THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Zall Group Ltd., you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.

Zall Group Ltd.
卓爾集團股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2098)

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION; (2) POSSIBLE CONNECTED TRANSACTION INVOLVING ISSUE OF SHARES TO CONNECTED PERSONS; (3) ISSUE OF SHARES UNDER SPECIFIC MANDATE; (4) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION; AND (5) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

TC CAPITAL

Unless the context requires otherwise, capitalized terms used herein shall have the same meanings as defined under the section "Definitions" of this circular.

A letter from the Board is set out on pages 9 to 72 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on pages 73 to 74 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 75 to 115 of this circular. A notice convening the EGM to be held at Suite 2101, 21/F, Two Exchange Square, Central, Hong Kong on 9 March 2017 at 11:00 a.m. is set out on pages VI-1 to VI-4 of this circular.

Whether or not you are able to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event not later than 48 hours before the time designated for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting should you so wish and in such event the relevant form of proxy shall be deemed to be revoked.

15 February 2017

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In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

"Acquisition"	the proposed acquisition of the Total Target Shares pursuant to the terms and conditions of the Acquisition Agreement;
"Acquisition Agreement"	the agreement dated 28 October 2016 entered into among the Vendors, the Guarantors, the Purchaser and the Company in relation to the Acquisition;
"Articles of Association"	the articles of association of the Company, as amended, revised or supplemented from time to time;
"associate"	has the meaning ascribed thereto under the Listing Rules;
"Board"	the Board of Directors of the Company;
"Business Day"	a day on which banks are open for business in Hong Kong and the PRC (excluding Saturdays, Sundays and public holidays);
"Company"	Zall Group Ltd. (卓爾集團股份有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange;
"connected person"	has the meaning ascribed to it under the Listing Rules;
"Consideration"	the consideration payable for the Total Target Shares under the Acquisition Agreement;
"Consideration Shares"	up to 618,321,000 Shares to be allotted and issued by the Company to the Vendors or their designated parties at the Issue Price of HK$4.19 each as the Consideration;
"Consultancy Agreement"	the consultancy agreement to be entered into between the Company and VKC on or before the First Completion;

"Core Management Team"	the core management personnel of the Project Company, comprising Mr. Sun Wei (孫煒) (CEO), Mr. Qi Zhiping (齊志平) (vice chairman) and other senior management to be appointed in writing by the above persons before the dispatch of the Circular;
"Directors"	directors of the Company;
"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Acquisition Agreement, the transactions contemplated thereunder and the Proposed Amendments;
"Enlarged Group"	the Group after the Second Completion, together with the Target Group;
"First Completion"	the first completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement;
"First Completion Conditions"	the conditions precedent to the First Completion of the Acquisition Agreement;
"First Completion Date"	the fifth Business Day after all the First Completion Conditions have been satisfied or waived or otherwise designated under the Acquisition Agreement, or as agreed by the Parties in written form;
"First Long Stop Date"	30 April 2017 (or such later date as may be agreed between the parties);
"Group"	the Company and its subsidiaries from time to time;
"Guarantor A"	Vision Knight Capital (China) Fund I, L.P., a limited partnership incorporated in Cayman Islands;
"Guarantor B"	Greenwoods Bloom Fund, L.P., a limited partnership incorporated in Cayman Islands;
"Guarantors"	collectively, Guarantor A and Guarantor B;

"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"IBC"	an independent board committee of the Board comprising all the independent non-executive Directors other than Mr. Wei established for the purpose of advising the Independent Shareholders on the Acquisition;
"Incentive Shares"	the restricted shares of the Company to be issued to Mr. Wei by the Company pursuant to the terms and condition of the Service Agreement between the Company and Mr. Wei, which represents 0.1% of the total issued share capital of the Company as at the Latest Practicable Date;
"Independent Financial Adviser"	TC Capital International Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the IBC and the Independent Shareholders with respect to, among others, the Transaction;
"Independent Shareholders"	Shareholders who are not interested in or involved in the Transaction Documents and the Transactions;
"Issue Price"	the issue price of HK$4.19 per Share;
"Latest Practicable Date"	10 February 2017, being the latest practicable date prior to printing of this circular for ascertaining certain information contained in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Lock-Up Undertakings"	the Lock-Up Undertaking for Vendor A, Vendor B and Vendor C and the Lock-Up Undertaking for Vendor D as provided in the Acquisition Agreement;

"Management Options"	the options to be granted by the Company to the Core Management Team pursuant to the Acquisition Agreement, which entitle the option holders to subscribe for 45,667,950 Options Shares at the exercise price determined in accordance with the Share Option Scheme;
"Management Shares"	8,059,050 Shares to be allotted and issued by the Company to the Core Management Team free of charge pursuant to the Acquisition Agreement as recognition for the contribution made by such persons to the Company and the Project Group;
"Management Team"	the existing management team of the Project Company;
"Mr. Wei"	Mr. Wei Zhe, David, an independent non-executive director of the Company;
"Option Shares"	an aggregate of up to 45,667,950 Shares to be issued pursuant to the Management Options;
"PRC"	the People's Republic of China which for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan;
"Project Company"	深圳市中農網股份有限公司(Shenzhen Sinoagri E-commerce Co., Ltd.), a company established in the PRC with limited liability;
"Project Group"	Project Company and its subsidiaries;
"Proposed Amendments"	proposed amendments to the Articles of Association;
"Purchaser"	Zall Development (BVI) Holding Company Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company;
"Purchaser Group"	includes the Purchaser and the Company, and the "Purchaser Group Company" means any member of the Purchaser Group;

"Respective Portion"	the respective proportion of each Vendor in respect of the Consideration as set out in the Acquisition Agreement, and the summation of each Vendor's Respective Portion is 100%;
"RMB"	Renminbi, the lawful currency of the PRC;
"Second Completion"	the second completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement;
"Second Completion Conditions"	the conditions precedent to Second Completion of the Acquisition Agreement;
"Second Completion Date"	the fifth Business Day after all the Second Completion Conditions have been satisfied or otherwise designated under the Acquisition Agreement, or as agreed by the Parties in written form, but in no event earlier than the First Completion Date;
"Second Long Stop Date"	30 June 2018 (or such later date as may be agreed between the parties);
"Service Agreement"	the service agreement to be entered into between Mr. Wei and the Company on or before the First Completion, pursuant to which Mr. Wei will be re-designated as an executive Director of the Company;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholders"	shareholders of the Company;
"Share Option Scheme"	the share option scheme adopted by the Company on 20 June 2011;
"Shares"	ordinary shares of HK$0.00333 each of the Company;

"Specific Mandate"	the specific mandate for the allotment and issue of the Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares and the Management Shares, which is subject to the approval by the Independent Shareholders voting by way of poll at the EGM;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Target Companies"	collectively, Target Company A, Target Company B, Target Company C, Target Company D1 and Target Company D2;
"Target Company A"	Superu Company Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company after the Acquisition;
"Target Company B"	Perfect International Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company after the Acquisition;
"Target Company C"	Sweet Returns Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company after the Acquisition;
"Target Company D1"	Ronald Development International Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company after the Acquisition;
"Target Company D2"	Sweet Returns Investment Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company after the Acquisition;
"Target Group"	the Target Companies and its subsidiaries;
"Target Shares A"	one issued share of the Target Company A, representing the entire issued shares of the Target Company A as at the Latest Practicable Date;

"Target Shares B"	one issued share of the Target Company B, representing the entire issued shares of the Target Company B as at the Latest Practicable Date;
"Target Shares C"	one issued share of the Target Company C, representing the entire issued shares of the Target Company C as at the Latest Practicable Date;
"Target Shares D1"	one issued share of the Target Company D1, representing the entire issued shares of the Target Company D1 as at the Latest Practicable Date;
"Target Shares D2"	one issued share of the Target Company D2, representing the entire issued shares of the Target Company D2 as at Latest Practicable Date;
"Total Target Shares"	all of Target Shares A, Target Shares B, Target Shares C, Target Shares D1 and Target Shares D2;
"Transactions"	the transactions contemplated under the Transaction Documents;
"Transaction Documents"	the transaction documents which include (i) the Acquisition Agreement; (ii) the Consultancy Agreement; and (iii) the Service Agreement;
"US$"	United States dollar, the lawful currency of the United States of America;
"Vendor Group"	includes all the Vendors, the "Vendor Group Company" means any member of the Vendor Group;
"Vendors"	collectively, the Vendor A, Vendor B, Vendor C and Vendor D;
"Vendor A"	EJC Group Limited, a company with limited liability incorporated in the British Virgin Islands;

"Vendor B"	Great Morning Holding Limited, a company with limited liability incorporated in the British Virgin Islands;
"Vendor C"	CHAN Kit;
"Vendor D"	CHAN Nanjula Wai Po (陳慧寶);
"VKC"	Vision Knight Capital Management Company Limited, a company incorporated in Cayman Islands with limited liability and a company controlled by Mr. Wei;
"VKC Consultancy Service Consideration Shares"	an aggregate of 42,981,000 Shares of the Company, to be allotted and issued to VKC pursuant to the Consultancy Agreement;
"Zall Development Investment"	Zall Development Investment Company Limited, the controlling shareholder of the Company and a company wholly owned by Mr. Yan Zhi;
"2016 FY"	the financial year ended 31 December 2016;
"2017 FY"	the financial year ended 31 December 2017;
"2018 FY"	the financial year ended 31 December 2018;
"2019 FY"	the financial year ended 31 December 2019;
"2020 FY"	the financial year ended 31 December 2020;
"2021 FY"	the financial year ended 31 December 2021;
"2022 FY"	the financial year ended 31 December 2022; and
"%"	per cent.

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

Zall Group Ltd.
卓爾集團股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2098)

Executive Directors:
Mr. Yan Zhi
(Co-chairman and Chief executive officer)
Dr. Gang Yu *(Co-chairman)*
Mr. Cui Jinfeng
Mr. Wang Chuang
Mr. Peng Chi

Independent Non-executive Directors:
Mr. Cheung Ka Fai
Mr. Wu Ying
Mr. Wei Zhe, David

Registered Office:
Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:
Suite 2101, 21st Floor
Two Exchange Square
Central
Hong Kong

15 February 2017

To the Shareholders

Dear Sir/Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION; (2) POSSIBLE CONNECTED TRANSACTION INVOLVING ISSUE OF SHARES TO CONNECTED PERSONS; (3) ISSUE OF SHARES UNDER SPECIFIC MANDATE; (4) PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATIONS; AND (5) NOTICE OF EXTRAORDINARY GENERAL MEETING

Reference is made to the announcement of the Company dated 13 November 2016 in relation to, among others, the Transactions. On 28 October 2016, the Purchaser, a wholly-owned subsidiary of the Company, the Company, the Vendors and the Guarantors entered into the Acquisition Agreement, pursuant to which the Vendors conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire equity interests of the Target Companies free from all encumbrances together with all rights attaching thereto at the Consideration up to HK$2.591 billion, which will be satisfied by way of allotment and issue of the Consideration Shares to the Vendors.

Pursuant to the Acquisition Agreement, the Company will also (i) allot and issue the Management Shares and grant the Management Options to the Core Management Team; (ii) enter into the Service Agreement with Mr. Wei; and (iii) enter into the Consultancy Agreement with VKC.

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition of the Company under Rule 14.06(5) of the Listing Rules. In addition, Guarantor A is a limited partnership whose general partner is controlled by Mr. Wei, an independent non-executive Director. Vendor A is a subsidiary of Guarantor A. Therefore, Guarantor A and Vendor A are regarded as associates of Mr. Wei under the Chapter 14A of the Listing Rules and connected persons of the Company. Accordingly, the transactions contemplated under the Acquisition Agreement also constitute a connected transaction for the Company under the Listing Rules. Therefore, the Acquisition Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares) are subject to the requirements of reporting, announcement, circular and Independent Shareholders' approval under Chapter 14 and Chapter 14A of the Listing Rules.

Mr. Wei is an independent non-executive Director, therefore, a connected person of the Company. The issue of the Incentive Shares to Mr. Wei contemplated under the Service Agreement will constitute non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules and thus are subject to reporting, announcement and the Independent Shareholders' approval requirements.

VKC is a company controlled by Mr. Wei, an independent non-executive Director. Therefore, VKC is an associate of Mr. Wei and connected person of the Company. Accordingly, the transactions contemplated under the Consultancy Agreement will constitute non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules and thus are subject to reporting, announcement and the Independent Shareholders' approval requirements.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Transactions and no Shareholder and his associates are therefore required to abstain from voting at the EGM in respect of the resolutions approving the Transaction Documents and the Transactions (including the Acquisition, the allotment and issue of the Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares, the Management Shares and the grant of the Management Options).

The purpose of this circular is to provide you with, among other things, (i) further details about the Transaction Documents and the Transactions (including the Acquisition, the allotment and issue of the Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares, the Management Shares and the grant of the Management Options) (ii) the recommendations from the IBC; (iii) a letter of advice from the Independent Financial Adviser to the IBC and the Independent Shareholders; (iv) the financial information on the Group; (v) the accountants' report of the Target Group; (vi) management discussion and analysis on the Target Group; (vii) the unaudited pro forma financial information of the Enlarged Group; and (viii) notice of the EGM.

THE ACQUISITION

The Board is pleased to announce that, on 28 October 2016, the Purchaser, a wholly-owned subsidiary of the Company, the Company, the Vendors and the Guarantors entered into the Acquisition Agreement, pursuant to which the Vendors conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire equity interest of the Target Companies free from all encumbrances together with all right attaching thereto. The Consideration for the sale and purchase under the Acquisition Agreement is up to HK$2.591 billion, which will be satisfied by way of allotment and issue of the Consideration Shares to the Vendors.

THE ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement are set out below:

Date

28 October 2016

Parties

(1) Purchaser: Zall Development (BVI) Holding Company Limited;

(2) Vendor A: EJC Group Limited;

(3) Vendor B: Great Morning Holding Limited;

(4) Vendor C: CHAN Kit;

(5) Vendor D: CHAN Nanjula Wai Po（陳慧寶）;

(6) Company: Zall Group Ltd., as the Purchaser's guarantor;

(7) Guarantor A: Vision Knight Capital (China) Fund I, L.P. as Vendor A's guarantor; and

(8) Guarantor B: Greenwoods Bloom Fund, L.P. as Vendor B's guarantor.

As at the Latest Practicable Date, Guarantor A is a limited partnership whose general partner is controlled by Mr. Wei, an independent non-executive Director. Vendor A is a subsidiary of Guarantor A. Therefore, Guarantor A and Vendor A are associates of Mr. Wei and connected persons of the Company.

Save as aforesaid, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Vendors, the Guarantors, the Target Companies and the respective ultimate beneficial owners of Vendor B and Guarantor B is independent of the Company and its connected persons.

Subject matter

The Purchaser conditionally agreed to acquire from Vendor A all the issued shares of the Target Company A, free from all encumbrances.

The Purchaser conditionally agreed to acquire from Vendor B all the issued shares of the Target Company B, free from all encumbrances.

The Purchaser conditionally agreed to acquire from Vendor C all the issued shares of the Target Company C, free from all encumbrances.

The Purchaser conditionally agreed to acquire from Vendor D all the issued shares of the Target Company D1 and Target Company D2, free from all encumbrances.

The Target Companies will, upon completion of certain corporate restructuring by acquiring the equity interest of the Project Company from its existing shareholders, together hold, directly or indirectly, up to approximately 60.49% of the equity interest of the Project Company. The remaining equity interest of the Project Company is currently held as to approximately 37.33% by Shenzhen Agricultural Products Co., Ltd (深圳市農產品股份有限公司), a company listed on the Shenzhen Stock Exchange under stock code 000061, as to approximately 1.96% by Shenzhen HiGreen Investment Management Co., Ltd (深圳市海吉星投資管理股份有限公司), and as to approximately 0.22% by an individual. Each of Shenzhen Agricultural Products Co., Ltd., Shenzhen HiGreen Investment Management Co., Ltd. and the aforementioned individual are independent of the Company and its connected persons.

Further information regarding the corporate restructuring is set out in the paragraph headed "Pre-completion restructuring" below.

Further information regarding the Target Group is set out in the paragraph headed "Information on the Target Group" below.

Consideration

The Consideration for the Total Target Shares is up to HK$2.591 billion. Subject to the Lock-Up Undertakings (as described below), the Consideration will be settled by the allotment and issue of the Consideration Shares to the Vendors (or their respective designated parties) as follows:

Vendors	**Consideration** *(HK$)*	**Consideration Shares**	**Respective Portion**
Vendor A	1,120,778,910	267,489,000	43.26%
Vendor B	709,827,900	169,410,000	27.40%
Vendor C	336,574,320	80,328,000	12.99%
Vendor D (in respect of Target Shares D1) *(Note 1)*	340,445,880	81,252,000	13.14%
Vendor D (in respect of Target Shares D2) *(Note 2)*	83,137,980	up to 19,842,000	3.21%

Notes:

1. Completion of purchase of the Target Shares D1 will be conditional on, among others, Target Company D1 having acquired 7.95% equity interest in the Project Company from the Management Team.

2. Completion of purchase of the Target Shares D2 will be conditional on, among others, Target company D2 having acquired up to the remaining 1.94% equity interest in the Project Company owned by the Management Team. In the event that the equity interest in the Project Company acquired is less than 1.94%, the Consideration Shares issued to Vendor D shall be adjusted proportionally. The Company will make further announcement on the actual percentage of equity interest in the Project Company to be acquired by Target Company D2.

The Issue Price

The Issue Price of HK$4.19 per Share represents:

(i) a discount of approximately 15.69% to the closing price of HK$4.97 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;

(ii) a discount of approximately 20.79% to the closing price of HK$5.29 per Share as quoted on the Stock Exchange on 28 October 2016, being the date of the Acquisition Agreement;

(iii) a discount of approximately 16.57% to the average closing price of approximately HK$5.02 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Acquisition Agreement; and

(iv) a discount of approximately 15.11% to the average closing price of approximately HK$4.94 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the date of the Acquisition Agreement.

The Consideration Shares represent approximately:

(i) 5.75% of the existing issued share capital of the Company as at the date of the Acquisition Agreement; and

(ii) 5.41% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, the Incentive Shares, the VKC Consultancy Service Consideration Shares and the Management Shares (assuming there will be no other allotment and issue of new Shares of the Company).

The Consideration was determined after arm's length negotiation between the parties to the Acquisition Agreement with reference to the business and growth prospects and the historical financial performance of the Project Group as compared with the valuation of companies in similar business. In particular, the Company has taken into account the following factors when assessing the Acquisition:

(i) the revenue of the Project Group in 2014 and 2015 were RMB7.3 billion and RMB12.9 billion respectively, which reflected an increase of approximately 77% in 2015 when compared with the revenue in 2014. The net profit of the Project Group in 2014 and 2015 were RMB38.85 million and RMB42.10 million respectively, which reflected an increase of approximately 9% in 2015 when compared with the net profit in 2014;

(ii) the Company expects that the business of the Project Group will gradually become more mature, and the development will become steady in the future and the growth will mainly result from (i) the potential increase of the Project Group's market share of sugar trading in PRC from the current 30% to 50%; (ii) increase of revenue from trading of other agricultural products, such as silk, fruits, etc; and (iii) the net profit generated from supply chain finance due to its greater potential;

(iii) the Consideration reflects the expected price/earnings ratio of the Project Group at approximately 34 times for 2017 FY, which is within the range of approximately 34 and 40 times in respect of the projected price/earnings ratio of its peers in the same industry in the market in 2016;

(iv) assuming both the Target Revenue and the Target Net Profit are fully satisfied for 2017 FY and 2018 FY, the expected price/earnings ratio and price/book ratio of the Project Group will be further decreased from 34 times and 4.4 times in FY 2017 to approximately 29 times and 3.8 times for 2018 FY respectively which will be relatively comparable with the projected price/earnings ratio and price/book ratio of the Project Group's peers in the same industry in the market;

(v) the Consideration includes a control premium to reflect the value of the controlling interest of the Project Company acquired by the Company;

(vi) the Consideration represents a reasonable premium in view of the market leading position of the Project Company in B2B E-commerce industry in particular for agricultural products;

(vii) the Consideration will be settled by allotment and issue of the Consideration Shares and thus will contribute to healthy cash flow of the Company for its continuing business operation; and

(viii) the businesses of the Project Company are in line with the direction of the business development of the Company and, if the Acquisition materialises, will demonstrate synergistic effect with the Company's future businesses and operations.

The Issue Price was determined after arm's length negotiation between the parties to the Acquisition Agreement with reference to (a) the historical performance of the Shares for the past 52 weeks before the date of the Acquisition Agreement, during which the Shares were trading between HK$1.15 per Share and HK$5.4 per Share, and (b) the length of the Lock-up Undertakings which range from three to five years.

In view of the above, the Directors consider that the Consideration and the Issue Price, taking into account of the aforementioned facts and circumstances (including the adjustment on the Target Performance), are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions precedent

A First Completion Conditions

The First Completion will be conditional upon the satisfaction or waiver of the following First Completion Conditions on or before the First Long Stop Date:

(a) the Shareholders' approval in respect of the transactions contemplated under the Transaction Documents having been obtained in accordance with the Listing Rules;

(b) the listing committee of the Stock Exchange having approved the listing of, and permission to deal in, all the Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares and the Management Shares;

(c) each of the warranties set out in the Acquisition Agreement given by the Vendor A, Vendor B and Vendor C remaining true, accurate and not misleading in all respects;

(d) each of the warranties set out in the Acquisition Agreement given by the Purchaser remaining true, accurate and not misleading in all respects;

(e) there being no material adverse change discovered or realized by the Purchaser;

(f) each of Vendor A, Vendor B, Vendor C and the Guarantors having fully performed and complied with all the covenants and undertakings required to be performed or complied by it under the Acquisition Agreement on or before the First Completion Date;

(g) the Purchaser and the Company (as the case may be) having fully performed and complied with all the covenants and undertakings required to be performed or complied by it under the Acquisition Agreement on or before the First Completion Date;

(h) the Target Group having completed the restructuring such that the corporate structure of the Target Group is as set out in the section headed "Structure of the Target Group" below (save for the aggregate ownership of 9.89% interest by Target Company D1 and Target Company D2 in the Project Company), all resolutions, approvals, filings and license changes as required by the government or the constitutional documents of any company in the Project Group having been obtained and/or completed, such approvals do not in all material respects affect the current business operation of the Project Company and the transfer price with respect to the relevant share transfers involved in the relevant transfers having been fully paid or waived in accordance with applicable laws and regulations, or the payment arrangements having been agreed by the Purchaser, Vendor A, Vendor B and Vendor C;

(i) any company in the Project Group having obtained all necessary approvals, consents and notices required under any applicable contracts in relation to the Acquisition Agreement and the transaction contemplated thereunder and such approvals do not in all material respects affect the current business operation of the Project Company and the Project Group (excluding any loan facility involving the principal amount of not more than RMB200 million);

(j) there having been no laws, regulations, decisions, measures or actions by government authorities which would prohibit, restrict or practically delay the transaction contemplated under the Acquisition Agreement or the continuing operation of the Project Group;

(k) the Service Agreement having been executed;

(l) the Consultancy Agreement having been executed and become unconditional (save for the First Completion Conditions); and

(m) the Project Company having obtained the board approval and the shareholders' approval in accordance with the articles of association of the Project Company and the relevant applicable laws in respect of the transactions contemplated under the Acquisition Agreement.

