6.66	32,900,000

As at 30 June 2019, the weighted average remaining expected contractual life of share option scheme is 2.28 years (31 December 2018: 2.85 years).

19 EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

(e) 2018 Share Option Scheme (Continued)

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 options granted is measured based on a binomial option pricing model. The fair value of each share option at measurement date is HKD1.71 and the significant inputs into the model are listed as follows:

Share price determined at the measurement date	HKD6.36
Exercise price	HKD6.66
Time to Maturity	2-4 years
Exercise Mulitple	2.80
Volatility	33.66%-43.76%
Estimated dividend yields	0.48%
Risk Free Rate	1.98%-2.10%
Pre-vesting Exit Rate	0%
Post-vesting Exit Rate	4.5%

The estimated volatility of share price is calculated based on the statistical analysis of historical volatility of the Company, adjusted for any expected changes to future volatility based on publicly available information. 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. Changes in the subjective input assumptions could materially affect the fair value estimate.

No expense was recognised in the consolidated statement of profit or loss for the six months ended of 30 June 2019 as performance condition was not satisfied.

20 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

On 10 June 2019, 101,094,000 ordinary shares were issued for acquisition of 9.89% equity interest of Shenzhen Sinoagri E-commerce Co., Ltd..

(b) Dividends

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

The directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2019 and 2018.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, nil (six months ended 30 June 2018: HKD2.58 cents per share)	–	246,653

20 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concerns so it can continue to provide returns for shareholders and benefits for other stakeholders by pricing products and services 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 borrowings and lease liabilities 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.

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 has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group recognises right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 January 2019. This did not have a significant impact on the Group's adjusted net debt-to-capital ratio rose on 1 January 2019 when compared to its position as at 31 December 2018.

The Group's adjusted net debt-to-capital ratio at the end of the current and previous reporting periods and at the date of transition to IFRS 16 was as follows:

	Note	30 June 2019 RMB'000	1 January 2019 (Note) RMB'000	31 December 2018 (Note) RMB'000
Current liabilities:				
Interest-bearing borrowings	18	8,672,063	9,255,114	9,255,114
Lease liabilities		13,899	12,121	–
Non-current liabilities:				
Interest-bearing borrowings	18	6,456,680	4,970,830	4,970,830
Lease liabilities		16,848	17,537	–
Total debt		15,159,490	14,255,602	14,225,944
Less: Fixed deposits with banks with original maturity over three months		329	203,287	203,287
Pledged bank deposits	15	3,167,419	3,066,232	3,066,232
Cash and cash equivalents	16	1,313,009	1,118,626	1,118,626
Adjusted net debt		10,678,733	9,867,457	9,837,799
Total equity attributable to equity shareholders of the Company		19,296,241	18,779,592	18,779,592
Adjusted net debt-to-capital ratio		55.34%	52.54%	52.39%

20 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Capital management (Continued)

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Under this approach, the comparative information is not restated. See note 2.

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified 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 30 June 2019	Fair value measurements as at 30 June 2019 categorised into			Fair value at 31 December 2018	Fair value measurements as at 31 December 2018 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	261,903	261,903	–	–	968,187	968,187	–	–
– Wealth management products and trust products	3,509,040	–	3,509,040	–	3,388,360	–	3,388,360	–
– Forward contracts	147,546	–	147,546	–	141,051	–	141,051	–
– Contingent consideration	103,629	–	–	103,629	287,757	–	–	287,757
– Equity investments at fair value through other comprehensive income	8,702	–	8,702	–	8,702	–	8,702	–
Liabilities:								
– Forward contracts	147,546	–	147,546	–	141,051	–	141,051	–
– Contingent consideration	1,250	–	–	1,250	1,276	–	–	1,276
– Convertible redeemable preference shares of a subsidiary	69,709	–	–	69,709	59,024	–	–	59,024

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

(i) Fair value hierarchy (Continued)

During the six months ended 30 June 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 June 2018: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

The fair value of equity investment at fair value through other comprehensive income is determined under the market approach.

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

The fair value of wealth management products and trust products is determined by discounting the estimated future cash flows at risky rate, which is the benchmark interest rate plus the risk premium as at the end of the reporting period.