The Purchaser shall use reasonable endeavours to ensure the fulfilment of the First Completion Conditions (a), (b), (d), (g), (k) and (l) on or before the First Long Stop Date. Vendor A, Vendor B or Vendor C may fully or partially waive, conditionally or unconditionally, the First Completion Conditions (d) and (g) above by giving written notice to the Purchaser on or before the First Long Stop Date.

The Vendor Group shall ensure the fulfilment of the First Completion Conditions (c), (e), (f), (h), (i), (j) and (m) on or before the First Long Stop Date. As at the Latest Practicable Date, the Vendor Group has confirmed to the Company that no such approval, consent or notice is required under any applicable contracts in relation to the Acquisition Agreement or the transaction contemplated thereunder set forth in the First Completion Condition (i). The Purchaser may fully or partially waive, conditionally or unconditionally, the Conditions (c), (e), (f), (h), (i) and (m) by giving written notice to the Vendor Group on or before the First Long Stop Date. The Company is of the view that, it provides the Purchaser with more flexibility to be entitled to, but not obliged to, waive any or all of the aforementioned First Completion Conditions, otherwise any of Vendor A, Vendor B and Vendor C may elect not to proceed with the Acquisition Agreement by not fulfilling any of the First Completion Conditions. As at the Latest Practicable Date, neither the Purchaser nor, to the knowledge of the Company, any of Vendor A, Vendor B or Vendor C has any intention to waive any of the First Completion Conditions.

Following execution of the Service Agreement referred to in the First Completion Condition (k) and upon First Completion, Mr. Wei will be re-designated from an independent non-executive Director to an executive Director. As at the Latest Practicable Date, the Company has only three independent non-executive Director.

As a result, the Company will appoint an additional independent non-executive Director as soon as possible after the EGM in order to comply with the requirements of Rules 3.10(1), 3.10A and 3.21 of the Listing Rules. As at the Latest Practicable Date, the Company has identified certain potential candidates and the Company is expecting to appoint such additional independent non-executive Director who is a PRC-qualified lawyer with years of experience as soon as possible after the EGM and in any event before First Completion. In the event that the Company fails to appoint an additional independent non-executive Director before the First Completion, no approval of the listing of, and permission to deal in, all the Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares and the Management Shares by the Stock Exchange (i.e. Condition (b) above would not be fulfilled) will be granted and the First Completion will not occur.

If the First Completion Conditions above have not been fulfilled or waived (as the case may be) by the Long Stop Date, the Purchaser or the Vendor Group (save for Vendor D) (as the case may be) may terminate the Acquisition Agreement by giving written notice to the other parties whereupon the Acquisition Agreement will cease to be effective and of no further effect, save for any antecedent breach and obligations with continuing effect under the Acquisition Agreement. If the failure of satisfaction of any First Completion Condition is due to wilfulness or negligence of any member of the Vendor Group (save for Vendor D) or the Purchaser, such member of the Vendor Group (save for Vendor D) or the Purchaser (as the case may be) shall pay an amount equal to HK$130,000,000 as liquidated damages to the non-defaulting party.

Based on the information available to the Company, First Completion Conditions (k) been satisfied as at the Latest Practicable Date.

B Second Completion Conditions

The Second Completion will be conditional upon the satisfaction or waiver of the following Second Completion Conditions on or before the Second Long Stop Date:

(a) the Vendor D having fully performed and complied with all the covenants and undertakings required to be performed or complied by it under the Acquisition Agreement on or before the Second Completion Date;

(b) the First Completion having been completed in accordance with the Acquisition Agreement; and

(c) Vendor D having completed the restructuring such that the corporate structure of the Target Group is as set out in the section headed "Shareholding Structure of the Target Group" below, all resolutions, approvals, filings and license changes as required by the government or the constitutional documents of any company in the Project Group having been obtained and/or completed, such approvals do not in all material respects affect the current business operation of the Project Company and the transfer price with respect to the relevant share transfers involved in the relevant transfers having been fully paid or waived in accordance with applicable laws and regulations, or the payment arrangements having been agreed by the Purchaser and Vendor D.

Vendor D Group shall ensure the fulfilment of the Second Completion Conditions (a) and (c) on or before the Second Long Stop Date. The Purchaser may fully or partially waive, conditionally or unconditionally, the Second Completion Conditions (a), (b) and (c) above by giving written notice to Vendor D on or before the Second Long Stop Date. The Company is of the view that, it provides the Purchaser with more flexibility to be entitled to, but not obliged to, waive any or all of the aforementioned Second Completion Conditions, otherwise Vendor D may elect not to proceed with the Acquisition Agreement by not fulfilling any of the Second Completion Conditions. As at the Latest Practicable Date, neither the Purchaser nor, to the knowledge of the Company, Vendor D has any intention to waive any of the Second Completion Conditions. For avoidance of doubt, the parties shall proceed with the Second Completion, even though the Target Company D2 may own the equity interest representing less than 1.94% of the entire share capital in the Project Company immediately before the Second Completion.

As at the Latest Practicable Date, none of the Second Completion Conditions has been satisfied or waived.

Pre-completion restructuring

The Project Company are currently owned as to 26.17%, 16.57%, and 7.86% by three independent financial investors and 9.89% by certain members of the management of the Project Company (together, the "**Existing Shareholders**"). To facilitate the proposed acquisition of the Project Company by the Company, the Existing Shareholders will undergo a series of restructuring pursuant to which (i) two financial investors will transfer their equity interests in the Project Company to Vendor A and Vendor B, being the special purpose vehicles incorporated by the affiliates of each of the two financial investors, (ii) the third financial investor will transfer its equity interest to its ultimate beneficial owner, Vendor C, and (iii) the members of the management will transfer their equity interests in the Project Company to Vendor D, being the representative of the members of the management. The Existing Shareholders and the Vendors will obtain or make all relevant approvals and filings under the applicable laws and regulations. As at the Latest Practicable Date and to the knowledge of the Company, (i) Vendor A has completed the pre-completion restructuring on 22 November 2016, (ii) Vendor B is carrying out the pre-completion restructuring and is expected to complete such restructuring by February 2017, and (iii) each of Vendor C and Vendor D is in negotiation with the relevant parties and regulatory authorities in the PRC with respect to an indicative timetable for the pre-completion restructuring and will initiate the restructuring subject to the preliminary consent from such parties and regulatory authorities. It is expected that Vendor C and Vendor D will complete the pre-completion restructuring by the end of April 2017 and September 2017, respectively. Further announcement shall be made by the Company if there is a change of timeframe to the pre-completion restructuring.

The restructuring is merely for the purpose of facilitating the proposed Acquisition and does not change the existing beneficial interests in the Project Company. Vendor A's affiliate originally acquired the equity interest in the Project Company at a consideration of approximately US$29.8 million in 2012.

Completion

The First Completion and the Second Completion shall take place on the First Completion Date and the Second Completion Date respectively. Subject to the Early Target Company D1 Completion and the Escrow Arrangement (both as defined below), the Consideration Shares will be allotted and issued to Vendor A, Vendor B and Vendor C in its Respective Portion upon First Completion and the Consideration Shares will be allotted and issued to Vendor D its Respective Portion upon Second Completion.

Completion of sale and purchase of Target Shares D1 shall take place together with the First Completion, in the event that, on or before five Business Days prior to the First Completion Date, Target Company D1 has completed the acquisition of 7.95% equity interest in the Project Company (the "**Early Target Company D1 Completion**"). For avoidance of doubt, upon Early Target Company D1 Completion and subject to the Escrow Arrangement (as defined below), the Consideration Shares in respect of Target Shares D1 will be allotted and issued to Vendor D on the First Completion Date.

Following the First Completion, the Target Company A, Target Company B and Target Company C will become wholly-owned subsidiaries of the Company. Following the Second Completion, the Target Company D1 and Target Company D2 will become wholly-owned subsidiaries of the Company. Immediately after the First Completion, the Project Company will become a non-wholly owned subsidiary of the Company and the Target Group's financial results will be consolidated with the financial results of the Group.

The First Completion is subject to, among others, each of Vendor A, Vendor B and Vendor C having fully performed and complied with all the covenants and undertakings required to be performed or complied by it under the Acquisition Agreement on or before the First Completion Date (First Completion Condition (f)), if any of Vendor A, Vendor B and Vendor C fails to transfer the Target Shares A, the Target Shares B and the Target Shares C as contemplated under the Acquisition Agreement, the Company shall not be obliged to proceed with the First Completion.

Guarantee

Pursuant to the Acquisition Agreement,

(i) Guarantor A has irrevocably and unconditionally guaranteed to the Purchaser the full and punctual performance by Vendor A of its obligations under the Acquisition Agreement; and

(ii) Guarantor B has irrevocably and unconditionally guaranteed to the Purchaser the full and punctual performance by Vendor B of its obligations under the Acquisition Agreement.

Profit Target

Pursuant to the Acquisition Agreement, each of Vendor A, Vendor B and Vendor C, being the financial investors of the Project Company, covenants to the Purchaser that for the three financial years from 2017 to 2019, and Vendor D, being a representative of certain members of the existing management team of the Project Company, covenants to the Purchaser that for the five financial years from 2017 to 2021, the consolidated revenue of the Project Group (the "**Actual Revenue**") and the consolidated net profit after taxation of the Project Group (the "**Actual Net Profit**") as derived from activities in the ordinary and usual course of business of the Project Group and determined based on the audited consolidated financial statements of the Project Group prepared by the Directors of the

Company in accordance with the International Financial Reporting Standards shall meet the following target revenue of the Project Group (the "**Target Revenue**") and target net profit of the Project Group (the "**Target Net Profit**", together with the Target Revenue, the "**Target Performance**") of the Project Group (the "**Performance Guarantee**").

Financial year	Target Revenue	Target Net Profit
2017 FY	RMB30 billion	RMB110 million
2018 FY	RMB37.5 billion	RMB132 million
2019 FY	RMB46.875 billion	RMB158 million
2020 FY	RMB58.594 billion	RMB190 million
2021 FY	RMB73.242 billion	RMB228 million

The Performance Guarantee, together with the Lock-Up Undertaking as disclosed below, will provide the Company with a mechanism to adjust the Consideration following the completion of the Acquisition by reference to the actual performance of the Project Group for the next three or five (as the case may be) financial years. Unlike Vendor D, Vendor A, Vendor B and Vendor C are financial investors in the Project Company and following arm's length negotiation, the Performance Guarantee provided by them would cover only three financial years. The Target Performance was determined by the Company taking into account the historical financial performance of the Project Group and reasonable prospects of Project Group's business development and was reached after arm's length negotiation between the parties. As such, the Company is of the view that the Target Performance is fair and reasonable and in the interest of the Company and its shareholders as a whole.

Lock-up Undertakings by the Vendors

Subject to the paragraph headed "Early Release from the Lock-up Undertakings" below, the Vendors unconditionally and irrevocably undertake to the Company that, for the period from the First Completion Date to the date of publication of the 2019 annual report (in the case of Vendor A, Vendor B and Vendor C) or for the period from the Second Completion Date to the publication of the 2021 annual report of the Company (in the case of the Vendor D), without the prior consent of the Purchaser, will not directly or indirectly:

(i) offer to sell, transfer, contract to sell or otherwise deal with any of such Consideration Shares or any interests therein; or

(ii) enter into any swap or derivatives that transfer the economic effect of ownership of such Consideration Shares or any interests therein; or

(iii) announce any intention to enter into or effect any such transactions described in (i) or (ii) above,

provided that the Vendors may, with the prior consent from the Company, pledge their respective Consideration Shares with the banks or other lending institutions for financing purposes. For the purposes of monitoring, implementing and enforcing the Lock-Up Undertakings, the certificates for the Consideration Shares, once issued, will be initially deposited with the Company in escrow and released to the Vendors in accordance with the terms set forth in the paragraph headed "Release from the Lock-Up Undertakings" or "Early release from the Lock-up Undertakings" (as the case may be) below (the "**Escrow Arrangement**"). For the avoidance of doubt, notwithstanding the Escrow Arrangement and the Company holding the share certificates in escrow, the Vendors or their designated parties will remain to be the legal and beneficial owners of the Consideration Shares and be entitled to vote at the general meetings of the Company and receive dividends subject to the Lock-Up Undertakings following First Completion or Second Completion (as the case may be).

The Company will, if the Acquisition materialises, publish for each financial year within the above guarantee period, an announcement and will also, based on the audited consolidated financial statements of the Project Group prepared by the Directors of the Company, disclose in its next annual report whether or not the Performance Guarantee has been met, the financial performance of the Project Group, the number of Consideration Shares to be released for each Vendor and where the Performance Guarantee is not met for any relevant financial years, the Company will refrain from releasing the Consideration Shares subject to the Lock-up Undertakings as provided in the Acquisition Agreement and described below.

The Company will set up an internal committee led by the chief financial officer and the company secretary of the Company to monitor the financial performance of the Project Group and compliance of the obligations under the Acquisition Agreement by the relevant Vendors and the Guarantors during each financial year. The Board (including the independent non-executive Directors, and members of the Audit Committee) will also monitor the compliance of the obligations under the Acquisition Agreement by the relevant Vendors and the Guarantors and will approve the Consideration Shares to be released in the manner consistent with the terms of the Acquisition Agreement.

Release from the Lock-Up Undertakings

Unless otherwise stated, subject to the extent of satisfaction of the Target Performance by the Project Group for the relevant financial years, the Consideration Shares should be released from the Lock-Up Undertakings in the manners as set out in the following table. For the avoidance of doubt, where both the Target Revenue and Target Net Profit are satisfied, scenario (a) below applies. Where either or both of the Target Revenue and the Target Net Profit are not satisfied, scenarios (b), (c) and (d) below will apply. In the event that more than one or all of scenarios (b), (c) and (d), which are not mutually exclusive, are applicable, the relevant Vendor will have the discretion to elect to release the Consideration Shares based on the predetermined formula in any of the applicable scenarios.

I. Release from the Lock-Up Undertakings in respect of Vendor A, Vendor B and Vendor C:

(a) If both of the Target Revenue and Target Net Profit are satisfied for each relevant financial year:

No.	Release Conditions	Date of Release	Number of Consideration Shares to be released
(1)	If both of the Target Revenue and Target Net Profit are satisfied for 2017 FY	on the date of the publication of the 2017 annual report of the Company	one third of the Consideration Shares
(2)	If both of the Target Revenue and Target Net Profit are satisfied for 2018 FY	on the date of the publication of the 2018 annual report of the Company	one third of the Consideration Shares
(3)	If half of the Target Revenue and Target Net Profit for 2019 FY are satisfied for the first half of 2019 FY	on the date of the publication of the 2019 interim report of the Company	one sixth of the Consideration Shares
(4)	If both of the Target Revenue and Target Net Profit are satisfied for 2019 FY	on the date of the publication of the 2019 annual report of the Company	all the remaining Consideration Shares

(b) **If any or both of the Target Revenue and the Target Net Profit are not satisfied:**

(1)	if in the relevant financial year, the Achievement Ratio (being calculated based on the formula set out in Note 1 below) is 50% or above	on the date of the publication of the annual report of the Company for the relevant financial years	one third of the Consideration Shares x Achievement Ratio

(2)	if in the relevant financial year, the Achievement Ratio is below 50%	N/A	No Consideration Shares will be released

Without prejudice to (a) and (b) above, if any or both of the Target Revenue and the Target Net Profit are not satisfied for 2017 FY but the Actual Revenue and the Actual Net Profit for 2017 FY are higher than the Actual Revenue and the Actual Net Profit for 2016 FY respectively, the parties have agreed on an adjusted target revenue (the "Adjusted Target Revenue") and adjusted target net profit (the "Adjusted Target Net Profit") as follows:

The Adjusted Target Revenue and the Adjusted Target Net Profit are collectively, referred to as the "**Adjusted Target Performance**".

Financial year	Adjusted Target Revenue	Adjusted Target Net Profit
2017 FY	the Actual Revenue for 2017 FY	the Actual Net Profit for 2017 FY
2018 FY	the Actual Revenue for 2017 FY x 125%	the Actual Net Profit for 2017 FY x 120%
2019 FY	the Actual Target Revenue for 2017 FY x 156.25%	the Actual Target Net Profit for 2017 FY x 144%

For the avoidance of doubt, if any or both of the Actual Revenue and the Actual Net Profit for 2017 FY are not higher than those for 2016 FY, scenario (c) and (d) as set out below will not be applicable.

(c) For 2017 FY, if any or both of the Target Revenue and the Target Net Profit are not satisfied but the Adjusted Target Performance is satisfied:

No.	Release Conditions	Date of Release	Number of Consideration Shares to be released
(1)	If any or both of the Target Revenue and Target Net Profit are not satisfied for 2017 FY but the Actual Revenue and the Actual Net Profit for 2017 FY are higher than the Actual Revenue and the Actual Net Profit for 2016 FY respectively	on the date of the publication of the 2017 annual report of the Company	two-ninth of the Consideration Shares
(2)	If both of the Adjusted Target Revenue and Adjusted Target Net Profit are satisfied for 2018 FY	on the date of the publication of the 2018 annual report of the Company	two-ninth of the Consideration Shares
(3)	If the Actual Revenue for the first half of 2019 FY reaches RMB23.438 billion and the Actual Net Profit for the first half of 2019 FY reaches RMB79 million	on the date of the publication of the 2019 interim report of the Company	one-ninth of the Consideration Shares
(4)	If both of the Adjusted Target Revenue and Adjusted Target Net Profit are satisfied for 2019 FY	on the date of the publication of the 2019 annual report of the Company;	two-ninth of the Consideration Shares

(d) If the Target Performance for 2017 FY is not satisfied but the Adjusted Target Performance for 2017 FY is satisfied and the Adjusted Target Performance for 2018 FY and/or 2019 FY is not satisfied:

(1)	if in the relevant financial year, the Adjusted Achievement Ratio (being calculated based on the formula set out in Note 2 below) is 50% or above	on the date of the publication of the annual report of the Company for the relevant financial years	two-ninth of the Consideration Shares x Adjusted Achievement Ratio
(2)	if in the relevant financial year, the Adjusted Achievement Ratio is below 50%	N/A	No Consideration Shares will be released

Note:

1. $$\text{Achievement Ratio} = \frac{\text{Actual Revenue for the relevant financial year}}{\text{Target Revenue for the relevant financial year}} \times 50\% + \frac{\text{Actual Net Profit for the relevant financial year}}{\text{Target Net Profit for the relevant financial year}} \times 50\%$$

2 $$\text{Adjusted Achievement Ratio} = \frac{\text{Actual Revenue for the relevant financial year}}{\text{Adjusted Target Revenue for the relevant financial year}} \times 50\% + \frac{\text{Actual Net Profit for the relevant financial year}}{\text{Adjusted Target Net Profit for the relevant financial year}} \times 50\%$$

Making-up mechanism

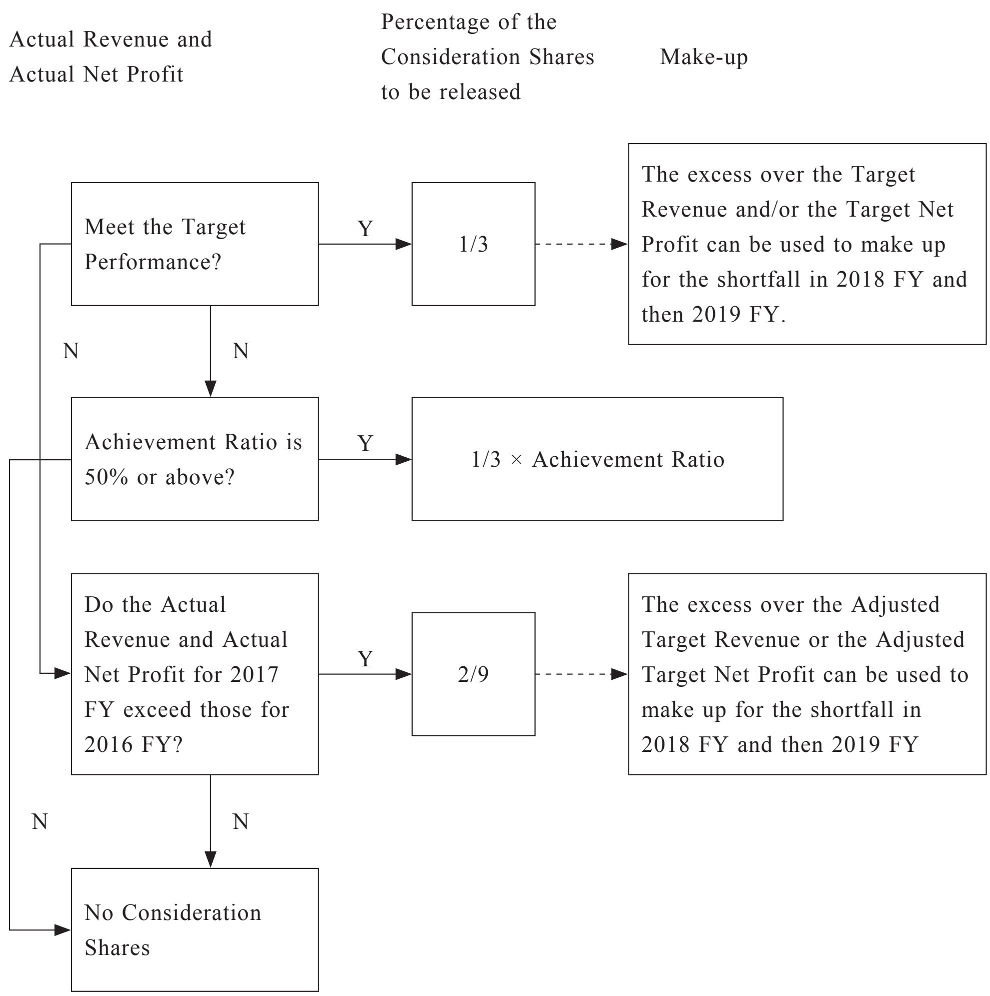
If the Actual Revenue and/or Actual Net Profit exceeds the relevant Target Revenue (or Adjusted Target Revenue) and/or the relevant Target Net Profit (or Adjusted Target Net Profit) in any financial year, the excess will be applied in the following order:

No.	Conditions for Making-up	Sequence for making-up by applying the excess	Date of release of the unreleased shares by applying the excess
(1)	If there is a shortfall in the previous financial year	the excess will be applied to make up for the shortfall of the Actual Revenue or Actual Net Profit in the previous financial year such that the Actual Revenue or Actual Net Profit in the previous financial year will be adjusted for the excess	on the date of the publication of the annual report of the Company for the current financial year
(2)	If there is no shortfall in the previous financial year or there is still excess after making up the shortfall in the previous financial year	the excess will be applied to make up for the shortfall of the Actual Revenue or Actual Net Profit in the financial year before the previous financial year such that the Actual Revenue or Actual Net Profit in the financial year before the previous financial year will be adjusted for the excess	on the date of the publication of the annual report of the Company for the current financial year
(3)	If there is no shortfall in any previous financial year or there is still excess after making up the shortfall in all previous financial years	the excess will be carried forward to make up for the shortfall of the Actual Revenue or Actual Net Profit in the next financial year, provided that the Actual Revenue or Actual Net Profit of the next financial year does not meet the Target Performance but still records a positive increase compared to its previous financial year, the Actual Revenue and/or Actual Net Profit in the next financial year will be adjusted for the excess	on the date of the publication of the annual report of the Company for the next financial year

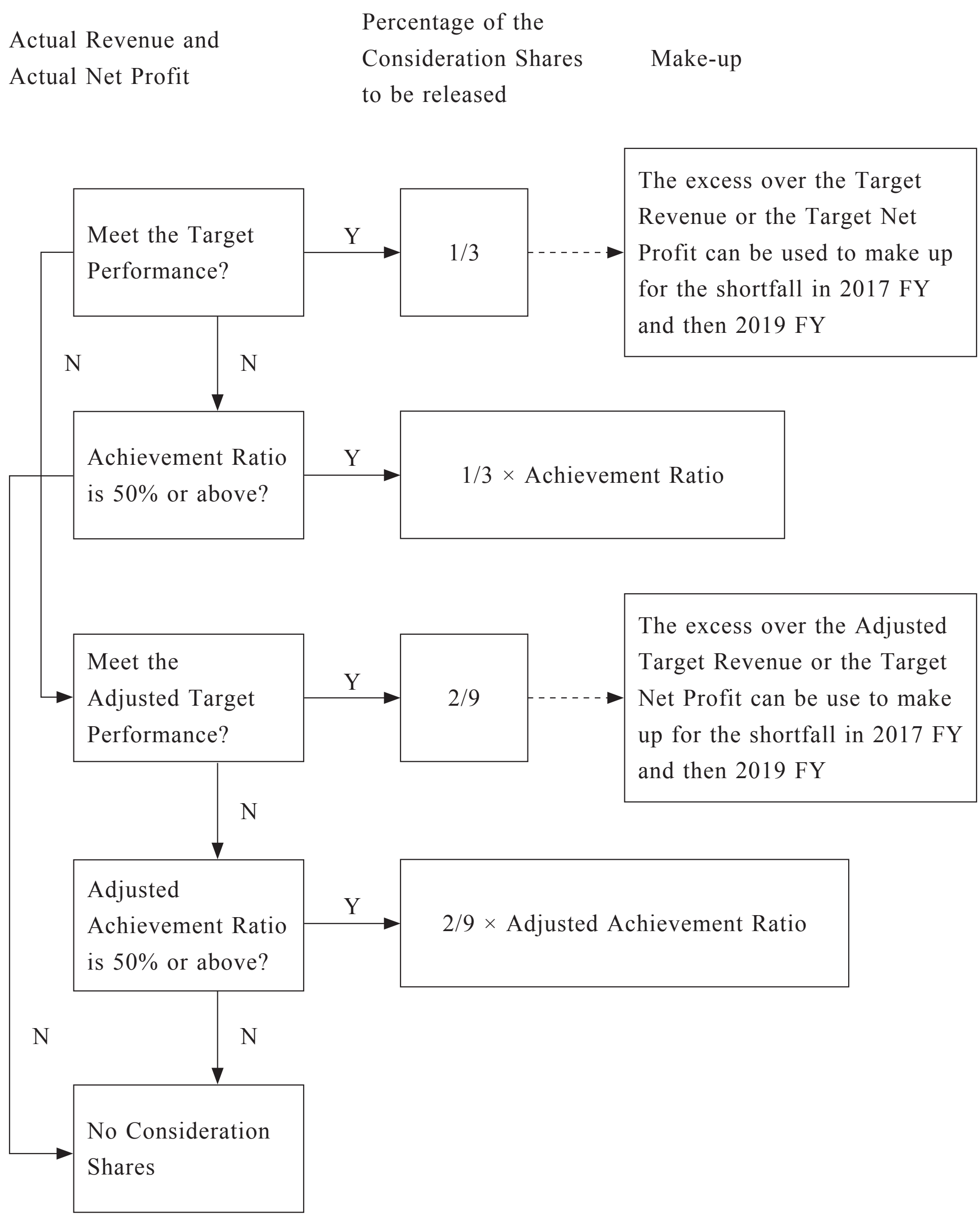
No.	Conditions for Making-up	Sequence for making-up by applying the excess	Date of release of the unreleased shares by applying the excess
(4)	If there is no shortfall in the next financial year	the excess will be carried forward to make up for the shortfall of the Actual Revenue or Actual Net Profit in the financial year after the next financial year, provided that the Actual Revenue or Actual Net Profit of that financial year does not meet the Target Performance but still records a positive increase compared to its previous financial year, the Actual Revenue and/ or Actual Net Profit in the financial year after the next financial year will be adjusted for the excess	on the date of the publication of the annual report of the Company for the financial year after the next financial year
(5)	If after applying the excess in accordance with (1), (2), (3) or (4) above, there is still a shortfall of the Actual Revenue or Actual Net Profit in any financial year between 2017 FY and 2019 FY	if the Actual Revenue for 2020 FY exceeds RMB58.594 billion and the Actual Net Profit for 2020 FY exceeds RMB190 million, the excess for 2020 FY can be used to make up for the shortfall of the Actual Revenue or Actual Net Profit in the previous financial year and the financial year before the previous financial year successively (if applicable)	on the date of the publication of the 2020 annual report of the Company

The flow chart below illustrates how the scenario (a), (b), (c) and (d) will be applicable for each financial year:

2017 FY



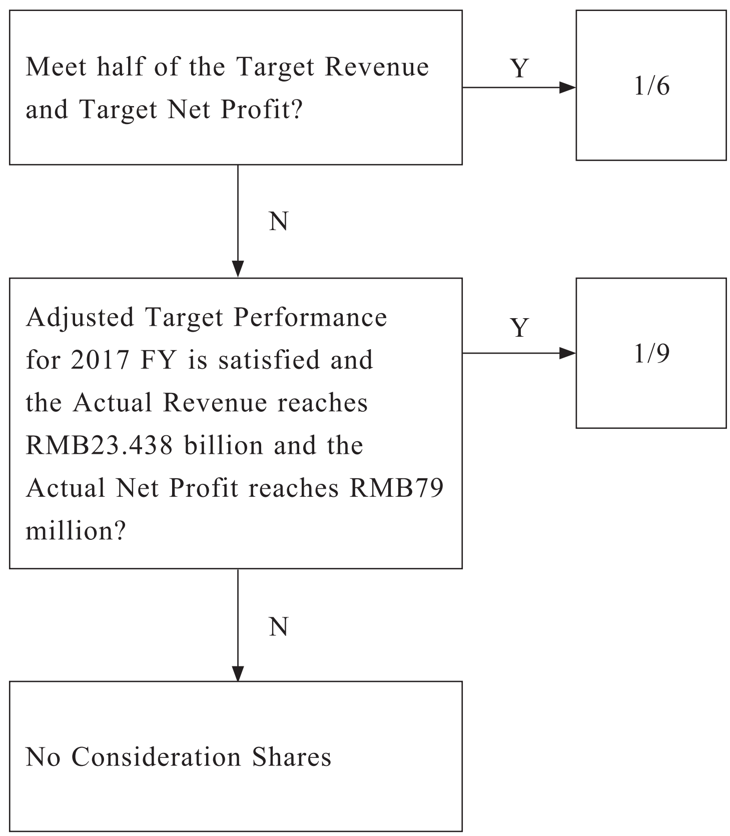
2018 FY


Actual Revenue and Actual Net Profit
Percentage of the Consideration Shares to be released
Make-up
Meet the Target Performance?
Y
1/3
The excess over the Target Revenue or the Target Net Profit can be used to make up for the shortfall in 2017 FY and then 2019 FY
N
N
Achievement Ratio is 50% or above?
Y
1/3 × Achievement Ratio
Meet the Adjusted Target Performance?
Y
2/9
The excess over the Adjusted Target Revenue or the Target Net Profit can be use to make up for the shortfall in 2017 FY and then 2019 FY
N
Adjusted Achievement Ratio is 50% or above?
Y
2/9 × Adjusted Achievement Ratio
N
N
No Consideration Shares

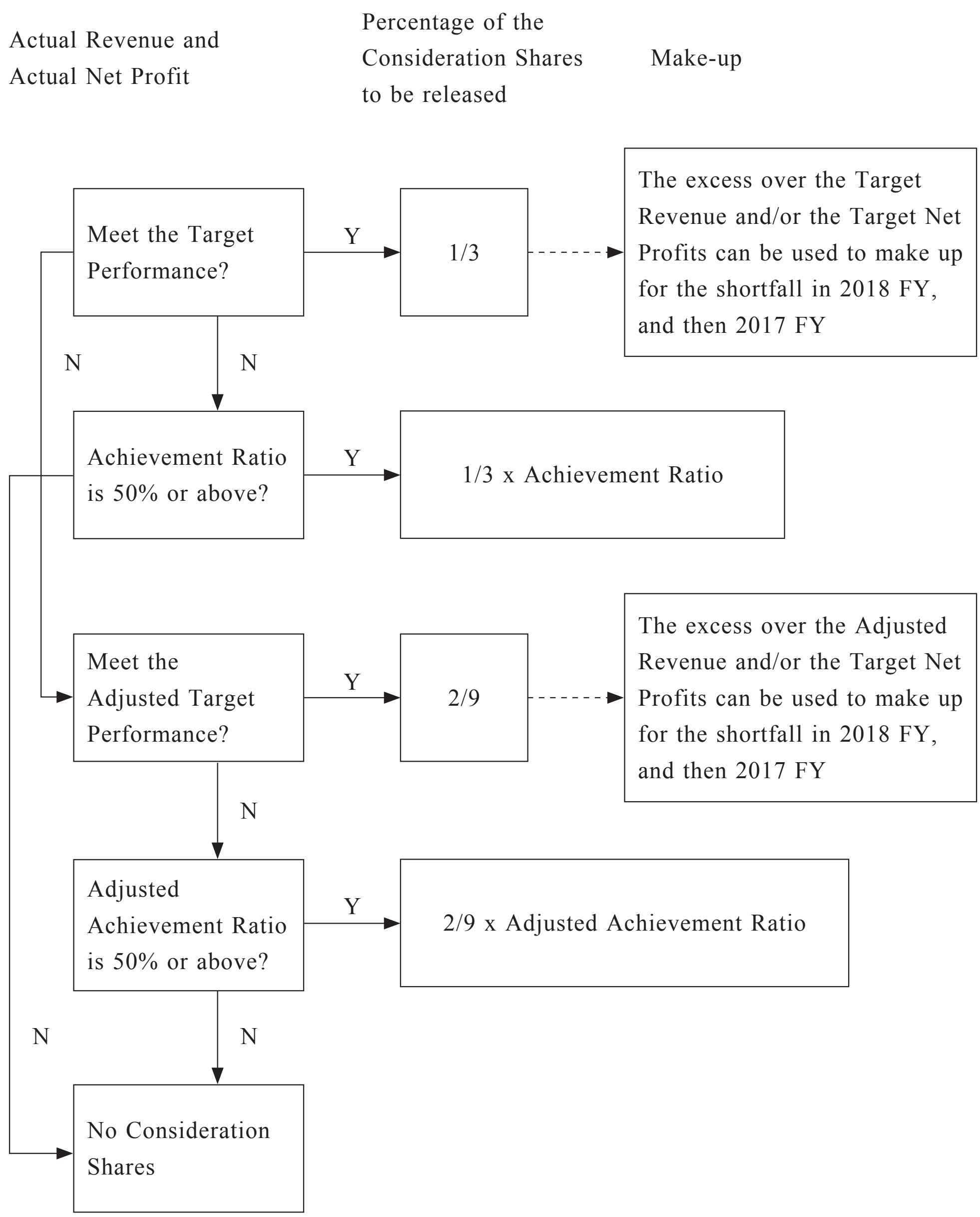
2019 FY – half year

Actual Revenue and Actual Net Profit

Percentage of the Consideration Shares to be released



2019 FY


Actual Revenue and Actual Net Profit
Percentage of the Consideration Shares to be released
Make-up
Meet the Target Performance?
Y
1/3
The excess over the Target Revenue and/or the Target Net Profits can be used to make up for the shortfall in 2018 FY, and then 2017 FY
N
N
Achievement Ratio is 50% or above?
Y
1/3 x Achievement Ratio
Meet the Adjusted Target Performance?
Y
2/9
The excess over the Adjusted Revenue and/or the Target Net Profits can be used to make up for the shortfall in 2018 FY, and then 2017 FY
N
Adjusted Achievement Ratio is 50% or above?
Y
2/9 x Adjusted Achievement Ratio
N
N
No Consideration Shares

II. Released from the Lock-up Undertakings for Vendor D:

(a) If both the Target Revenue and Target Net Profit are satisfied for the relevant financial year:

No.	**Release Conditions**	**Date of Release**	**Number of C onsideration Shares to be released**
(1)	If both the Target Revenue and Target Net Profit are satisfied for each financial year from 2017 to 2021	on the date of the publication of each year's annual report of the Company from 2017 to 2021	One fifth of the Consideration Shares

(b) If any or both of the Target Revenue and Target Net Profit are not satisfied:

(1)	if in the relevant financial year, the Achievement Ratio for Vendor D (being calculated based on the formula set out in Note 1 below) is 50% or above	on the date of the publication of the annual report of the Company for the relevant financial years	One fifth of the Consideration Shares x Achievement Ratio for Vendor D
(2)	if in the relevant financial year, the Achievement Ratio for Vendor D is below 50%	N/A	No Consideration Shares will be released

Without prejudice to (a) and (b) above, if any or both of the Target Revenue and the Target Net Profit are not satisfied for 2017 FY but the Actual Revenue and Actual Net Profit for 2017 FY are higher than the Actual Revenue and Actual Net Profit for 2016 FY, the parties have agreed on an adjusted target revenue in respect of Vendor D (the "Adjusted Target Revenue for Vendor D") and adjusted target net profit in respect of Vendor D (the "Adjusted Target Net Profit for Vendor D") as follows:

The Adjusted Target Revenue for Vendor D and the Adjusted Target Net Profit for Vendor D are collectively, referred to as the "**Adjusted Target Performance for Vendor D**".

Financial year	Adjusted Target Revenue for Vendor D	Adjusted Target Net Profit for Vendor D
2017 FY	the Actual Revenue for Vendor D for 2017 FY	the Actual Net Profit for Vendor D for 2017 FY
2018 FY	the Actual Revenue for Vendor D for 2017 FY x 125%	the Actual Net Profit for Vendor D for 2017 FY x 120%
2019 FY	the Actual Revenue for Vendor D for 2017 FY x 156.25%	the Actual Net Profit for Vendor D for 2017 FY x 144%
2020 FY	the Actual Revenue for Vendor D for 2017 FY x 195.31%	the Actual Net Profit for Vendor D for 2017 FY x 172.80%
2021 FY	the Actual Revenue for Vendor D for 2017 FY x 244.14%	the Actual Net Profit for Vendor D for 2017 FY x 207.36%

For the avoidance of doubt, if any or both of the Actual Revenue and the Actual Net Profit for 2017 FY are not higher than those for 2016 FY, scenario (c) and (d) as set out below will not be applicable.

(c) For 2017 FY, if any or both of the Target Revenue and the Target Net Profit are not satisfied but the Adjusted Target Performance for Vendor D is satisfied:

No.	Release Conditions	Date of Release	Number of Consideration Shares to be released
(1)	If both of the Adjusted Target Revenue for Vendor D and Adjusted Target Net Profit for Vendor D are satisfied for 2017 FY	on the date of the publication of the 2017 annual report of the Company	Two-fifteenth of the Consideration Shares
(2)	If both of the Adjusted Target Revenue and Adjusted Target Net Profit are satisfied for 2018 FY	on the date of the publication of the 2018 annual report of the Company	Two-fifteenth of the Consideration Shares
(3)	If both of the Adjusted Target Revenue and Adjusted Target Net Profit are satisfied for 2019 FY	on the date of the publication of the 2019 annual report of the Company;	Two-fifteenth of the Consideration Shares
(4)	If both of the Adjusted Target Revenue and Adjusted Target Net Profit are satisfied for 2020 FY	on the date of the publication of the 2020 annual report of the Company	Two-fifteenth of the Consideration Shares
(5)	If both of the Adjusted Target Revenue and Adjusted Target Net Profit are satisfied for 2021 FY	on the date of on the publication of the 2021 annual report of the Company	Two-fifteenth of the Consideration Shares

(d) If the Target Performance for 2017 FY is not satisfied but the Adjusted Target Performance for 2017 FY is satisfied and the Adjusted Target Performance for 2018 FY, 2019 FY, 2020 FY and/or 2021 FY is not satisfied:

(1)	if in the relevant financial year, the Adjusted Achievement Ratio for Vendor D (being calculated based on the formula set out in Note 2 below) is 50% or above	on the date of the publication of the annual report of the Company for the relevant financial years	Two-fifteenth of the Consideration Shares x Adjusted Achievement Ratio for Vendor D
(2)	if in the relevant financial year, the Adjusted Achievement Ratio for Vendor D is below 50%	N/A	No Consideration Shares will be released

Note:

1. $$\text{Achievement Ratio for Vendor D} = \frac{\text{Actual Revenue for the relevant financial year}}{\text{Target Revenue for the relevant financial year}} \times 50\% + \frac{\text{Actual Net Profit for the relevant financial year}}{\text{Target Net Profit for the relevant financial year}} \times 50\%$$

2. $$\text{Adjusted Target Achievement for Vendor D} = \frac{\text{Actual Revenue for the relevant financial year}}{\text{Adjusted Target Revenue for the relevant financial year}} \times 50\% + \frac{\text{Actual Net Profit for the relevant financial year}}{\text{Adjusted Target Net Profit for the relevant financial year}} \times 50\%$$

Make-up mechanism

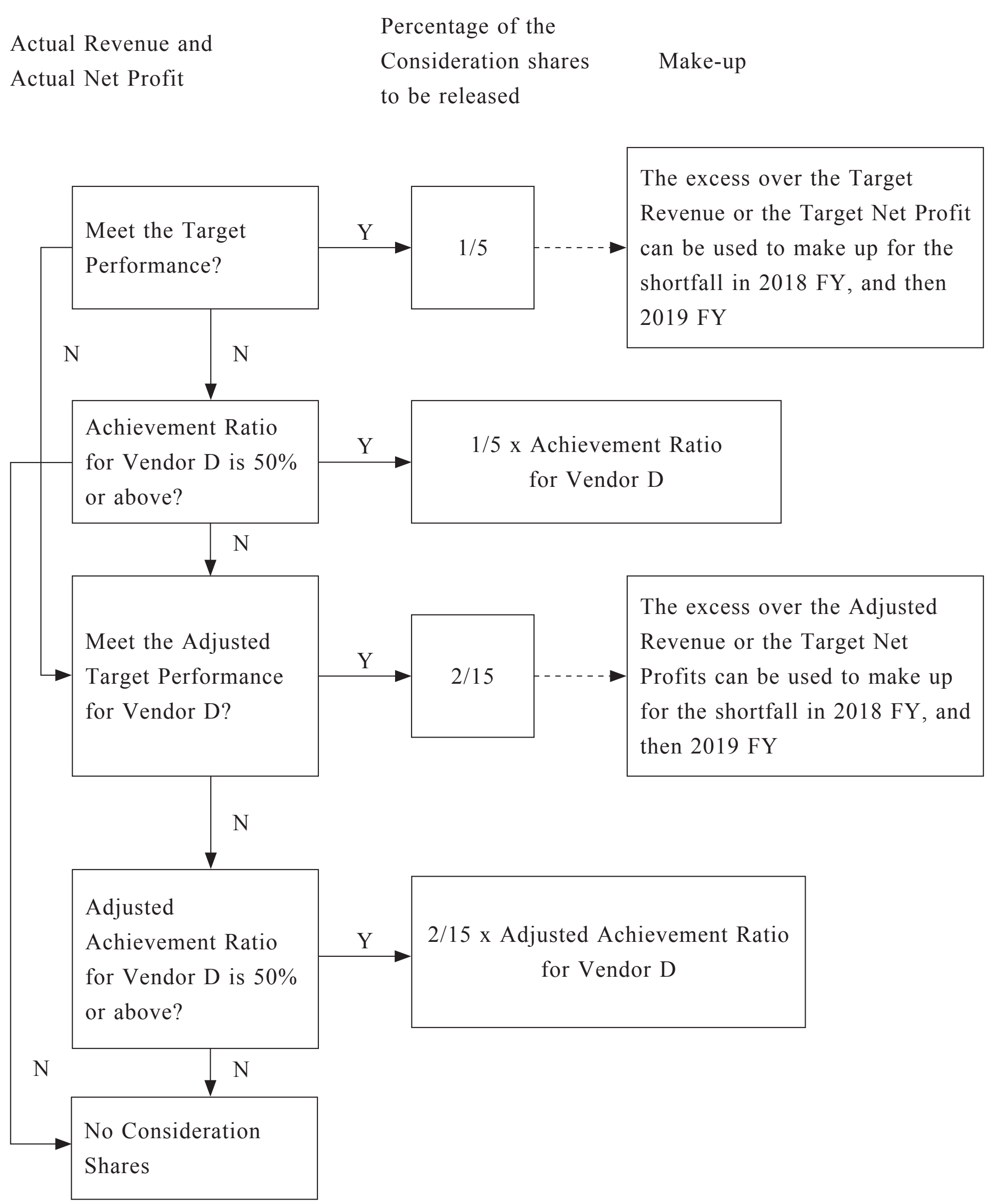
If the Actual Revenue and/or Actual Net Profit exceeds the relevant Target Revenue (or Adjusted Target Revenue for Vendor D) and/or the relevant Target Net Profit (or Adjusted Target Net Profit for Vendor D) in any financial year, the excess will be applied in the following order:

No.	Conditions for Making-up	Sequence for making-up by applying the excess	Date of release of the unreleased shares by applying the excess
(1)	If there is a shortfall in the previous financial year,	the excess will be applied to make up for the shortfall of the Actual Revenue or Actual Net Profit in the previous financial year such that the Actual Revenue or Actual Net Profit in the previous financial year will be adjusted for the excess	on the date of publication of the annual report of the Company for the current financial year
(2)	If there is no shortfall in the previous financial year or there is still excess after making up the shortfall in the previous financial year,	the excess will be applied to make up for the shortfall of the Actual Revenue or Actual Net Profit in the financial year before the previous financial year such that the Actual Revenue or Actual Net Profit in the financial year before the previous financial year will be adjusted for the excess	on the date of publication of the annual report of the Company for the current financial year
(3)	If there is no shortfall in any previous financial year or there is still excess after making up the shortfall in all previous financial years,	the excess will be carried forward to make up for the shortfall of the Actual Revenue or Actual Net Profit in the next financial year, provided that the Actual Revenue or Actual Net Profit of the next financial year does not meet the Target Performance but still records a positive increase compared to its previous financial year, the Actual Revenue and/or Actual Net Profit in the next financial year will be adjusted for the excess	on the date of the publication of the annual report of the Company for the next financial year

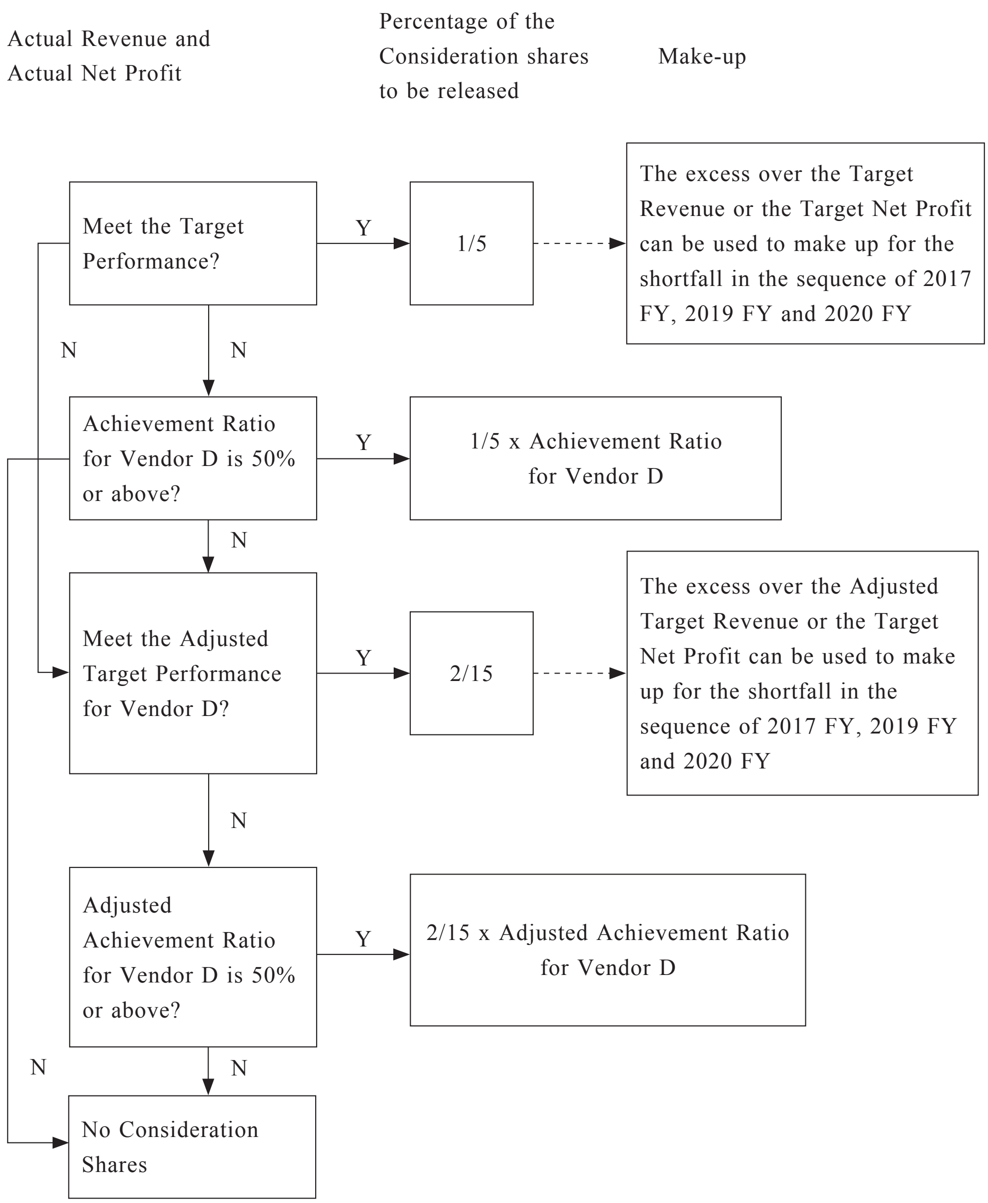
(4)	If there is no shortfall in the next financial year,	the excess will be carried forward to make up for the shortfall of the Actual Revenue or Actual Net Profit in the financial year after the next financial year, provided that the Actual Revenue or Actual Net Profit of that financial year does not meet the Target Performance but still records a positive increase compared to its previous financial year, the Actual Revenue and/or Actual Net Profit in the financial year after the next financial year will be adjusted for the excess	on the date of the publication of the annual report of the Company for the financial year after the next financial year
(5)	If after applying the excess in accordance with (1), (2), (3) or (4) above, there is still shortfall of the Actual Revenue or Actual Net Profit in any financial year between 2017 FY and 2021 FY,	if the Actual Revenue for 2022 FY exceeds RMB80.566 billion and the Actual Net Profit for 2022 FY exceeds RMB251 million, the excess for 2022 FY can be used to make up for the shortfall of the Actual Revenue or Actual Net Profit in the previous financial year and the financial year before the previous financial year successively (if applicable)	on the date of the publication of the 2022 annual report of the Company

The flow chart below illustrates how the scenario (a), (b), (c) and (d) will be applicable for each financial year:

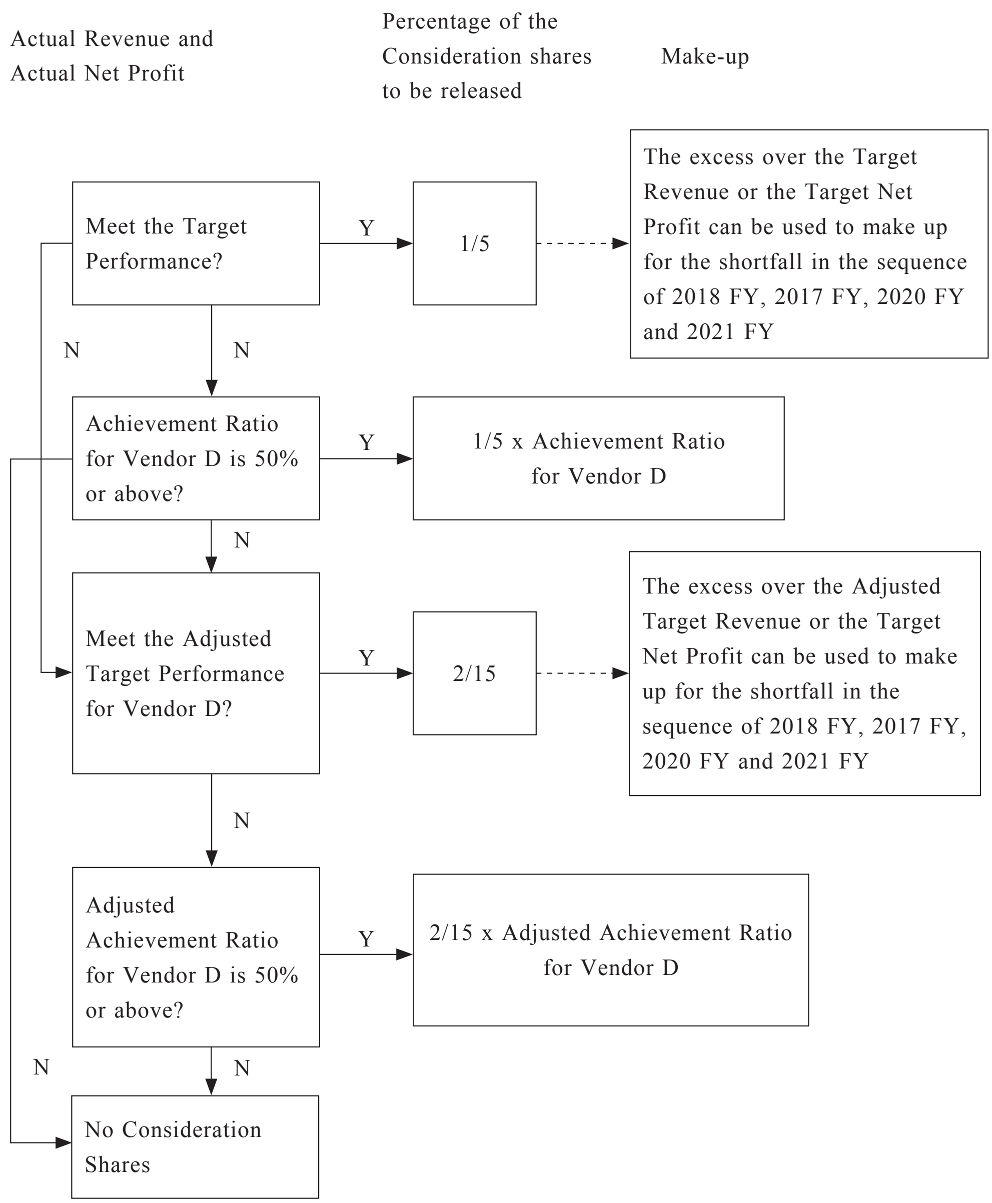
2017 FY



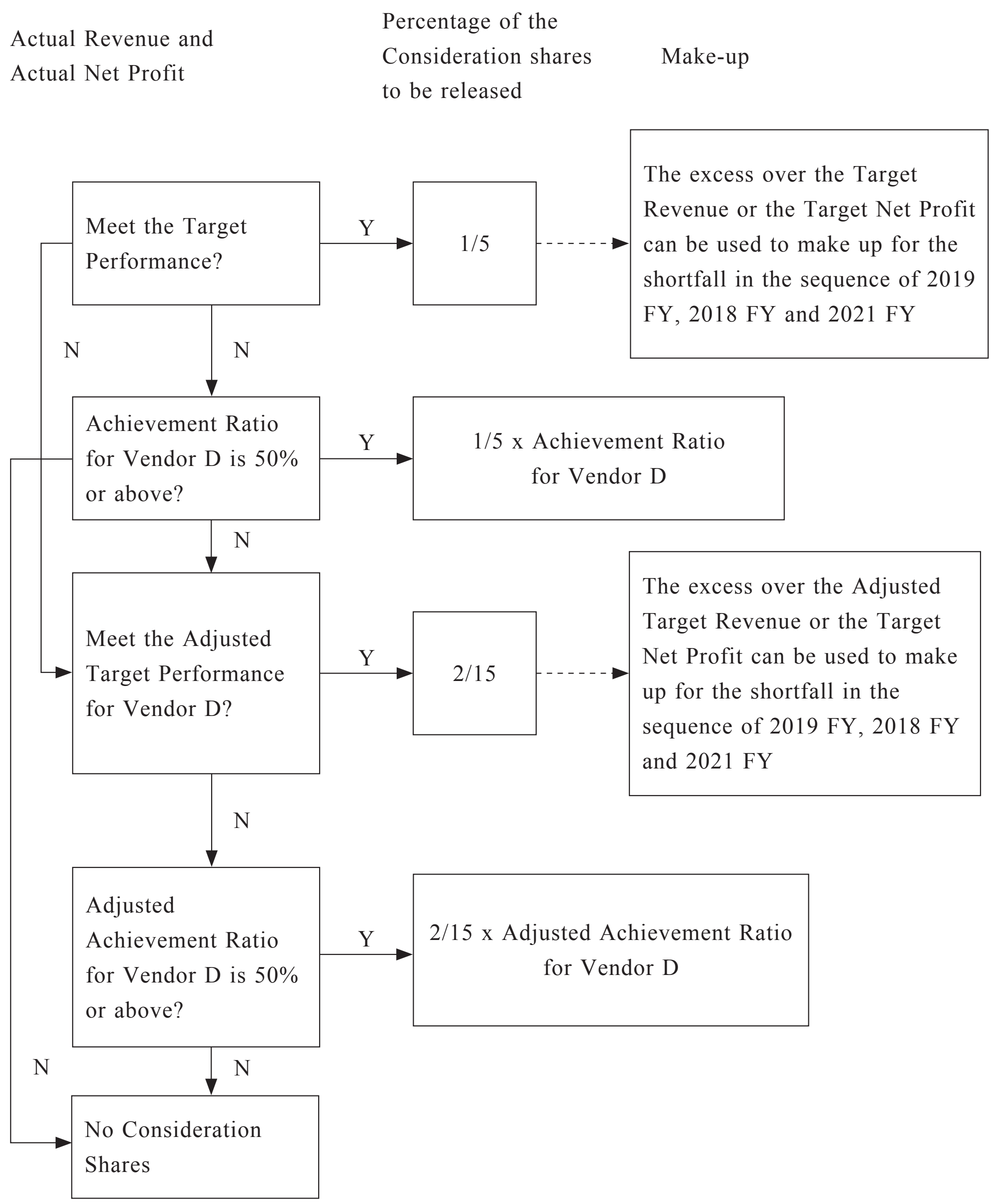
2018 FY


Actual Revenue and Actual Net Profit
Percentage of the Consideration shares to be released
Make-up
Meet the Target Performance?
Y
1/5
The excess over the Target Revenue or the Target Net Profit can be used to make up for the shortfall in the sequence of 2017 FY, 2019 FY and 2020 FY
N
N
Achievement Ratio for Vendor D is 50% or above?
Y
1/5 x Achievement Ratio for Vendor D
N
Meet the Adjusted Target Performance for Vendor D?
Y
2/15
The excess over the Adjusted Target Revenue or the Target Net Profit can be used to make up for the shortfall in the sequence of 2017 FY, 2019 FY and 2020 FY
N
Adjusted Achievement Ratio for Vendor D is 50% or above?
Y
2/15 x Adjusted Achievement Ratio for Vendor D
N
N
No Consideration Shares

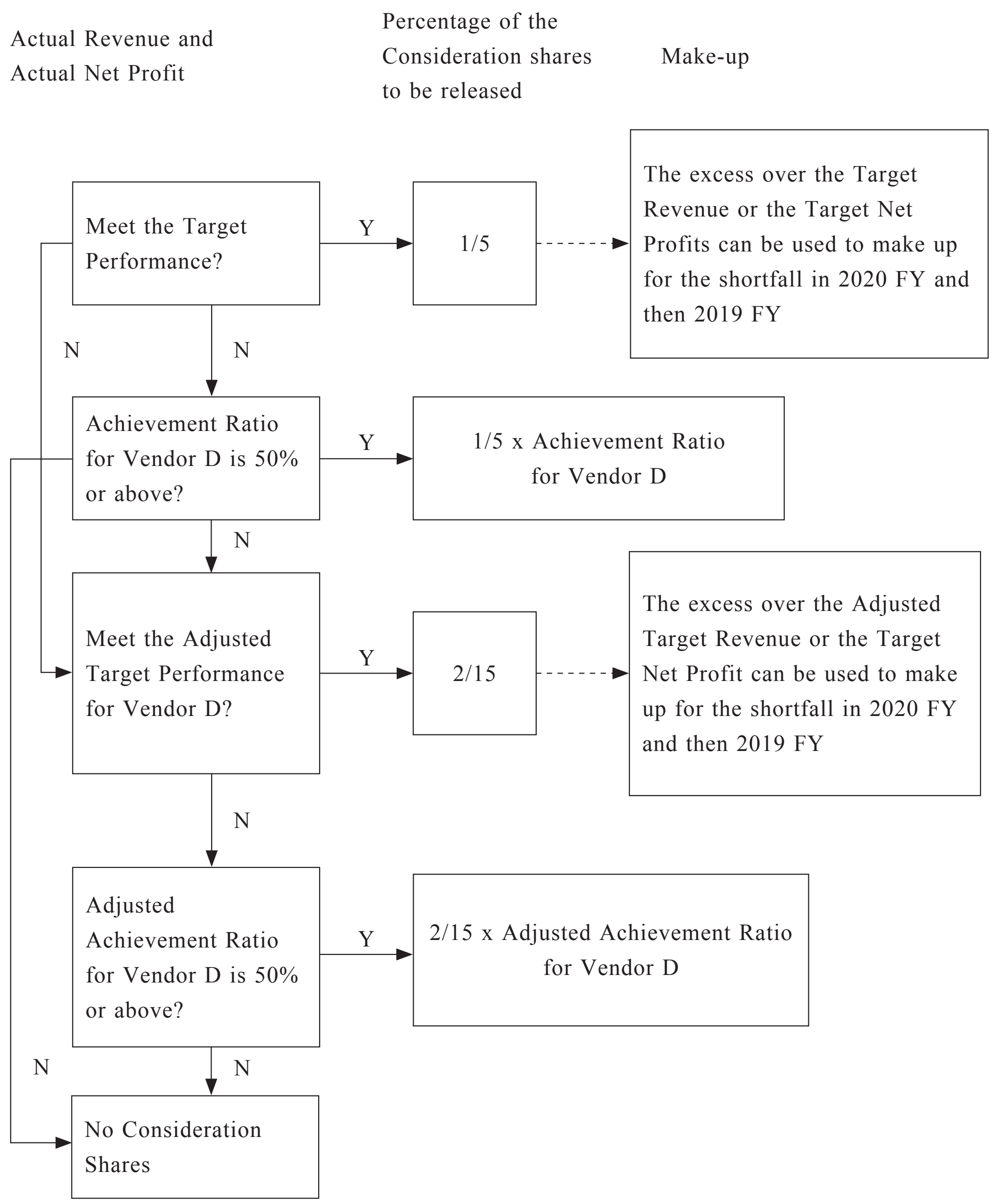
2019 FY


Actual Revenue and Actual Net Profit
Percentage of the Consideration shares to be released
Make-up
Meet the Target Performance?
Y
1/5
The excess over the Target Revenue or the Target Net Profit can be used to make up for the shortfall in the sequence of 2018 FY, 2017 FY, 2020 FY and 2021 FY
N
N
Achievement Ratio for Vendor D is 50% or above?
Y
1/5 x Achievement Ratio for Vendor D
N
Meet the Adjusted Target Performance for Vendor D?
Y
2/15
The excess over the Adjusted Target Revenue or the Target Net Profit can be used to make up for the shortfall in the sequence of 2018 FY, 2017 FY, 2020 FY and 2021 FY
N
Adjusted Achievement Ratio for Vendor D is 50% or above?
Y
2/15 x Adjusted Achievement Ratio for Vendor D
N
N
No Consideration Shares

2020 FY


Actual Revenue and Actual Net Profit
Percentage of the Consideration shares to be released
Make-up
Meet the Target Performance?
Y
1/5
The excess over the Target Revenue or the Target Net Profit can be used to make up for the shortfall in the sequence of 2019 FY, 2018 FY and 2021 FY
N
N
Achievement Ratio for Vendor D is 50% or above?
Y
1/5 x Achievement Ratio for Vendor D
N
Meet the Adjusted Target Performance for Vendor D?
Y
2/15
The excess over the Adjusted Target Revenue or the Target Net Profit can be used to make up for the shortfall in the sequence of 2019 FY, 2018 FY and 2021 FY
N
Adjusted Achievement Ratio for Vendor D is 50% or above?
Y
2/15 x Adjusted Achievement Ratio for Vendor D
N
N
No Consideration Shares

2021 FY


Actual Revenue and Actual Net Profit
Percentage of the Consideration shares to be released
Make-up
Meet the Target Performance?
Y
1/5
The excess over the Target Revenue or the Target Net Profits can be used to make up for the shortfall in 2020 FY and then 2019 FY
N
N
Achievement Ratio for Vendor D is 50% or above?
Y
1/5 x Achievement Ratio for Vendor D
N
Meet the Adjusted Target Performance for Vendor D?
Y
2/15
The excess over the Adjusted Target Revenue or the Target Net Profit can be used to make up for the shortfall in 2020 FY and then 2019 FY
N
Adjusted Achievement Ratio for Vendor D is 50% or above?
Y
2/15 x Adjusted Achievement Ratio for Vendor D
N
N
No Consideration Shares

Early Release from the Lock-up Undertakings

1. If any of Vendor A, Vendor B or Vendor C requests to release any Consideration Shares from the Lock-Up Undertakings before the publication of the 2017 annual report of the Company, subject to the Cash Guarantee (as defined below), the Company may release not more than two thirds of the total Consideration Shares in its Respective Portion upon the request. In the meantime, Vendor A, Vendor B and/or Vendor C must charge a cash account(s) ("**Charged Account**") with the cash level as the Purchaser thinks fit which must be not less than HK$300 million and not more than HK$400 million in favour of the Company ("**Cash Guarantee**"), and,

   A. if the Target Performance for 2017 FY is satisfied, Vendor A, Vendor B and/or Vendor C shall have the right to withdraw the cash and interests from the Charged Account upon the publication of the 2017 annual report of the Company. For the avoidance of doubt, the balance of the Consideration Shares shall only be released from the Lock-Up Undertaking when the number of Consideration Share to be released in accordance with the section headed "Release from the Lock-Up Undertakings" exceeds the actual number of the Consideration Shares already released at the request of each of Vendor A, Vendor B and Vendor C;

   B. if the Target Performance for 2017 FY is not satisfied, the Vendor A, Vendor B and/or Vendor C shall only have the right to withdraw such portion of the cash and interests from the Charged Account as equal to its respective Achievement Ratio; and

   C. if the Target Performance is not satisfied in any financial year, and the number of Consideration Shares to be released in accordance with the section headed "Release from the Lock-Up Undertakings" is less than the actual number of the Consideration Shares already released at the request of Vendor A, Vendor B and/or Vendor C (the difference is defined as "**Shortfall Consideration Shares**"), then on the date of the publication of the 2019 annual report of the Company, each of Vendor A, Vendor B and Vendor C has the option to choose to (i) return the Shortfall Consideration Shares to the Company or (ii) pay an amount equal to the value of the Shortfall Consideration Shares calculated at the Issue Price of HK$4.19 per Consideration Share. After receipt of the Shortfall Consideration Shares by or the payments made to the Company, the Cash Guarantee shall be released.