(iii) Information about level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Input value
Contingent consideration for acquisition of Shenzhen Sinoagri	Probabilistic method	Occurrence probability of financial forecasts, financial forecast	80% (base case); 10% (bull and bear cases)
Contingent consideration for acquisition of HSH	Probabilistic method	Occurrence probability of financial forecasts, financial forecast	70% (Base case); 20% (bull case); 10% (bear case)
Convertible redeemable preference shares	Option-pricing model	Financial forecasts	Not applicable

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

Contingent consideration	30 June 2019 RMB'000	30 June 2018 RMB'000
Balance at 1 January	286,481	6,915
Assumed in a business combination	–	42,914
Acquisition of non-controlling interests	34,307	–
Exchange difference	–	2,156
Net change in fair value	(218,409)	45,885
Balance at 30 June	102,379	97,870

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

(iii) Information about level 3 fair value measurements (Continued)

Convertible redeemable preference shares of a subsidiary	30 June 2019 RMB'000	30 June 2018 RMB'000
Balance at 1 January	59,024	–
Assumed in a business combination	–	79,737
Exchange difference	243	3,634
Redemption	–	(12,431)
Net Change in fair value	10,442	255
Balance at 30 June	69,709	71,195

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

The carrying amount of the Group's financial instrument carried at cost or amortised cost were not materially different from their fair value as at 30 June 2019 and 31 December 2018.

22 COMMITMENTS

(a) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	31 December 2018 RMB'000
Within 1 year	15,106
After 1 year but within 5 years	20,639
	35,745

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2.

22 COMMITMENTS (Continued)

(b) Capital commitments on development costs

As at 30 June 2019, the Group's capital commitments in respect of investment properties under development and properties under development are as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Contracted but not provided for		
– Investment properties under development	59,268	137,887
– Properties under development	1,510,219	1,590,514
	1,569,487	1,728,401

23 CONTINGENT LIABILITIES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Bank financial guarantees (i)	150,160	171,088
Other non-bank financial guarantees (i)	137,860	96,980
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (ii)	749,410	688,759
Total maximum guarantees issued	1,037,430	956,827

(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. The guarantee are provided to lenders (beneficiary of the guarantee) and guarantee fee are charged to the borrowers based on the loan amounts. 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.

24 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party informations disclosed elsewhere above, the Group and the Company entered into the following material related party transactions.

Ultimate Controlling Party refers to Mr. Yan Zhi. He is the co-chairman, co-chief executive officer 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 is as follows:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Wages, salaries and other benefits	7,369	5,543
Contributions to defined benefit retirement scheme	263	135
Equity-settled share-based payment expenses	21,404	43,351
	29,036	49,029

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

(b) Other transactions and balances with related parties

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
(i) Advances from related parties		
– Associates	1,412	23,368
– Joint ventures	–	17,000
– Entities controlled by Ultimate Controlling Party	63	24
– Entities controlled by non-controlling interests of subsidiaries	–	9,500
– Immediate parent	1,446	–
	2,921	49,892

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions and balances with related parties (Continued)

Advances from related parties are unsecured, interest free and repayable on demand.

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
(ii) Payments to related parties		
– Ultimate controlling party	–	3,900
– Associates	3,436	7,000
– Joint ventures	–	17,443
– Entities controlled by Ultimate Controlling Party	226,374	76
– Entities controlled by non-controlling interests of subsidiaries	–	23,700
– Non-controlling interests of a subsidiary	100,000	–
	329,810	52,119

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
(iii) Advances to related parties		
– Associates	29,870	25,646
– Joint ventures	740,150	499,944
– Non-controlling interests of subsidiaries	1	69,738
– Entities controlled by Ultimate Controlling Party	15,619	1,408
– Key management personnel	30	–
	785,670	596,736

Advances to related parties are unsecured, interest free and repayable on demand.

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
(iv) Repayment from related parties		
– Associates	30,382	28
– Joint ventures	727,305	443,398
– Non-controlling interests of subsidiaries	30,506	56,139
– Entities controlled by Ultimate Controlling Party	18,990	586
– Key management personnel	102	–
	807,285	500,151

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions and balances with related parties (Continued)

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
(v) Rental income		
– Entities controlled by Ultimate Controlling Party	19,502	25,587

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
(vi) Place deposits in		
– a bank significantly influenced by Ultimate Controlling Party	4,839,863	1,148,446

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
(vii) Withdraw deposits from		
– a bank significantly influenced by Ultimate Controlling Party	4,875,872	1,343,440

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
(viii) Sales to related parties		
– Associates	122,613	428
– Non-controlling interests of subsidiaries	4,915	195
– Entities controlled by non-controlling interests of subsidiaries	–	36
	127,528	659

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
(ix) Purchase from related parties		
– Associates	82,793	–

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
(x) Logistics and marketing services provided to a related party		
– An associate	66,237	–

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Balance with related parties

	30 June 2019 RMB'000	31 December 2018 RMB'000
Factoring receivables		
– an entity controlled by Ultimate Controlling Party	21,305	20,167
– an associate	589	–
	21,894	20,167

The factoring receivables were unsecured, repayable within one year and bear interest of 9%-14% per annum.