2. If Vendor D requests to release any Consideration Shares from the Lock-Up Undertakings before the publication of the 2017 annual report of the Company, the Company may release not more than 36% of the total Consideration Shares in its Respective Portion, and,

   A. for the avoidance of doubt, the balance of the Consideration Shares shall only be released from the Lock-Up Undertakings when the number of Consideration Share to be released in accordance with the section headed "Release from the Lock-Up Undertakings" exceeds the actual number of the Consideration Shares already released at the request of Vendor D; and

   B. if the Target Performance is not satisfied in any financial year, and the number of Consideration Shares to be released in accordance with the section headed "Release from the Lock-Up Undertakings" is less than the actual number of the Consideration Shares already released at the request of Vendor D (the difference is defined as "**Shortfall Consideration Shares for Vendor D**"), then on the date of the publication of the 2022 annual report of the Company, Vendor D has the option to choose to (i) return the Shortfall Consideration Shares for Vendor D to the Company or (ii) pay an amount equal to the value of the Shortfall Consideration Shares for Vendor D calculated at the Issue Price of HK$4.19 per Consideration Shares.

3. In the event that any of the followings occurs, the Purchaser shall at the written request of the Vendor Group procure the Company to release immediately all the Consideration Shares which have not been released:

   A. any merger event, including (i) the Company merges with or into, or enter into any legally binding share swap arrangement with, any entity, or (ii) any general offer is made in respect of issued share capital of the Company, which will constitute change of control of the Company;

   B. Zall Development Investment, being the controlling Shareholder of the Company, ceases to hold, directly or indirectly, beneficially 51% or more of the issued ordinary shares of the Company (the "**Potential Change of Control**");

   C. the Company becomes insolvent, including voluntary or involuntary liquidation, winding-up or bankruptcy; or

   D. disposal event, including the Company, directly or indirectly, disposes of its equity interest in the Project Company, such that the Company will no longer be the largest shareholder of the Project Company.

The Company has agreed to immediately release all the Consideration Shares to Vendors in the event of the occurrence of scenario A and scenario B above for the following reasons:

(a) the occurrence of scenario A or scenario B may trigger a general offer of the Company, which the Vendors (or their respective designated parties) being the Shareholders should be entitled to accept the offer;

(b) following the Acquisition, the Project Company's business prospects and development (including whether the Target Performance can be satisfied) will, to a great extent, depend on the business strategy and objective of the Company. In entering into the Acquisition Agreement, the Vendors have relied on the mutual trust and consensus reached with the existing controlling shareholder and the management team of the Company and the ownership and management continuity of the Company is instrumental to the Vendors achieving the Target Performance. If there is a Potential Change of Control, the foundation for the Target Performance may cease to exist; and

(c) as at Latest Practicable Date, Zall Development Investment, being the controlling Shareholder of the Company, holds approximately 70.19% of the issued ordinary shares of the Company. Following the negotiation between the Company and the Vendors, it was agreed that in the event the shareholding of the controlling Shareholder of the Company is reduced from 70.19% to less than 51%, it will be a strong indication that there will be change in control of the Company and a possible management movement of the Company. This may in turn lead the Company's change of business strategy with respect to the business of the Project Company and impact on the possibility of the Target Performance being achieved.

In light of the above, the Board is of view that the above arrangement is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Sale of the Consideration Shares

With respect to Vendor A, Vendor B and Vendor C, following the publication of the 2020 annual report of the Company, if there are still Consideration Shares which have not been released to them in accordance with the paragraph headed "Release from the Lock-Up Undertakings", each of Vendor A, Vendor B and Vendor C must sell all such unreleased Consideration Shares to the public investors at a price and in such manner as requested by the Purchaser after taking into account the market conditions (including without limitation the then market price of Shares) then subsisting. The proceeds received from the sale of such unreleased Consideration Shares will be remitted to the Purchaser as compensation for the loss suffered by it.

With respect to Vendor D, following the publication of the 2022 annual report of the Company, if there are still Consideration Shares which have not been released to him in accordance with the paragraph headed "Release from the Lock-Up Undertakings", Vendor D must sell all such unreleased Consideration Shares to the public investors at a price and in such manner as requested by the Purchaser after taking into account the market conditions (including without limitation the then market price of Shares) then subsisting. The proceeds received from the sale of such unreleased Consideration Shares will be remitted to the Purchaser as compensation for the loss suffered by it.

It is expected that the Purchaser will endeavour to dispose the unreleased Consideration Shares through a placing agent at a price that the Company thinks fit but in any event not lower than 80% of the then market price of the Shares to the public investors within 3 months following the publication of the 2020 annual report of the Company (in respect of the unreleased Consideration Shares to Vendor A, Vendor B and Vendor C) or the 2022 annual report of the Company (in respect of the unreleased Consideration Shares to Vendor D). Given the historical financial performance of the Project Company, the growth prospects of e-commerce B2B industry as well as the thorough releasing mechanism as described under the paragraph headed "Release from the Lock- Up Undertakings", the Company believes that the likelihood of the Consideration Shares being unreleased by the end of the relevant guarantee period is very low. In the event such circumstances occur, the number of the unreleased Consideration Shares would not be significant to the Company. Therefore, the Board is confident that the unreleased Consideration Shares would be able to be sold within the abovementioned 3 months timeframe.

The Company has agreed to allot and issue the Consideration Shares at the First Completion and the Second Completion (as the case may be) as opposed to allotting and issuing the Consideration Shares only when the relevant performance targets are satisfied for the following reasons:

(c) 100% of the Target Companies will be transferred to the Company and the Consideration should be satisfied in full upon completion of the transfer of the Target Companies;

(d) following the First Completion, the Target Companies and the Project Company will become subsidiaries of the Company and the financial results of the Target Group will be consolidated in the financial results of the Group and the Company will enjoy the benefits of the performance of the Project Company;

(e) if the Consideration Shares are not issued in full, the trading price of the Shares may not reflect the true value of the Shares as further Consideration Shares may be issued which will create uncertainty to the performance of the Shares and in turn hinder any potential equity fundraising of the Company in the future; and

(f) the interest of the Company is protected by the Lock-up Undertakings and the undertakings with respect to the performance targets described above.

Other Undertakings

Pursuant to the Acquisition Agreement, it was agreed between the parties, among others, as follows:

(a) The chairman of the Project Company shall remain to be Mr. Wei for the period from the First Completion Date till the end of 2022 FY or any other date as agreed between the Parties, and the Company shall procure other parties to assist with the formation and operation of the board of the Target Companies and any company in the Project Group by Mr. Wei (including but not limited to the nomination, appointment and removal of directors).

(b) The Company will arrange a fee in the amount of RMB20 million each for the year of 2020 and 2021 for research and development and marketing of new products, and such amount shall not affect the Target Performance for the relevant financial years.

(c) The Company undertakes that:

(i) its 2017 annual report shall be issued on or before 30 April 2018;

(ii) its 2018 annual report shall be issued on or before 30 April 2019;

(iii) its 2019 annual report shall be issued on or before 30 April 2020;

(iv) its 2020 annual report shall be issued on or before 30 April 2021; and

(v) its 2021 annual report shall be issued on or before 30 April 2022.

(d) The Purchaser agrees and undertakes that upon Second Completion, assets which are not in the balance sheet and the relevant accounts of the Target Companies but are kept as properties shall be kept by the Purchaser for 12 months since Second Completion as instructed by the Vendors, and shall use its best endeavours to assist the Vendors to dispose of or sell the relevant assets, and such proceeds of sale shall belong to the Vendors. Once the above 12-month period expires, the Purchaser shall have the right to freely dispose of or sell the relevant assets and keep the proceeds of sale to itself.

Management Shares and Management Options

Pursuant to the Acquisition Agreement, the Company shall and the Purchaser shall procure the Company to within one hundred and eighty days from the date of the Acquisition Agreement (if First Completion occurs within one hundred and eighty days from the date of the Acquisition Agreement) or one hundred and eighty days from the First Completion Date (if First Completion occurs after one hundred and eighty days from the date of the Acquisition Agreement), grant the Management Shares and the Management Options to the Core Management Team.

The Management Shares and the Management Options shall be subject to the same Lock-Up Undertaking and release from the Lock-Up Undertakings as those applied to Vendor D. As it is important for the Company to retain the Core Management Team to maintain the stability of its business development, the Company has provided an incentive mechanism of granting the Management Shares and Management Options to the members of the Core Management Team if they are required to resign involuntarily (not due to breach of laws or violation of the employment contract). Such Management Shares and Management Options will be released in five equal instalments upon the publication of the annual report of the Company for each financial year ended 2017 to 2021 regardless of the Target Performance. The Directors believe that such mechanism will not only allow the Core Management Team who have long-term commitment to ensure the certainty of benefit and security of their positions, but also allow the Company to continue its business operation with stability. However, if a member of the Core Management Team resigns voluntarily from the Project Company, he/she shall not be entitled to any Management Shares or Management Options which have not been released. Therefore, the Company is of the view that the foregoing arrangement is in the interest of the Company and its shareholders as a whole.

The aggregate of the Management Shares and the Option Shares represents approximately 0.5% of the existing issued share capital of the Company as at the date of the Acquisition Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each member of the Core Management Team is independent of the Company and the connected persons of the Company.

The Management Shares will be allotted and issued under the Specific Mandate and the Management Options will be granted under the Share Option Scheme. The Company will comply with the requirements in accordance with Chapter 17 of the Listing Rules and will make disclosure in relation to the Management Options and the Option Shares as and where appropriate.

Service Agreement

As one of the Conditions, the Company will enter into the Service Agreement with Mr. Wei, pursuant to which Mr. Wei, being an independent non-executive Director as at the Latest Practicable Date will be re-designated as an executive Director subject to First Completion and with effect from the First Completion Date. The Company will appoint an additional independent non executive Director and a member of each of the audit committee, the nomination committee and the remuneration committee as soon as possible after the EGM and in any event before the First Completion. Further announcement in relation to the change of Directors and appointment of new independent and non-executive Director will be issued prior to First Completion.

Pursuant to the Service Agreement, Mr. Wei will be appointed as an executive Director for a term from the First Completion Date till 31 December 2019, subject to retirement by rotation and reelection in accordance with the articles of association of the Company. Mr. Wei will be entitled to remuneration of RMB1.2 million annually payable in twelve months and discretionary bonus. In addition, as part of the remuneration package for Mr. Wei's contribution to the Company, subject to satisfaction by the Project Group of the Target Performance for any of the three financial years from 2017 to 2019 in the paragraph headed "Profit Target" above, the Company will allot and issue the Incentive Shares to Mr. Wei within the two weeks after the date on which the annual report for the relevant financial year is published.

Lock-up of the Incentive Shares

Pursuant to the Service Agreement, subject to the paragraph headed "Release of the Incentive Shares", Mr. Wei will undertake to the Company that for so long as the Incentive Shares, if issued, remain listed on the Stock Exchange, without the prior written consent of the Company, he will not, at any time during the period commencing from the First Completion Date till 31 December 2022 sell, offer to sell, contract or agree to sell, transfer or dispose of, or agree to transfer or dispose of, any Incentive Shares. 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 and released to Mr. Wei in accordance with the terms set forth in the paragraph headed "Release of the Incentive Shares" below (the "**Incentive Shares' Lock-Up**").

Release of the Incentive Shares

If the Project Group satisfies the Target Performance for any one of the three financial years from 2017 to 2019 in the paragraph headed "Profit Target" above, all of the Incentive Shares will be allotted and issued to Mr. Wei upon the publication of that year's annual report of the Company, of which up to three-fifths of the Consideration Shares will be immediately released from the Incentive Shares' Lock-Up upon issue 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. By way of illustration, if the Project Group satisfies the Target Performance for 2017 FY, all of the Incentive Shares will be allotted and issued to Mr. Wei upon the publication of 2017's annual report of the Company, of which one-fifth of the Incentive Shares will be immediately released from the Incentive Shares' Lock-Up upon issue and the remaining Incentive Shares will be released from the Incentive Shares' Lock-Up in equal instalments upon the publication of the annual report of the Company for each of the following four financial years from 2018 to 2021, regardless of whether the Target Performance for 2018 FY or 2019 FY is met or not. If the Project Group does not satisfy the Target Performance for 2017 FY but satisfies the Target Performance for 2018 FY, all of the Incentive Shares will be allotted and issued to Mr. Wei upon the publication of 2018's annual report of the Company, of which two-fifths of the Incentive Shares will be immediately released from the Incentive Shares' Lock-Up upon issue and the remaining Incentive Shares will be released from the Incentive Shares' Lock-Up in equal instalments upon the publication of the annual report of the Company for each of the following three financial years from 2019 to 2021, regardless of whether the Target Performance for 2019 FY is met or not. If none of the Target Performance for 2017 FY, 2018 FY and 2019 FY is met, no Incentive Shares will be allotted and issued to Mr. Wei.

Incentive Shares

The Incentive Shares will represent approximately 0.1% of the existing issued share capital of the Company as at the date of the Acquisition Agreement and as at the Latest Practicable Date and 0.09% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares and the Management Shares (assuming there will be no other allotment and issue of new Shares).

Based on the Issue Price of HK$4.19 per Share, the value of the Incentive Shares will be HK$45,025,740.

Listing rules implications in relation to the allotment and issue of the Incentive Shares to Mr. Wei

As at the Latest Practicable Date, Mr. Wei is an independent non-executive Director, and therefore, a connected person of the Company. The allotment and issue of the Incentive Shares to Mr. Wei contemplated under the Service Agreement will constitute non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules and thus are subject to reporting, announcement and the Independent Shareholders' approval requirements.

Reasons for the allotment and issue of the Incentive Shares

The proposed allotment and issue of the Incentive Shares to Mr. Wei is to provide incentive for and to reward the potential contribution of Mr. Wei to the Company and the Target Group.

The Directors (save for Mr. Wei, who has material interest in the allotment and issue of the Incentive Shares, abstained from voting at the relevant board meeting) are of the view that the allotment and issue of the Incentive Shares will provide an incentive to retain or otherwise maintain the on-going relationship with Mr. Wei whose contributions are or will be beneficial to the longterm growth and development of the Group. In this regard, the Directors (save for Mr. Wei, who has material interest in the allotment and issue of the Incentive Shares, abstained from voting at the relevant board meeting) consider that the terms and conditions of the Service Agreement (including the allotment and issue of the Incentive Shares) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Consultancy Agreement

As one of the Conditions, the Company will enter into the Consultancy Agreement with VKC, pursuant to which VKC as the consultant will provide E-commerce development related services in PRC to the Company at the consultancy fee which will be satisfied by the allotment and issue of the VKC Consultancy Service Consideration Shares to VKC, subject to First Completion and with effect from the First Completion Date.

Pursuant to the Consultancy Agreement, VKC as the consultant will, at the request and direction of the Company, provide strategic advice and consultancy service to the Company and its major subsidiaries regarding E-commerce development services in China by way of provision of the development strategy, business cooperation opportunities, relevant acquisition targets and relationship networking. In particular, VKC will assist the Project

Group to achieve the Performance Target through its provision of the consultancy service. VKC will also be responsible for providing the staff necessary or appropriate to perform its obligations under the Consultancy Agreement and be responsible for all salaries or fees paid to its partners, principals, employees, consultants, agents, representatives or other third parties in connection with the provisions of the abovementioned E-commerce development related services.

Terms of the Consultancy Agreement

The term of the Consultancy Agreement ("**Term**") is three years commencing from the First Completion Date.

Lock-Up of VKC Consultancy Service Consideration Shares

Pursuant to the Consultancy Agreement, subject to the paragraph headed "Release of VKC Consultancy Service Consideration Shares", VKC undertakes to the Company that for so long as the VKC Consultancy Service Consideration Shares remain listed on the Stock Exchange, without the prior written consent of the Company, it will not, and will procure that none of its affiliates will, at any time during the Term to sell, offer to sell, contract or agree to sell, transfer or dispose of, or agree to transfer or dispose of, any VKC Consultancy Service Consideration Shares. For the purposes of the monitoring, implementing and enforcing the abovementioned lock-up arrangement, the certificates of the VKC Consultancy Service Consideration Shares, once issued, will be initially deposited with the Company in escrow and released to VKC in accordance with the terms set forth in the paragraph headed "Release of the VKC Consultancy Service Consideration Shares" below ("**VKC Consultancy Service Consideration Shares' Lock-Up**").

Release of VKC Consultancy Service Consideration Shares

If the Project Group satisfies the Target Performance for any one of the three financial years from 2017 to 2019 in the paragraph headed "Profit Target" above, all of the VKC Consultancy Service Consideration Shares will be allotted and issued to VKC upon the publication of that year's annual report of the Company, of which up to three-fifths of the Consideration Shares will be immediately released from the VKC Consultancy Service Consideration Shares' Lock-Up upon issue and the remaining VKC Consultancy Service Consideration 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.

VKC Consultancy Service Consideration Shares

The VKC Consultancy Service Consideration Shares represent approximately 0.4% of the existing issued share capital of the Company as at the date of the Acquisition Agreement and as at the Latest Practicable Date and 0.38% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares and the Management Shares (assuming there will be no other allotment and issue of new Shares of the Company).

Based on the Issue Price of HK$4.19 per Share, the value of VKC Consultancy Service Consideration Shares will be approximately HK$180,090,390.

Reasons for entering into the Consultancy Agreement

VKC is set up as the investment manager of Guarantor A. It is principally engaged in managing the portfolio in such a way to achieve the investment return and development strategy. VKC is a private equity fund focusing on investments in internet, e-commerce and B2B services sectors in China. It has invested in over twenty-five e-commerce businesses in the PRC since 2011 and has accumulated extensive expertise and network in the industry. The Company has, on the other hand, been adjusting its principal business activities with increasingly focusing on e-commerce. The Consultancy Agreement will reinforce the Group's strategic transformation to an e-commerce enterprise in a sustainable way. The Directors (save for Mr. Wei, who has material interest in the Consultancy Agreement, abstained from voting at the relevant board meeting) consider that the proposed cooperation with VKC will be crucial to the growth of the Group's e-commerce business, which has high potential to be one of the Group's main profit streams. The proposed allotment and issue of the VKC Consultancy Service Consideration Shares to VKC is to provide incentive for and to compensate the service of VKC to the Target Group.

The number of the VKC Consultancy Service Consideration Shares are determined after arm's length negotiation between the parties to the Consultancy Agreement taking into account of the following factors:

(a) the management team of VKC has proven track record in the e-commerce industry, and will play an essential role in the Company's strategic transformation to an e-commerce enterprise;

(b) the VKC Consultancy Service Consideration Shares (in its nature similar to providing share incentives to management team responsible for daily operation of a company), together with the Incentive Shares, the Management Shares and the Management Options, if fully allotted and issued, will represent not more than 1% of total issued share capital of the Company which is generally in line with market practice for granting share incentives to the management team by listed companies and pre-IPO companies;

(c) the issue of the VKC Consultancy Service Consideration Shares is conditional on the satisfaction of the Performance Target by the Project Group in any one of the financial years from 2017 to 2019, which if the Project Group fails to satisfy the Performance Target in all of 2017 FY, 2018 FY and 2019 FY, no VKC Consultancy Service Consideration Shares will be issued;

(d) the consultancy service fee will be settled by allotment and issue of the VKC Consultancy Service Consideration Shares in five years and thus will not have adverse impact on the cash flow of the Company for its continuing business operation; and

(e) VKC will assist the smooth integration of the businesses of the Project Company after completion of the Acquisition, which will demonstrate synergistic effect with the Company's future businesses and operations.

In light of above, the Directors (save for Mr. Wei, who has material interest in the Consultancy Agreement, abstained from voting at the relevant board meeting) consider that the terms and conditions of the Consultancy Agreement (including the consultancy fee which will be satisfied by the allotment and issue of VKC Consultancy Service Consideration Shares) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Listing Rules implication in relation to the issue of the VKC Consultancy Service Consideration Shares to VKC

As at the Latest Practicable Date, VKC is a company controlled by Mr. Wei, an independent non-executive Director. Therefore, VKC is an associate of Mr. Wei and connected person of the Company. The issue of VKC Consultancy Service Consideration Shares to VKC contemplated under the Consultancy Agreement will constitute non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules and thus are subject to reporting, announcement and the Independent Shareholders' approval requirements.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the transactions contemplated under the Consultancy Agreement (including the allotment and issue of VKC Consultancy Service Consideration Shares) and no Shareholder and his associates are therefore required to abstain from voting at the EGM in respect of the resolutions approving, among others, the allotment and issue of VKC Consultancy Service Consideration Shares and the transactions contemplated thereunder.

ZALL DEVELOPMENT INVESTMENT IRREVOCABLE UNDERTAKING

On 28 October 2016, Zall Development Investment, the controlling shareholder of the Company, undertook to the Company and the Vendor Group that it will, and Mr. Yan Zhi, by whom Zall Development Investment is wholly owned, undertook to the Company and the Vendor Group that he shall procure Zall Development Investment to, vote in favour of the resolutions approving the transactions contemplated under the Acquisition Agreement at the EGM.

RANKING OF THE CONSIDERATION SHARES, THE MANAGEMENT SHARES, THE OPTION SHARES, VKC CONSIDERATION AND THE INCENTIVE SHARES

The Consideration Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects among themselves and with the then existing issued Shares.

The Management Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the then existing issued Shares.

The Option Shares, when allotted and issued following the exercise of the Management Options, will rank *pari passu* in all respects among themselves and with the then existing issued Shares.

The Incentive Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the then existing issued Shares.

The VKC Consultancy Service Consideration Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the then existing issued Shares.

SPECIFIC MANDATE TO ISSUE THE CONSIDERATION SHARES, THE INCENTIVE SHARES, VKC CONSULTANCY SERVICE CONSIDERATION SHARES AND THE MANAGEMENT SHARES AND GRANT OF THE MANAGEMENT OPTIONS

The Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares and the Management Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

The Management Options will be granted under the Share Option Scheme.

APPLICATION FOR LISTING

An application will be made by the Company to the listing committee of the Stock Exchange for the grant of the approval for the listing of, and permission to deal in, the Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares and the Management Shares prior to the First Completion Date. As at the Latest Practicable Date, the Company has obtained the approval for the listing of, and permission to deal in, the Option Shares by the Stock Exchange.

INFORMATION ON THE COMPANY AND THE PURCHASER

The Company is an investment holding company and the Group is principally engaged in the development and operating of large-scale consumer product-focused wholesale shopping malls and the related value added business, such as warehousing, logistic, e-commerce and financial services in the PRC. As at the Latest Practicable Date, the Company has not entered, or proposed to enter, into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied, and any negotiation (whether concluded or not) with an intention to dispose of or downsize its existing businesses.

The Purchaser is an investment holding company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company.

INFORMATION ON THE GUARANTORS AND THE VENDORS GROUP

Guarantor A is a limited partnership incorporated in Cayman Islands. Vendor A is an investment holding company incorporated in the British Virgin Islands and is a subsidiary of Guarantor A. The Target Company A is an investment holding company incorporated in the British Virgin Islands and is wholly owned by Vendor A.

Guarantor B is a limited partnership incorporated in Cayman Islands. Vendor B is an investment holding company incorporated in the British Virgin Islands and is a subsidiary of Guarantor B. The Target Company B is an investment holding company incorporated in the British Virgin Islands and is wholly owned by Vendor B.

Vendor C is a citizen of New Zealand.

Vendor D is a citizen of Hong Kong.

INFORMATION ON THE TARGET GROUP

The Target Companies together own, directly or indirectly, approximately 60.49% equity interests in the Project Company. Other than holding the equity interests in the Project Company, each of the Target Companies does not have any other business.

The Project Company is a sino-foreign joint venture established in the PRC, which together with its subsidiaries, is principally engaged in B2B e-commerce for the trading of agricultural products, services including supply chain management and supply chain finance (the "**Business**"). The Project Group uses its electronic trading system to establish contracts for agricultural products with the sellers and the buyers respectively. The Project Group utilizes its data on demand and supply and logistics power to allocate resources and provides value-added business, such as, supply chain finance services, storage and logistics services. The Project Group provides a certain percentage (50%-80%) of prepayments to the sellers while the sellers irrevocably undertake to transfer the control of the goods to the Project Group. The Project Group also provides credit to the buyers in such way that the buyers pay only 20-30% of the total purchase consideration to obtain credit so to postpone the full settlement and pick-up of the products after their due dates.

The major agricultural product to be provided by the Project Group is sugar. Below is an extract of the revenue contribution of each business segment to the total revenue of the Project Group for the last two financial years ended 31 December 2014 and 31 December 2015 respectively:

	As at 31 December 2014		**As at 31 December 2015**	
Business segment	**Revenue** *(RMB'000)*	**% Contribution to total revenue**	**Revenue** *(RMB'000)*	**% Contribution to total revenue**
Income from trading				
Sugar	6,852,766	93.70	12,579,242	97.80
Cocoon & Silk	222,894	3.05	134,808	1.05
Kiwi	—	—	16,139	0.12
Apple	125,926	1.72	—	—
Sub-total	7,201,586	98.47	12,730,189	98.97
Income from supply chain finance and other service charges				
Sugar	44,462	0.61	74,283	0.56
Cocoon & Silk	28,012	0.38	27,530	0.22
Apple	2,577	0.04	3,780	0.03
Timber	1,193	0.02	3,310	0.03
Others	4,161	0.05	3,120	0.02
Sub-total	80,405	1.10	112,023	0.87

Business segment	As at 31 December 2014 Revenue *(RMB'000)*	% Contribution to total revenue	As at 31 December 2015 Revenue *(RMB'000)*	% Contribution to total revenue
Other income				
Information system	20,855	0.29	12,889	0.10
Others	10,470	0.14	7,200	0.06
Sub-total	31,325	0.43	20,089	0.16
Total	7,313,316	100	12,862,301	100
— Revenue from financial statements	7,313,316		12,862,301	
Difference	—		—	

The Project Group adopts a "cost plus margin" mechanism as the pricing basis and mechanism for its services. The procurement cost is the same as the cost incurred in the market; but the margin is determined based on a number of factors, including but not limited to geographical differences, quality, brand and individual demand of the goods to be traded. The Project Group makes the final decision to decide on the price of the goods to be traded.

As advised by the Company's PRC legal counsel and based on the information provided by the Project Group, the Business is not subject to any foreign ownership restrictions under the relevant PRC laws because (i) the business model of the Business falls within the scope of "online data processing and transaction processing services（在線數據處理與交易處理業務）" under the current Classification Catalog of Telecommunications Services (2015)（《電信業務分類目錄》(2015)）and according to the Circular of the Ministry of Industry and Information Technology on Removing the Restrictions on Shareholding Ratio Held by Foreign Investors in Online Data Processing and Transaction Processing (Operating E-commerce) Business（《關於放開在線數據處理與交易處理業 務（經營類電子商務）外資股比限制的通告》）, foreign ownership in businesses that conduct online data processing and transaction processing for e-commerce business sector in the PRC could be up to 100%, and (ii) the information provided by the Project Group through its e-commerce system is public, commonly-shared information and free of charge to web users and therefore, it should be regarded as "non-profitable internet information service" and not subject to any licensing requirements or foreign ownership restrictions.

Financial Information of the Target Group

Each of the Target Companies was incorporated in 2016. Thus, no financial information was available for the financial years ended 31 December 2014 and 2015.

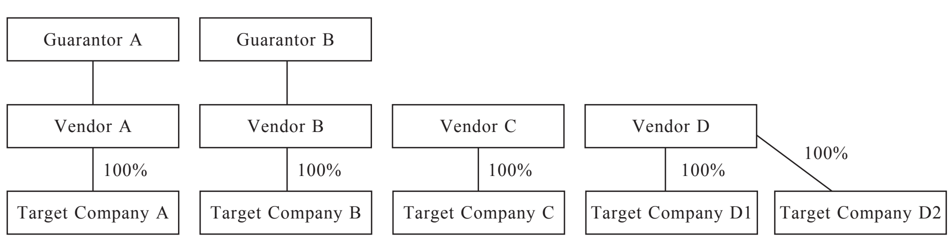
As at the Latest Practicable Date, the principal assets of the Target Companies were the investment of approximately 60.49% equity interest of the Project Company. Set out below is the audited and consolidated financial information of the Project Company for each of the two financial years ended 31 December 2014 and 2015, which were prepared in accordance with the China Accounting Standards for Business Enterprises:

	For the year ended 31 December 2014 *Approximately RMB'000*	**For the year ended 31 December 2015** *Approximately RMB'000*
Before tax profit	48,345	53,864
After tax profit	36,909	44,356
Net assets	629,699	592,725

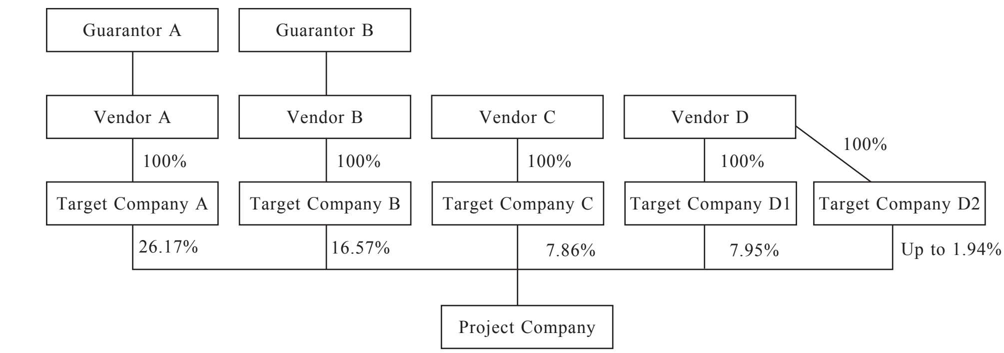
Further information about the Target Group (including the Project Group) is set out in Appendix II to this circular.

Shareholding structure of the Target Group

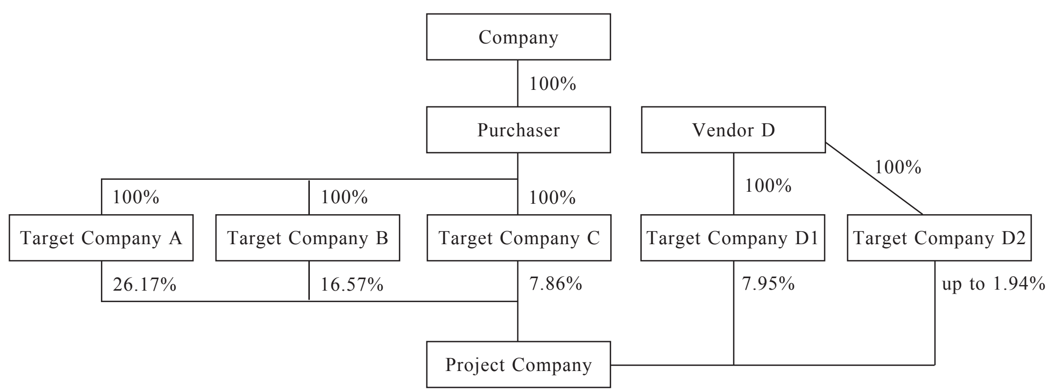
(a) Group structure of the Target Group as at the Latest Practicable Date:



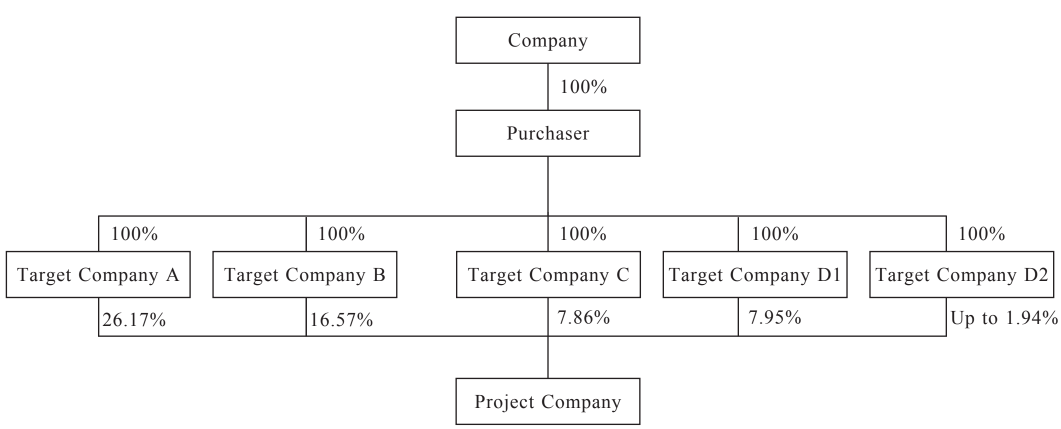
(b) Group structure of the Target Group immediately before First Completion:



(c) Group structure of the Target Group immediately after First Completion but before Second Completion:



(d) Group structure of the Target Group immediately after Second Completion:



INFORMATION ON VKC

VKC, being a company incorporated in Cayman Islands with limited liability, is set up as the investment manager of Guarantor A. It is principally engaged in managing the portfolio in such a way to achieve investment return and development strategy.

EFFECT ON THE SHAREHOLDING STRUCTURE

The following table sets out the effect of the issue of the Consideration Shares, the Incentive Shares and VKC Consultancy Service Consideration Shares on the shareholding structure of the Company based on the issued share capital and shareholding structure of the Company as at the Latest Practicable Date, the enlarged shareholding structure of the Company immediately after the Completion (assuming the Consideration Shares, the Incentive Shares and VKC Consultancy Service Consideration Shares are allotted and issued in full and there is no other allotment and issue of new Shares of the Company) and immediately after the allotment and issue of the Management Shares (assuming the Management Shares are allotted and issued in full and there is no other allotment and issue of new Shares of the Company):

	As at the Latest Practicable Date		**Immediately upon the allotment and issue of all the Consideration Shares, the Incentive Shares and VKC Consultancy Service Consideration Shares**		**Immediately upon the allotment and issue of the Management Shares**	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Zall Development Investment *(Note 1)*	7,542,545,268	70.19%	7,542,545,268	66.06%	7,542,545,268	66.01%
Vendor A or its designated parties *(Note 3)*	—	—	267,489,000	2.34%	267,489,000	2.34%
Vendor B or its designated parties *(Note 3)*	—	—	169,410,000	1.48%	169,410,000	1.48%
Vendor C or its designated parties *(Note 3)*	—	—	80,328,000	0.70%	80,328,000	0.70%
Vendor D or its designated parties *(Note 2,3)*	—	—	101,094,000	0.89%	101,094,000	0.88%
Mr. Wei *(Note 3)*	—	—	10,746,000	0.09%	10,746,000	0.09%
VKC *(Note 3)*	—	—	42,981,000	0.38%	42,981,000	0.38%

	As at the Latest Practicable Date		Immediately upon the allotment and issue of all the Consideration Shares, the Incentive Shares and VKC Consultancy Service Consideration Shares		Immediately upon the allotment and issue of the Management Shares	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Core Management Team *(Note 3)*	—	—	—	—	8,059,050	0.07%
Other Public Shareholders	3,203,032,482	29.81%	3,203,032,482	28.05%	3,203,032,482	28.03%
	10,745,577,750	100%	11,417,625,750	100%	11,425,684,800	100%

Note:

1. As at the Latest Practicable Date, Zall Development Investment is a company wholly-owned by Mr. Yan Zhi, co-chairman of the Company and executive Director.

2. This is based on the assumption that Target Company D2 has acquired up to the remaining 1.94% equity interest in the Project Company owned by the Management Team. In the event that the equity interest in the Project Company acquired is less than 1.94%, the Consideration Shares to be issued to Vendor D shall be adjusted proportionally.

3. The Shares, if allotted and issued, held by Vendor A, Mr. Wei and VKC, being the connected persons of the Company, are not regarded as being in public hands. The Shares, if allotted and issued, held by Vendor B, Vendor C, Vendor D and the Core Management Team will be regarded as being in public hands.

As shown in the table above, following the allotment and issue of the Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares and the Management Shares, Zall Development Investment will remain to be the controlling shareholder of the Company. Therefore, the Acquisition will not result in a change of control of the Company.

Upon Completion, the Purchaser will hold approximately 60.49% of the entire equity interest of the Target Group and will have the right to appoint four out of the seven directors of the board of directors of the Project Company, to be exercised by Mr. Wei on behalf of the Purchaser. Accordingly, the Target Companies will become wholly-owned subsidiaries of the Company and the Target Group's financial results will be consolidated into the consolidated financial statements of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Given the principal activities of the Project Company are engaged in e-commerce and supply chain finance businesses for agricultural products in the PRC, it has professional management team and rich management experience in operating e-commerce and supply chain finance businesses. The Directors (save for Mr. Wei, who has material interest in the Acquisition, abstained from voting at the relevant board meeting) are of the view that the Acquisition can strengthen the Group existing e-commerce and supply chain finance businesses by enlarging the Group's client base and increasing the Group revenue in the long run.

The Group has been adjusting its principal business activities and will concentrate its resources on the core business segment, i.e. the development and operating of large-scale consumer product-focused wholesale shopping malls and the related value-added business, such as e-commerce, financial services, warehousing and logistics. The acquisition marks the further development of the Group's e-commerce and supply chain finance businesses.

The Directors (save for Mr. Wei, who has material interest in the Acquisition, abstained from voting at the relevant board meeting) consider that the terms of the Acquisition and the Acquisition Agreement are on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE ACQUISITION

Following the First Completion, the Target Company A, Target Company B and Target Company C will become wholly-owned subsidiaries of the Company. Following the Second Completion, the Target Company D1 and Target Company D2 will become wholly-owned subsidiaries of the Company. Immediately after the First Completion, the Project Company will become a non-wholly owned subsidiary of the Company and the Target Group's financial results will be consolidated with the financial results of the Group.

Set out in Appendix IV to this circular is the unaudited pro forma financial information of the Enlarged Group which illustrates the financial impact of the Acquisition on the assets and liabilities and earnings of the Enlarged Group.

EFFECT OF THE ACQUISITION ON EARNINGS, ASSETS AND LIABILITIES OF THE ENLARGED GROUP

Upon completion, the Target Companies will become wholly-owned subsidiaries of the Company and the assets and liabilities and financial results of the Target Companies will be included in the consolidated financial statements of the Company. The unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular illustrates the effects of the Target Companies on the Company and the basis of preparation thereon.

As at 30 June 2016, the Group had total assets of approximately RMB26,927,002,000 and total liabilities of approximately RMB15,165,009,000. Based on the total assets and liabilities of both Target Companies as at 30 September 2016 and the Group as at 30 June 2016 and assuming all Independent Shareholders approve the Acquisition, the unaudited pro forma total assets will be approximately RMB35,883,727,000 and total liabilities will be approximately RMB21,360,188,000 as indicated in the unaudited pro forma consolidated statement of financial position of the Enlarged Group contained in Appendix IV to this circular. In addition, the Acquisition would give rise to a goodwill of RMB1,350,479,000 which represents the amount by which the consideration of the Acquisition exceeds the pro forma fair values of the identifiable assets and liabilities of the Target Companies to be acquired.

For the purpose of the unaudited pro forma financial information as set out in Appendix IV to this circular, the Board has assessed the goodwill associated with the Acquisition in accordance with HKAS 36 "Impairment of Assets". The Directors are of the view that there is no indication of impairment of goodwill arising from the Acquisition on the date of the Acquisition as set out in Appendix IV to this circular.

The unaudited pro forma net profit attributable to equity shareholders of the Company for the year ended 31 December 2015 of the Enlarged Group will decrease from RMB2,037,727,000 to approximately RMB1,996,856,000 as indicated in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group contained in Appendix IV to this circular.

Further details on the unaudited pro forma financial information of the Enlarged Group is set out in Appendix IV to this circular.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios, the revenue ratio, under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules.

As at the Latest Practicable Date, Guarantor A is a limited partnership whose general partner is controlled by Mr. Wei, an independent non-executive Director. Vendor A is a subsidiary of Guarantor A. Therefore, Guarantor A and Vendor A are regarded as associates of Mr. Wei under the Chapter 14A of the Listing Rules and the connected persons of the Company. Accordingly, the transactions contemplated under the Acquisition Agreement also constitutes a connected transaction for the Company under Rule 14A of the Listing Rules and are subject to the requirements of reporting, announcement, circular and Independent Shareholders' approval under Chapter 14 and Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Transactions and no Shareholder and his associates are therefore required to abstain from voting at the EGM in respect of the resolutions approving the Transaction Documents and the Transactions (including the Acquisition, the allotment and issue of the Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares, the Management Shares and the grant of the Management Options).

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee dated 15 February 2017 set out on pages 73 to 74 of this circular which contains its recommendation to the Independent Shareholders in relation to the terms of the Transaction Documents and the Transactions (including the Acquisition, the allotment and issue of the Incentive Shares, the VKC Consulstancy Service Consideration Shares, the Management Shares and the grant of the Management Options) and (ii) the letter from the Independent Financial Adviser dated 15 February 2017 as set out on pages 75 to 115 of this circular which contains its recommendation to the IBC and the Independent Shareholders in relation to the terms of the Transaction Documents and the Transactions (including the Acquisition, the allotment and issue of the Incentive Shares, the VKC Consulstancy Service Consideration Shares, the Management Shares and the grant of the Management Options) as well as the principal factors and reasons considered by the Independent Financial Adviser in arriving at its recommendation.

Taking into consideration of the reasons set out in the paragraph headed "Reasons for the Acquisition", "Reasons for the allotment and issue of the Incentive Shares" and "Reasons for entering into the Consultancy Agreement" above, the Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser, but excluding Mr. Wei, who has material interest in the Transactions) consider that the terms of the Transactions and the Transaction Documents are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser, but excluding Mr. Wei, who has material interest in the Transactions) recommend the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM to approve, among other things, the Transaction Documents and the Transactions (including the Acquisition, the allotment and issue of the Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares and the Management Shares and the grant of the Management Options).

The Directors confirm that, to the best of their knowledge, information and belief after having made all reasonable enquiries, no Shareholder has a material interest in the Transactions or the Transaction Documents. As such, no Shareholder is required to abstain from voting for the resolution to approve, among others, the Transaction Documents and the Transactions (including the Acquisition, the allotment and issue of the Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares and the Management Shares and the grant of the Management Options) at the EGM.

As Mr. Wei has a material interest in the Transaction Documents, he has to abstain from voting on the relevant board resolution to approve the Transaction Documents and the Transactions. Save as aforesaid, to the best knowledge, information and belief of the Company having made all reasonable enquiries, no other Directors have a material interest in the Transaction Documents and the Transactions. As such, no other Director is required to abstain from voting on the relevant board resolution to approve the Transaction Documents and the Transactions.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

As set out in the announcement of the Company dated 14 September 2016, the Company proposed to amend the Articles of Association such that it would expressly contemplate for the appointment of two Co-Chairmen of the Company. Further to the aforesaid, the Company proposes to amend the Articles of Association as per below.

(a) The current Article 63 of the Articles of Association:

> "The chairman of the Company shall preside as chairman at every general meeting. If at any meeting the chairman is not present within fifteen (15) minutes after the time appointed for holding the meeting, or is not willing to act as chairman, the Directors present shall choose one of their number to act, or if one Director only is present he shall preside as chairman if willing to act. If no Director is present, or if each of the Directors present declines to take the chair, or if the chairman chosen shall retire from the chair, the Members present in person or (in the case of a Member being a corporation) by its duly authorised representative or by proxy and entitled to vote shall elect one of their number to be chairman."

is hereby proposed to be amended as follows:

> "The chairman of the Company or if there is more than one chairman, any one of them as may be agreed amongst themselves or failing such agreement, any one of them elected by all the Directors present shall preside as chairman at a every general meeting. If at any meeting no the chairman, is not present within fifteen (15) minutes after the time appointed for holding the meeting, or is not willing to act as chairman, the deputy chairman of the Company or if there is more than one deputy chairman, any one of them as may be agreed amongst themselves or failing such agreement, any one of them elected by all the Directors present shall preside as chairman. If no chairman or deputy chairman is present or is willing to act as chairman of the meeting, the Directors present shall choose one of their number to act, or if one Director only is present he shall preside as chairman if willing to act. If no Director is present, or if each of the Directors present declines to take the chair, or if the chairman chosen shall retire from the chair, the Members present in person or (in the case of a Member being a corporation) by its duly authorised representative or by proxy and entitled to vote shall elect one of their number to be chairman of the meeting."

(b) The current Article 115 of the Articles of Association:

"The Board may elect a chairman and one or more deputy chairman of its meetings and determine the period for which they are respectively to hold such office. If no chairman or deputy chairman is elected, or if at any meeting neither the chairman nor any deputy chairman is present within five (5) minutes after the time appointed for holding the same, the Directors present may choose one of their number to be chairman of the meeting."

is hereby proposed to be amended as follows:

"The Board may elect one or more chairman and one or more deputy chairman of its meetings and determine the period for which they are respectively to hold such office. If no chairman or deputy chairman is elected, or if at any meeting no neither the chairman nor any deputy chairman is present within five (5) minutes after the time appointed for holding the same, the Directors present may choose one of their number to be chairman of the meeting."