	30 June 2019 RMB'000	31 December 2018 RMB'000
Loans to		
– associates	36,747	61,278
– non-controlling interests of a subsidiary	7,948	7,506
	44,695	68,784

Loans to related parties bear interest ranking from 6% to 12% per annum. The credit term are one year. Loans of RMB39,693,000 are secured by agriculture products and unlisted shares as at 30 June 2019 (31 December 2018: RMB51,291,000). The remaining loans are unsecured.

	30 June 2019 RMB'000	31 December 2018 RMB'000
Trade prepayment to		
– associates	23,111	23,963
– an entity controlled by Ultimate Controlling Party	–	17
– non-controlling interests of subsidiaries	10,953	–
	34,064	23,980

	30 June 2019 RMB'000	31 December 2018 RMB'000
Amounts due from related parties		
– associates	85,642	86,154
– joint ventures	83,984	71,139
– non-controlling interests of subsidiaries	98	30,603
– entities controlled by Ultimate Controlling Party	888	4,259
– key management personnel	1,066	1,138
	171,678	193,293

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Balance with related parties (Continued)

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

	30 June 2019 RMB'000	31 December 2018 RMB'000
Deposits in		
– a bank significantly influenced by Ultimate Controlling Party	3,933	39,942

	30 June 2019 RMB'000	31 December 2018 RMB'000
Contract liabilities-trade of agriculture products		
– an associate	11,153	27,439

	30 June 2019 RMB'000	31 December 2018 RMB'000
Interest-bearing borrowings		
– an associate	11,000	11,000

	30 June 2019 RMB'000	31 December 2018 RMB'000
Amounts due to related parties		
– associates	236	2,260
– non-controlling interests of subsidiaries	207,026	307,026
– entities controlled by Ultimate Controlling Party	50,794	277,105
– Ultimate Controlling Party	3,900	3,900
– Immediate Parent	367,546	366,100
	629,502	956,391

The amount due to related parties are unsecured, interest-free and repayable on demand.

	30 June 2019 RMB'000	31 December 2018 RMB'000
Interest-bearing borrowings guaranteed by		
– Entities controlled by Ultimate Controlling Party	136,514	140,000
– An entity controlled by Ultimate Controlling Party and directors of the Company	250,000	–
– A director of the Company	268,000	–
	654,514	140,000

No guarantee income was charged by related parties for the guarantee of loans.

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

Save for the related party transactions in respect of transactions 24(b)(v), 24(b)(vi) and 24(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. 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.

25 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Disposal of Zalljinfu Information Technology (Wuhan) Co., Ltd.(" Zalljinfu Information Technology") and 35% equity interest of Zhong Bang Financial Leasing Co., Ltd. ("Zhong Bang Financial Leasing")

On 30 June 2019, the Group entered into two disposal agreements with Zhong Bang Asset Management Co., Ltd.("Zhong Bang Asset Management", a connected person of the Company which is controlled by controlling shareholder of the Company) in relation to disposal total equity interest of Zalljinfu Information Technology and 35% equity interest of Zhong Bang Financial Leasing at a consideration of RMB21,000,000 and RMB44,000,000, respectively. Zalljinfu Information Technology owned 65% equity interest of Zhong Bang Financial Leasing. Together with its subsidiaries including Zhong Bang Financial Leasing, Zalljinfu Information Technology is principally engaged in asset management, insurance agent and related consulting business and guarantee business and provision of finance leasing service. Upon completion of the disposal, Zalljinfu Information Technology and Zhong Bang Financial Leasing will be ceased to the subsidiaries of the Group and the financial results will no longer be consolidated into the financial statements of the Group.

The disposal of total equity interest of Zalljinfu Information Technology was completed in July and the disposal of 35% equity interest of Zhong Bang Financial Leasing is expected to be completed in the second half of 2019.

(b) Disposal of Wuhan Guarantee Investment

On 2 August 2019, the Group entered into a disposal agreement with Zhong Bang Asset Management, pursuant to which the Group agreed to dispose total equity interest of Wuhan Guarantee Investment at a consideration of RMB198,000,000. The principal business of Wuhan Guarantee Investment is provision of guarantee services. Upon completion of the disposal, Wuhan Guarantee Investment will be ceased to the subsidiary of the Group and the financial results will no longer be consolidated into the financial statements of the Group.

26 COMPARATIVE FIGURES

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.