(c) The current subsections (1) and (2) of Article 124 of the Articles of Association:

" (1) The officers of the Company shall consist of a chairman, the Directors and Secretary and such additional officers (who may or may not be Directors) as the Board may from time to time determine, all of whom shall be deemed to be officers for the purposes of the Law and these Articles.

(2) The Directors shall, as soon as may be after each appointment or election of Directors, elect amongst the Directors a chairman and if more than one (1) Director is proposed for this office, the election to such office shall take place in such manner as the Directors may determine."

are hereby proposed to be amended as follows:

" (1) The officers of the Company shall consist of at least one chairman, the Directors and Secretary and such additional officers (who may or may not be Directors) as the Board may from time to time determine, all of whom shall be deemed to be officers for the purposes of the Law and these Articles.

(2) The Directors shall, as soon as may be after each appointment or election of Directors, elect amongst the Directors a chairman and if more than one (1) Director is proposed for this office, the Directors may elect more than one chairman election to such office shall take place in such manner as the Directors may determine."

RECOMMENDATION

The Board is of the view that the Proposed Amendments would clarify and avoid any confusion as to the validity of the appointment of Mr. Yan Zhi and Dr. Gang Yu as Co-Chairman of the Company under the Articles of Association, and considers that the resolution in relation to the Proposed Amendments is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of such resolution to be proposed at the EGM as set out in the notice of the EGM.

EGM

The Company will convene the EGM at Suite 2101, 21/F, Two Exchange Square, Central, Hong Kong on 9 March 2017 at 11:00 a.m. for (i) the Independent Shareholders to consider and approve, among other things, the Transaction Documents and the Transaction (including the Acquisition, the allotment and issue of the Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares and the Management Shares and the grant of the Management Options, and (ii) the Shareholders to consider the Proposed Amendments).

The notice of the EGM is set out on pages VI-1 and VI-4 of this circular. The voting on resolution(s) to be proposed at the EGM will be conducted by way of poll in accordance with Rule 13.39(4) of the Listing Rules.

The Company will publish an announcement on the results of the EGM with respect to whether or not the proposed resolution(s) have been passed by the Independent Shareholders and/or the Shareholders (as applicable). A form of proxy for use by the Shareholders at the EGM is enclosed with this circular.

A form of proxy for us at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event no later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event the relevant form of proxy shall be deemed to be revoked.

GENERAL

Completion of the Acquisition is subject to the conditions precedent under the paragraph headed "Conditions Precedent" in this circular, which may or may not be fulfilled. The Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the Shares and other securities of the Company.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

Zall Group Ltd.
卓爾集團股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2098)

15 February 2017

To the Independent Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION; (2) POSSIBLE CONNECTED TRANSACTION INVOLVING ISSUE OF SHARES TO CONNECTED PERSONS; (3) ISSUE OF SHARES UNDER SPECIFIC MANDATE; AND (4) PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATIONS; (5) NOTICE OF EXTRAORDINARY GENERAL MEETING

We refer to the circular dated 15 February 2017 (the "**Circular**") issued by the Company of which this letter forms part. Unless the context otherwise requires, terms and expressions defined in the Circular have the same meanings herein.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders on the Transaction Documents and the Transactions (including the Acquisition, the allotment and issue of the Consideration Shares, the Incentive Shares and the VKC Consultancy Service Consideration Shares). TC Capital International Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to (i) the letter from the Board set out on pages 9 to 72 of the Circular; (ii) the letter from the Independent Financial Adviser as set out on pages 75 to 115 of the Circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Transaction Documents and the Transactions (including the Acquisition, the allotment and issue of the Consideration Shares, the Incentive Shares and VKC Consultancy Service Consideration Shares) as well as the principal factors and reasons considered by the Independent Financial Adviser in arriving at its recommendation; and (iii) the additional information as set out in the appendix to the Circular.

After taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we concur with its views and consider that the Transactions (including the Acquisition, the allotment and issue of the Consideration Shares, the Incentive Shares and VKC Consultancy Service Consideration Shares) were not entered into in the ordinary and usual course of business of the Group and the terms of the Transaction Documents are on normal commercial terms or better and are fair and reasonable so far as the Company and the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the resolution to be proposed at the EGM to approve the Transaction Documents and the Transactions (including the Acquisition, the allotment and issue of the Consideration Shares, the Incentive Shares and VKC Consultancy).

Yours faithfully
For and on behalf of the
Independent Board Committee
Mr. Cheung Ka Fai **Mr. Wu Ying**
Independent non-executive Directors

Set out below is the text of a letter received from TC Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement, the Service Agreement and the Consultancy Agreement and the transactions contemplated thereunder, prepared for the purpose of inclusion in this circular

TC CAPITAL

15 February 2017

The Independent Board Committee and the Independent Shareholders
Zall Group Ltd.

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION AND POSSIBLE CONNECTED TRANSACTION INVOLVING ISSUE OF SHARES TO CONNECTED PERSONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the (i) Acquisition Agreement; (ii) Service Agreement and (iii) Consultancy Agreement and the transactions contemplated thereunder including the grant of the specific mandate and the allotment and issue of the Consideration Shares, the Incentive Shares and VKC Consultancy Service Consideration Shares (the "**Transactions**"), details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 15 February 2017 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 28 October 2016, the Purchaser, a wholly-owned subsidiary of the Company, the Company, the Vendors and the Guarantors entered into the Acquisition Agreement, pursuant to which the Vendors conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire equity interest of the Target Companies free from all encumbrances together with all rights attaching thereto. The Consideration for the sale and purchase under the Acquisition Agreement is up to HK$2.591 billion, which will be satisfied by way of allotment and issue of the Consideration Shares to the Vendors at the Issue Price. Upon Completion, the Target Companies will become wholly-owned subsidiaries of the Company. The Target Companies will, upon completion of certain corporate restructuring, together hold up to approximately 60.49% of the equity interest of the Project Company. The Project Company, together with its subsidiaries, principally engages in B2B E-commerce for the trading of agricultural products, services including supply chain management and supply chain finance.

As one of the Conditions, the Company will enter into the Service Agreement with Mr. Wei, pursuant to which Mr. Wei will be re-designated as an executive Director subject to, and with effect from, Completion. In consideration of the services to be provided by Mr. Wei under the Service Agreement, the Company will allot and issue the Incentive Shares to Mr. Wei subject to the terms and conditions of the Service Agreement.

As one of the Conditions, the Company will enter into the Consultancy Agreement with VKC, pursuant to which VKC as the consultant will provide E-commerce development related services in the PRC to the Company at the consultancy fee to be satisfied by the allotment and issue of VKC Consultancy Service Consideration Shares to VKC, subject to the terms and conditions of the Consultancy Agreement.

The Independent Board Committee, comprising Mr. Cheung Ka Fai and Mr. Wu Ying, the independent non-executive Directors, for the purpose of making a recommendation to the Independent Shareholders in respect of the Transactions has been established in compliance with Rule 14A.41 of the Listing Rules. Our role as the Independent Financial Adviser is to provide independent opinion and recommendation to the Independent Board Committee and Independent Shareholders in this regard and as to whether the Independent Shareholders should vote in favour of the Transactions at the EGM.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered, among other things, (i) the Acquisition Agreement; (ii) the Service Agreement; (iii) the Consultancy Agreement; (iv) the annual report of the Company for the year ended 31 December 2015 (the "**2015 Annual Report**") and the interim report of the Company for the six months ended 30 June 2016 (the "**2016 Interim Report**"); (v) the accountants' report of the Project Group for each of the three years ended 31 December 2015 and for the nine months ended 30 September 2016 (the "**Project Group's Accountants' Report**"); and (vi) other information as set out in the Circular. We have also relied on all relevant information, opinions and facts supplied and represented by the Company, the Directors and the management of the Company.

We have assumed that all such information, opinions, facts and representations, for which the Company, the Directors and the management of the Company are fully responsible, were true, accurate and complete in all respects as at the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, and the Company has confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out independent verification of the information, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position or future prospects of each of the Company, the Purchaser, the Vendors, the Guarantors, the Target Companies and the Project Company and any of their respective subsidiaries and associates.

We, TC Capital International Limited, are independent of and not connected with any members of the Group or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates, and is accordingly qualified to give an independent advice in respect of the Transactions and we did not act as independent financial adviser to the Company's other transactions in the last two years.

PRINCIPAL FACTORS AND REASONS CONSIDERED

A. ACQUISITION AGREEMENT

In arriving at our opinions and recommendations in respect of the Acquisition Agreement, we have taken into consideration the following principal factors and reasons:

I. Background of and Reasons for Entering Into of the Acquisition Agreement

1. *Background information of the Company, the Purchaser, the Vendors, the Guarantors, the Target Group and the Project Company*

a) *The Company*

According to the 2015 Annual Report, the principal activities of the Group are development and sales of properties, property management services, development and operation of properties in the PRC with approximately 67.6% of its total revenue contributed from the sale of properties for the year ended 31 December 2015. Nevertheless, as disclosed in the same report, the Group started to develop its E-commerce, internet finance and logistics information and data services in the second half of 2015.

Such business transformation of the Group can be reflected in the change of principal business activities of the Group as disclosed in the 2016 Interim Report. According to the 2016 Interim Report, the principal activities of the Group are the development and operating of large-scale consumer product focused wholesale shopping malls and the related value-added business, such as warehousing, logistic, E-commerce and financial services in the PRC. The Group's traditional business, property development will be only a part of the principal businesses.

b) The Purchaser

The Purchaser is an investment holding company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company.

c) The Vendors and the Guarantors

As at the Latest Practicable Date, Guarantor A is a limited partnership incorporated in Cayman Islands whose general partner is controlled by Mr. Wei. Vendor A is an investment holding company incorporated in the British Virgin Islands and is a subsidiary of Guarantor A. Therefore, Guarantor A and Vendor A are associates of Mr. Wei and connected persons of the Company.

Guarantor B is a limited partnership incorporated in Cayman Islands. Vendor B is an investment holding company incorporated in the British Virgin Islands and is a subsidiary of Guarantor B.

Vendor C is a citizen of New Zealand.

Vendor D is a citizen of Hong Kong.

d) The Target Group

The Target Company A is an investment holding company incorporated in the British Virgin Islands and is wholly owned by Vendor A.

The Target Company B is an investment holding company incorporated in the British Virgin Islands and is wholly owned by Vendor B.

The Target Company C is a company incorporated in the British Virgin Islands and is wholly owned by Vendor C.

The Target Company D1 and D2 are companies incorporated in the British Virgin Islands and are wholly owned by Vendor D.

The Target Companies will, upon completion of certain corporate restructuring, together own, directly or indirectly, approximately 60.49% equity interests in the Project Company. Other than holding the equity interests in the Project Company, each of the Target Companies does not have any other business.

e) The Project Company

The Project Company is a sino-foreign joint venture established in the PRC, which together with its subsidiaries, principally engages in B2B E-commerce for the trading of agricultural products, services including supply chain management and supply chain finance.

Despite the majority of the revenue of the Group for the latest financial year was generated from the development and sales of properties, we are of the view that the Group is currently on the track of transition from a traditional real estate development enterprise to an E-commerce enterprise. As stated in the 2016 Interim Report, the Group has expedited its integrated business layout by means of organic growth and mergers and acquisitions during the first half of 2016 with the aim to build an intelligent and synergistic commercial trading ecosystem. For instance, in respect of the E-commerce sector, the Group has become the largest shareholder of LightInTheBox Holding Co., Ltd and in the finance sector, the Group has established Zall Financial Services Group. Embedding a wholesale market and the internet in one, the Group's "Zall Cloud Market" program is supported by all the related business ecosystems to link up logistics, finance, data, software and service for mapping itself in the arenas of intelligent trading, internet of things and cross-border trading, in order to realise a business relationship that features synergetic interaction, mutual support and joint development. Taking into account the above, we are of the view that, despite the entering into the Acquisition Agreement is not in the ordinary and usual course of business of the Group, the Acquisition is in line with the current transition of the Group to an E-commerce enterprise.

2. Reasons for entering into the Acquisition Agreement

As set out in the Letter from the Board, the Directors (save for Mr. Wei) are of the view that the Acquisition can strengthen the Group's existing E-commerce and supply chain finance businesses by enlarging the Group's client base and increasing the Group revenue in the long run given the Project Company has professional management team and rich management experience in operating E-commerce and supply chain finance businesses and is therefore in the interests of the Company and the Shareholders as a whole. Based on the below analysis, we concur with the Directors' view in this regard. In addition, we are also of the view that, upon Completion, the Group shall be benefited from the improving financial performance of the Project Company and the strong outlook of the B2B market in China.

(i) Strengthen the Group's existing E-commerce and supply chain finance business

According to the website of the Project Company, the Project Company was founded in 2010 and is considered as the largest vertically integrated B2B E-commerce trading platform of agricultural products in China in particular to the E-commerce of sugar. In 2015, at least one-third of the sugar that being consumed in China was ordered, sold and delivered via the E-commerce platform of the Project Company according to the website of the Project Company. The Project Company is currently gradually moved into the trade of other agricultural products including raw silk, fruit and kneading boards.

The Project Company provides various types of B2B E-commerce services including information, trading, finance, storage and logistics services through various online platforms such as www.gsmn.com.cn (廣西糖網), b2b.ap-ec.cn (中農易果), www.ap88.com (中農易訊) etc. Income from trading, income from supply chain finance and other service charges represented the major income source of the Project Company.

The Project Company was selected as top 100 enterprises in Guangdong province (廣東省企業百强) in 2016 in terms of revenue by Guangdong Provincial Enterprise Confederation (廣東省企業聯合會) and E-commerce Demonstration Enterprise (電子商務示範企業) from 2015 to 2016 by Ministry of Commerce of the PRC.

The Group principally focused on offline supply chain business and trading services for the wholesale market, providing clients with property, logistics and storage in the past. As discussed above, during the first half of 2016, the Group speeded up the pace of transformation to a leading E-commerce enterprise by means of organic growth and mergers and acquisitions with the aim to build an intelligent and synergistic commercial trading ecosystem. The Group currently has created number of major trading and services platforms e.g. (i) the comprehensive ecommerce trading platform zallgo.com forming the core, (ii) the international online trading platform LightInTheBox Holding Co., Ltd., (iii) the industrial chain logistics service provider zallsoon, (iv) storage service provider zallfuhui and (v) financial services provider Zall Financial Services Holding Ltd. and jia16.com.

Based on the foregoing background and recent business development of the Group and the Project Company, we are of the view that, becoming the controlling shareholder of the leading vertical E-commerce platforms of the Project Company shall allow the Group to utilise the existing customer base of the Project Company and offered the Group the opportunities and capabilities to provide its existing offline wholesale supply chain business and trading services to hundreds of billions of B2B online transactions of the Project Company and become one of the leading online-to-offline vertically integrated B2B companies in China.

Moreover, according to the website of the Project Company, the management of the Project Company possesses extensive experience in E-commerce and agricultural industry. As stated in the Letter from the Board, the core management personnel of the Project Company comprised Mr. Sun Wei as CEO and Mr. Qi Zhiping as vice chairman. According to the website of the Project Company, Mr. Sun Wei has over 15 years of operation management experiences in E-commerce and software development. Prior to joining the Project Company, Mr. Sun Wei served as the manager of the board of directors office and the deputy manager of the E-commerce department of the Shenzhen Agricultural Products Co., Ltd (深圳市農產品股份有限公司), a company listed on the Shenzhen Stock Exchange which is principally engaged in the development, construction, operation and management of agricultural product wholesale markets. Mr. Qi Zhiping has over 20 years of operation and management experiences in chain retail, investment and E-commerce industry. Prior to joining the Project Company, Mr. Qi Zhiping served as the general manager of the E-commerce department of the Shenzhen Agricultural Products Co., Ltd (深圳市農產品股份有限公司). As discussed with the management of the Company, Mr. Sun Wei and Mr. Qi Zhiping have extensive experience in the B2B and E-commerce businesses as well as in the investment and operational management and will be beneficial for Group's business.

Based on the above, we are of the view that the expertise of the management of the Project Company in the agricultural B2B E-commerce business will further strengthen the Group's E-commerce business. The synergy is being created by combining the talented and mature team of the Project Company along with the rich experience in supply chain services of the Group shall place the Group in an excellent position to be the largest B2B trading services system in China.

(ii) Potential benefit from the improving financial performance of Project Group and the strong market outlook of the B2B market

As set out in the Letter from the Board, upon Completion, the Company will own 100% equity interest of the Target Group and the Target Group will become a wholly-owned subsidiary of the

Company and its financial results will be consolidated into the consolidated financial statements of the Company. The business of the Target Group is to hold approximately 60.49% equity interests in the Project Group, therefore, upon Completion, the financial performance of the Group shall be directly affected by that of the Project Group. Set out below is the financial highlight of the Project Group as extracted from the Project Group's Accountants' Report:

	For the year ended 31 December 2014 *(RMB million)*	For the year ended 31 December 2015 *(RMB million)*	For the nine months ended 30 September 2015 *(RMB million)*	For the nine months ended 30 September 2016 *(RMB million)*
Total assets	1,571.8	3,351.4	N/A (note)	6,723.1
Net asset value	632.4	593.4	N/A (note)	742.2
Revenue	7,313.3	12,862.3	7,736.0	14,455.1
Gross profit	123.9	148.5	92.3	102.8
Profit for the year/period	38.9	42.1	22.2	31.2

Note: Such information are not available in the Project Group's Accountants' Report

We noted from the above table that the Project Group's financial performance was improving historically. The revenue of the Project Group for the year ended 31 December 2015 increased by approximately 75.9% compared to that for the prior year mainly due to the contribution from the trading of sugar as the trading price and trading volume of sugar have both increased in the trading platforms of the Project Group. The gross profit of the Project Group for the year ended 31 December 2015 increased by approximately 19.9% compared to that for the prior year as a result of combination in increase in revenue and decrease in gross profit margin due to increase in trading price of sugar. As advised by the management of the Company, the gross profit of Project Group is charged at a fix percentage based on the trading volume, therefore, the increase in trading price will lead to higher revenue but lower gross profit margin. The profit of the Project Group for the year ended 31 December 2015 also increased by approximately 8.2% compared to that for the prior year.

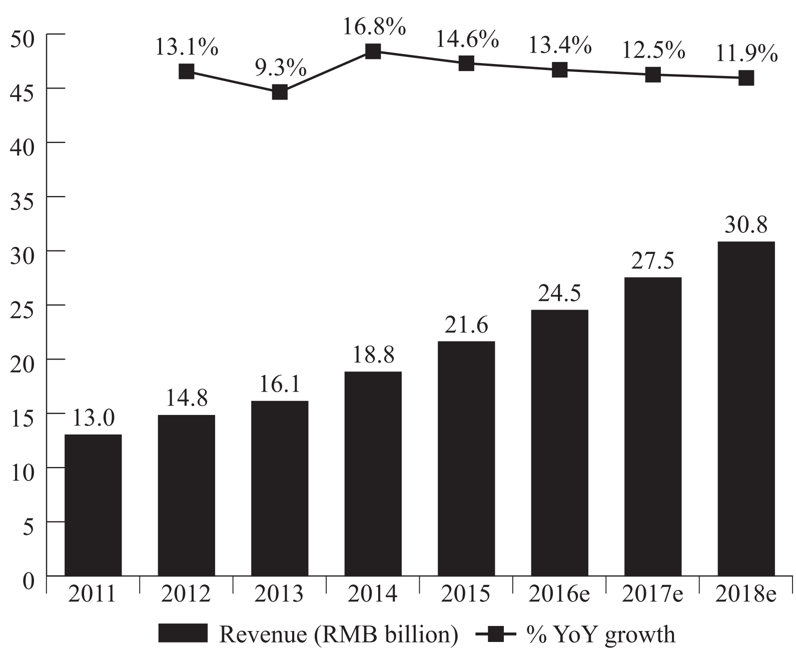
The revenue, gross profit and net profit of the Project Group kept improving for the nine months ended 30 September 2016 compared to those for the prior period. Revenue of the Project Group for the nine months ended 30 September 2016 increased by approximately 86.9% compared to that for the prior period due to the contribution from the trading of sugar as the trading volume of sugar has increased in the trading platforms of the Project Group. Gross profit for the same period was increased by approximately 11.4% when comparing to the prior period due to the increase in revenue. The gross profit margin decreased from approximately 1.2% for the nine months ended 30 September 2015 to approximately 0.7% for the nine months ended 30 September 2016 as a result of increase in the trading price of sugar as discussed above. As a result, the profit of the Project Group improved from approximately RMB22.2 million for the nine months ended 30 September 2015 to approximately RMB31.2 million for the nine months ended 30 September 2016.

In addition to the historical improvement in the financial results of the Project Group as discussed above, we are also of the view that the financial performance of the Project Group shall grow along with the China's agricultural B2B E-commerce market in future.

According to articles headlined "China's SME B2B Platforms Grew Steadily in 2015" published on 16 May 2016 (the "**1st Article**") by iResearch, a Chinese based provider of online audience measurement and consumer insights in China, the revenue of small and medium-sized enterprises ("SME") B2B platforms in China amounted to approximately RMB21.6 billion in 2015 with a year-on-year growth rate of 14.6% principally due to (i) the increasing value-added services of B2B platforms including the advertising service, information service, trading service and other financing services which allowed the stable development of B2B platforms and (ii) preferential policies from the government provided B2B platforms with favorable development environment; of which was partially offset by (i) the economic downturn in China that cast negative effect on the development of B2B platforms, (ii) the decrease of China exports and imports which has influenced SME's online trading. The revenue of SME B2B platforms in China has been growing rapidly in the past, recording a CAGR of approximately 13.5% from 2011 to 2015.

It is estimated that the revenue of SME B2B platforms in China to reach approximately RMB30.8 billion in 2018, represented a CAGR of approximately 12.6% from 2015 to 2018. Set out below the graph showing the annual revenue of SME B2B platforms in China from 2011 to 2018:

Revenue of SME B2B Platforms in China
2011-2018



Note: The revenue of China's SME B2B platforms 2011-2018 is estimated; 2. From Q1 2015, iResearch only calculated the revenue of China's SME B2B e-commerce platform, including membership fee, transaction commission and advertisement revenue, excluding revenue from operator's direct sales; 3. Since Q1 2015, revenue of JQW.com has been counted in the revenue of China's B2B platforms.

Source: The data were calculated and estimated in line with the financial results published by enterprises and interviews with experts in iResearch statistical model. It is for reference only, not financial advice.

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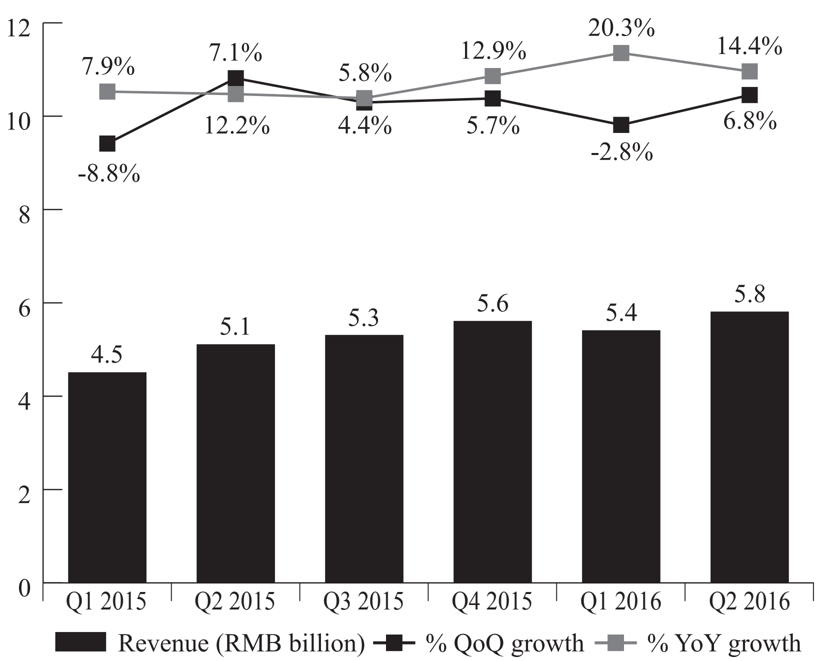
According to articles headlined "China's SME B2B Platforms Steered a Steady Course in Q2 2016" published on 19 September 2016 (the "**2nd Article**") by iResearch, the revenue of China's SME B2B E-commerce platforms was still growing at a stable pace to totaled RMB5.8 billion in Q2 2016 with a year-on-year growth of 14.4% principally due to (i) the favorable capital environment with 82 B2B companies successfully financed more than RMB7.6 billion in total in the first half of 2016, (ii) the growing import and export market with China's total imports and exports reached RMB5.9 trillion in Q2 2016, rising 13.5% compared with the previous quarter according to the latest data from the Customs General Administration of China and therefore fueling the development of online trade of SMEs, and (iii) increased investments in online trade, O2O business, Internet financing and other businesses by the B2B platforms. Set out below the graph showing the annual revenue of SME B2B platforms in China from Q1 2015 to Q2 2016:

Revenue of China's SME B2B Platforms
Q1 2015-Q2 2016



Note: The revenue of China's SME B2B platforms in Q1 2016 is estimated by iResearch; 2. From Q1 2015, iResearch only calculated the revenue of China's SME B2B e-commerce platform, including membership fee, transaction commission and advertisement revenue, excluding revenue from operator's direct sales; 3. Since Q1 2015, revenue of JQW.com has been counted in the revenue of China's B2B platforms.

Source: The data were calculated and estimated in line with the financial results published by enterprises and interviews with experts in iResearch statistical model. It is for reference only, not financial advice.

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Furthermore, according to a research report named "2015 Rural Internet Development Report"(2015年農村互聯網發展狀況研究報告) published in August 2016 by China Internet Network Information Center, the national internet network information center in China, the internet users in rural areas had amounted to approximately 195.4 million in 2015, representing a CAGR of approximately 12% from approximately 124.8 million in 2010. The internet penetration rate reached 31.6% in rural areas of China in 2015, with still significant developing potentials as compared with penetration rate of 65.8% in urban areas. With the potential increased knowledge of the use of internet for people in rural areas in particular the agricultural products providers, we are of the view that the outlook for B2B platforms in China shall remain strong.

Mentioning the preferential policies from the government provided B2B platforms in the 1st Article, the PRC government has been supporting the development of agricultural B2B E-commerce industry recently. In 2015, General Office of the State Council of the PRC has issued "Notice in relation to developing rural E-commerce*"(關於促進農村電子商務加快發展的指導意見) which (i) encourages E-commerce players to develop agricultural E-commerce platforms; (ii) utilise internet techniques in agriculture processes and (iii) improves the infrastructure in rural areas. With the continuing government's policy support, it is expected that the agricultural B2B E-commerce market in China will experience significant development in the future.

Based on the expected growth of B2B E-commerce business and future potential in agricultural B2B E-commerce market in China highlighted above, we are of the view that the outlook of the Project Group, which is one of the leading players in the agricultural B2B E-commerce market, shall remain strong in future and continue to create value to its shareholders including the Company. Correspondingly, we are of the view that the entering of Acquisition Agreement by the Company is in the interest of the Company and the Shareholders as a whole.

II. Principal Terms of the Acquisition Agreement

As set out in the Letter from the Board, set out below the major terms of the Acquisition Agreement:

Date	:	28 October 2016
Parties	:	Purchaser: Zall Development (BVI) Holding Company Limited; Vendor A: EJC Group Limited; Vendor B: Great Morning Holding Limited; Vendor C: CHAN Kit; Vendor D: CHAN Nanjula Wai Po (陳慧寶); Company: Zall Group Ltd., as the Purchaser's guarantor; Guarantor A: Vision Knight Capital (China) Fund I, L.P. as Vendor A's guarantor; and Guarantor B: Greenwoods Bloom Fund, L.P. as Vendor B's guarantor.
Subject matter	:	The Purchaser conditionally agreed to acquire from Vendor A all the issued shares of the Target Company A, free from all encumbrances. The Purchaser conditionally agreed to acquire from Vendor B all the issued shares of the Target Company B, free from all encumbrances. The Purchaser conditionally agreed to acquire from Vendor C all the issued shares of the Target Company C, free from all encumbrances.

The Purchaser conditionally agreed to acquire from Vendor D all the issued shares of the Target Company D1 and Target Company D2, free from all encumbrances.

The Target Companies will, upon completion of certain corporate restructuring, together hold, directly or indirectly, approximately and up to 60.49% of the equity interest of the Project Company.

Consideration	:	The Consideration for the Total Target Shares is up to HK$2.591 billion. Subject to the Lock-Up Undertakings, the Consideration will be settled by the allotment and issue of the Consideration Shares to the Vendors (or their respective designated parties) at the Issue Price of HK$4.19.
Profit Target	:	Pursuant to the Acquisition Agreement, each of Vendor A, Vendor B and Vendor C covenants to the Purchaser that for the three financial years from 2017 to 2019, and Vendor D covenants to the Purchaser that for the five financial years from 2017 to 2021, the Actual Revenue and the Actual Net Profit of the Project Group based on the audited consolidated financial statements of the Project Group prepared by the Purchaser's auditors in accordance with the International Financial Reporting Standards shall meet the Target Revenue and Target Net Profit. Please refer to the Letter from the Board for details of Target Revenue and Target Net Profit.
Lock-up Undertakings by the Vendors	:	Subject to the "Early Release from the Lock-up Undertakings" described in the Letter from the Board, the Vendors unconditionally and irrevocably undertake to the Company that, for the period from the First Completion Date to the date of publication of the 2019 annual report (in the case of Vendor A, Vendor B and Vendor C) or for the period from the Second Completion Date (or the First Completion Date, if the Early Target Company D1 Completion takes place)

to the publication of the 2021 annual report of the Company (in the case of the Vendor D), without the prior consent of the Company, will not directly or indirectly:

(i) offer to sell, transfer, contract to sell or otherwise deal with any of such Consideration Shares or any interests therein; or

(ii) enter into any swap or derivatives that transfers, the economic effect of ownership of such Consideration Shares or any interests therein; or

(iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above,

provided that the Vendors may, with the prior consent from the Company, pledge their respective Consideration Shares with the banks or other lending institutions for financing purposes. For the purposes of monitoring, implementing and enforcing the Lock-Up Undertakings, the certificates for the Consideration Shares, once issued, will be initially deposited with the Company in escrow and released to the Vendors in accordance with the terms set forth in the "Release from the Lock-Up Undertakings" or "Early release from the Lock-up Undertakings" (as the case may be) described in the Letter from the Board.

Release from the Lock-up Undertakings : For details of the arrangement for release from the Lock-up Undertakings, please refer to the Letter from the Board.

Early release from the Lock-up Undertakings : For details of the arrangement for early release from the Lock-up Undertakings, please refer to the Letter from the Board.

Sale of the Consideration Shares	:	For details of the arrangement for sale of the Consideration Shares, please refer to the Letter from the Board.
Conditions precedent	:	For details of the conditions precedent, please refer to the Letter from the Board.

Discussion of the specific major terms of the Acquisition Agreement

Profit Target

As disclosed in the Letter from the Board, pursuant to the Acquisition Agreement, each of Vendor A, Vendor B and Vendor C, being the financial investors of the Project Company, covenants to the Purchaser that for the three financial years from 2017 to 2019, and Vendor D, being a representative of certain members of the existing management team of the Project Company, covenants to the Purchaser that for the five financial years from 2017 to 2021, the Actual Revenue and the Actual Net Profit as determined based on the audited consolidated financial statements of the Project Group prepared by the Directors of the Company in accordance with the International Financial Reporting Standards shall meet the Target Revenue and the Target Net Profit. Set out below the table of Target Revenue and the Target Net Profit:

Financial year	**Target Revenue**	*% change*	**Target Net Profit**	*% change*
2017	RMB30 billion	—	RMB110 million	—
2018	RMB37.5 billion	+25%	RMB132 million	+20%
2019	RMB46.875 billion	+25%	RMB158 million	+20%
2020	RMB58.594 billion	+25%	RMB190 million	+20%
2021	RMB73.242 billion	+25%	RMB228 million	+20%

According to above table, we have noticed that the Target Revenue for each year from 2017 to 2021 has been set at a year-on-year growth rate of 25%. According to the 1st Article, the historical year-on-year growth rate of the revenue of SME B2B platforms in China from 2011 to 2015 ranged from 9.3% to 16.8%. Though the 1st Article did not provide the expected revenue of SME B2B platforms in China from 2019 to 2021, we noticed that the estimated year-on-year growth rate of the revenue of SME B2B platforms in China for 2017 and 2018 are only 12.5% and 11.9% respectively, which are lower than that of the Target Revenue for each year of 2018 to 2021. We also notice that the year-on-year growth rate of the revenue of SME B2B platforms in China has been dropping in each year from 16.8% in 2014 to 11.9% in 2018. As stated in the Project Group's Accountants' Report, the revenue of the Project Group increased from approximately RMB2,746.8 million to RMB12,862.3 million from 2013 to 2015, representing a CAGR of approximately 116.4%. As discussed with the management of the Company, since the business of the Project Company becomes more mature and the intensive competition in the industry in which the Project Company operates, they expects the revenue of the Project Company will grow at a lower rate compared to the historical growth rate.

According to above table, we have noticed that the Target Net Profit for each year from 2017 to 2021 has been set at a year-on-year growth rate of 20%. As stated in the Project Group's Accountants' Report, the net profit of the Project Group increased from approximately RMB13.8 million to RMB42.1 million from 2013 to 2015, representing a CAGR of approximately 74.7%. The net profit of the Project Group increased from approximately RMB22.2 million for the nine months ended 30 September 2015 to approximately RMB31.2 million for the nine months ended 30 September 2016, representing an increase of approximately 40.5%. As discussed with the management of the Company, since the business of the Project Company becomes more mature and the intensive competition in the industry in which the Project Company operates, they expects the net profit of the Project Company will grow at a lower rate compared to the historical growth rate.

Given (i) the year-on-year growth rate of the Target Revenue of 25% is higher than that of the revenue of SME B2B platforms in China in the same period, (ii) the dropping year-on-year growth rate of the revenue of SME B2B platforms in China from 16.8% in 2014 to 11.9% in 2018 and without any unexpected event occurred in the Chinese B2B platform market, we are of the view that the chance that the year-on-year growth rate of the revenue of SME B2B platforms in China from 2019 to 2021 to be higher than 25% is relatively low, and (iii) the historical growth rate of revenue and net profit of the Project Group and the expected decrease in growth rate of revenue and net profit of the Project Group, we are of the view that the Target Revenue which is set to grow by approximately 25% per year and the Target Net Profit which is set to grow by approximately 20% per year will serve as challenging yet achievable benchmark for the Project Group and shall benefit the Company as it assure the performance of the Project Group shall be better than the overall B2B platforms market in China. Therefore, we concur with Company's view that the Profit Target is fair and reasonable and is in the interest of Shareholders as a whole.

Lock-up Undertakings by the Vendors, Release from the Lock-Up Undertakings, Early release from the Lock-up Undertakings and Sale of the Consideration Shares

For details of the Lock-up Undertakings by the Vendors, Release from the Lock-Up Undertakings, Early release from the Lock-up Undertakings and Sale of the Consideration Shares, please refer to the Letter from the Board. Given that:

a. the combination of the Lock-up Undertakings by the Vendors, the Release from the Lock-Up Undertakings and the Sale of the Consideration Shares can together align the interest of the Vendors and the Company in a long term, avoiding "sell and go-away" situation of the Vendors and able to compensate the Company for any underperformance of the Project Group after Completion;

b. the mechanism of the Release from the Lock-Up Undertakings is comprehensive and flexible in particular it has taken into consideration of numerous scenario of the future performance of the Project Group e.g. (i) when both of the Target Revenue and Target Net Profit are satisfied; (ii) when any or both of the Target Revenue and the Target Net Profit are not satisfied; (iii) using Adjusted Target Revenue and Adjusted Target Net Profit for 2018 and 2019 if any or both of the Target Revenue and the Target Net Profit are not satisfied for 2017 FY but the Actual Revenue and the Actual Net Profit for 2017 FY are higher than the Actual Revenue and the Actual Net Profit for 2016 FY respectively so as to avoid solely based on absolute figure in judging the performance of the Project Group for 2018 and 2019 but focus on the growth rate instead; and (iv) using the Making-up mechanism if the Actual Revenue and/or Actual Net Profit exceeds the relevant Target Revenue (or Adjusted Target Revenue) and/or the relevant Target Net Profit (or Adjusted Target Net Profit) in any financial year, the excess will be applied to the shortfall in the previous or next financial year so as to mitigate the timing effect of the revenue and net profit generated in a particular year which might be out of control of the Project Group and the Vendors;

c. though Vendor A, Vendor B or Vendor C can request to release any Consideration Shares from the Lock-Up Undertakings before the publication of the 2017 annual report of the Company, Vendor A, Vendor B and/or Vendor C must charge a cash account(s) with the cash level not less than HK$300 million and not more than HK$400 million in favour of the Company and such Cash Guarantee can only be fully/partially released if the Target Performance for 2017 FY is fully/partially satisfied;

d. the Sale of the Consideration Shares provide the Company with a mechanism to adjust the Consideration by reference to the actual performance of the Project Group; and

e. though Vendor Group was able to release immediately all the Consideration Shares which have not been released under (i) any merger event including the Company mergers with or into any entity or any general offer which will constitute change of control of the Company; (ii) Potential Change of Control; (iii) the Company becomes insolvent; or (iv) the Company disposes its equity interest in the Project Company such that the Company will no longer be the largest shareholder of the Project Company, we concur with the Director's view that the above arrangement is fair and reasonable and under normal commercial term given that the Target Performance was entered between the Vendor Group and the existing controlling shareholder and the management team of the Company based on the mutual trust and consensus, any subsequent change in the controlling shareholder and the management of the Company may adversely affect the Company's business strategy in respect of the management of the Project Company and this will in turn impact the possibility of achieving the Target Performance. Furthermore, in the event that even if the change in the controlling shareholder of the Company happens and hence the Target Performance are no longer be obligated to be achieved as well as the immediate release all the Consideration Shares to the Vendors, we are of the view that the Consideration is still fair and reasonable and in the interest of the Company and Shareholders as a whole given the Consideration itself is within the range of valuation of the companies that are comparable to the Project Company as further discussed in the "Consideration" paragraph below, we are therefore of the view that, taking into account the relatively significant portion of the Consideration Shares of the existing issued shares of the Company, the terms of the Lock-up Undertakings by the Vendors, Release from the Lock-Up Undertakings, Early release from the Lock-up Undertakings and Sale of the Consideration Shares, is fair and reasonable and in the interest of the Company and Shareholders as a whole as such mechanism aligns the interest of the Vendors and the Company in a significant extent.

Consideration

The Consideration of up to HK$2.591 billion will be satisfied by way of allotment and issue of a total of 618,321,000 Consideration Shares to the Vendors at Issue Price of HK$4.19 per Consideration Share. As stated in the Letter from the Board, the Consideration was determined after arm's length negotiation between the parties to the Acquisition Agreement with reference to the business and growth prospects and the historical financial performance of the Project Company as compared with the valuation of companies in similar business.

Given the acquisition of the Target Companies represent the acquisition of the approximately 60.49% equity interest of the Project Company and the 60.49% of the audited consolidated net assets value of the Project Company as at 31 December 2015 and the audited consolidated net profit of the Project Company for the year ended 31 December 2015 were approximately RMB358.9 million (equivalent to approximately HK$402.0 million) and RMB25.5 million (equivalent to approximately HK$28.5 million) respectively, the Consideration of approximately HK$2.591 billion represents a price-to-book ratio ("**PBR**") of approximately 6.45 times to the net assets value and a price-to-earnings ratio ("**PER**") of approximately 90.91 times to the net profit of the Project Company as at 31 December 2015.

Accordingly, in assessing the fairness and reasonableness of the Consideration, we have performed PER analysis on companies that are comparable to the Project Company. We have not performed PBR analysis as the PBR analysis might not be very indicative given those E-commerce company do not have significant asset base and their major asset would be their manpower. We selected such comparable companies based on the following criteria: the companies that (i) are identified as key industry players of B2B E-commerce market in the 1st Article published in April 2016 covering SME B2B platforms from 2012 to 2015 and the monthly top 20 B2B platform between October to

December 2016 from iWebChoice, a website traffic ranking database run by iResearch, ranked by the number of unique visitors to the B2B platforms of which we consider such review period from 2012 to 2015 and from October to December 2016 is long enough to select comparable companies to the Project Company; (ii) are publicly listed; (iii) are having revenue generated from B2B business or E-commerce business contributed at least 50% to the total revenue of the listed holding company of those selected companies for the latest financial year and (iv) mainly operated in the PRC.

To the best of our knowledge and endeavor, we found 6 listed companies (the "**Market Comparable**") which meet the above criteria and they are exhaustive as far as we are aware of. Despite these 6 Market Comparable are not engaged in exactly the same business as the Project Company and they may not be entirely comparable to the Project Company in terms of products, stage of development, operation scale, market capitalisation, listing platform etc., we believe that the 6 Market Comparable are able to serve as fair and representative samples for comparison purpose, and in forming our opinion, we have considered the PER analysis results below with all other factors stated in this letter as a whole.

Exchange (Code)	Company Name	Principal businesses	PER as at the 28 October 2016, being the date of the Acquisition Agreement
NYSE (BABA)	Alibaba Group	Provides internet infrastructure, E-commerce, online financial, and internet content services through its subsidiaries.	64.43
HKEx (2280)	HC International Inc	Organise a business-to-business community across China by providing business information through both online and offline channels.	98.36
Shenzhen Stock Exchange (002315)	Focus Technology Co., Ltd	Provides B2B E-commerce solutions and the supply and demand sides for the release, search and management services of the transaction information.	50.80
Shenzhen Stock Exchange (002095)	Zhejiang Netsun Co., Ltd	Provides internet information service, website development and maintenance services, E-commerce service, and application software development. The company developed and is currently operating www.chemnet.com.cn, www.chemnet.com, www.texnet.com.cn, www.TexWeb.com, www.pharmnet.com.cn and other several vertical E-commerce websites.	730.89

Exchange (Code)	Company Name	Principal businesses	PER as at the 28 October 2016, being the date of the Acquisition Agreement
Shenzhen Stock Exchange (300226)	Shanghai Ganglian E-commerce Holdings	Provides market information and B2B E-commerce services for steel and steel-related industries. The company provides market information, research services and also offers business promotion to customers.	N.A. *(note)*
HKEx (400)	Cogobuy Group	Operation of the transaction-based E-commerce platform for integrated circuit and other electronic components in China.	48.14
		Maximum	730.89
		Minimum	48.14
		Average	198.52
		After excluding the outliers being the first and last comparable companies	
		Maximum	98.36
		Minimum	50.80
		Average	71.19
		PER of the Consideration of the Target Group	90.91

Note: As Shanghai Ganglian E-commerce Holdings recorded net loss for the year ended 31 December 2015, its PER is not applicable.

Source: Bloomberg, website of Hong Kong Stock Exchange and the latest published financial reports of the respective comparable companies

As indicated in the above table, the Market Comparable have the PERs ranged from approximately 48.14 times to approximately 730.89 times (the "**PER Range**") with an average of approximately 198.52 times (the "**PER Average**"). The PER of the Consideration of the Target Group being approximately 90.91 times, even without taking into account of the possible downward adjustment in Consideration due to the adjustment mechanism such as Lock-up Undertaking, Release from Lock-up Undertaking, Early Release from Lock-up Undertaking and Sale of Consideration Shares as disclosed in the Letter from the Board, is within the PER Range and below the PER Average. By excluding the outliers of 730.89 times and 48.14 times, the PER of the Consideration of the Target Group being approximately 90.91 times is still within the range of 50.80 times to 98.36 times. Though the PER of the Consideration of the Target Group is higher than the PER Average, by considering (i) the benefit to the Group for entering into the Acquisition Agreement as discussed above in particular the strengthening of the Group's existing E-commerce and supply chain finance business and the benefit from the improving financial performance of Project Company and the strong market outlook of the B2B market and (ii) Consideration of HK$2.591 billion represents only the maximum amount of the consideration the Company and is subject to downward adjustment, we consider the Consideration is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

The Issue Price

As set out in the Letter from the Board, the Issue Price of HK$4.19 per Consideration Share represents:

(i) a discount of approximately 20.79% to the closing price of HK$5.29 per Share as quoted on the Stock Exchange on 28 October 2016, being the date of the Acquisition Agreement;

(ii) a discount of approximately 16.57% to the average closing price of HK$5.02 per Share in the last five consecutive trading days up to and including the date of the Acquisition Agreement;

(iii) a discount of approximately 15.11% to the average closing price of HK$4.94 per Share in the last ten consecutive trading days up to and including the date of the Acquisition Agreement;

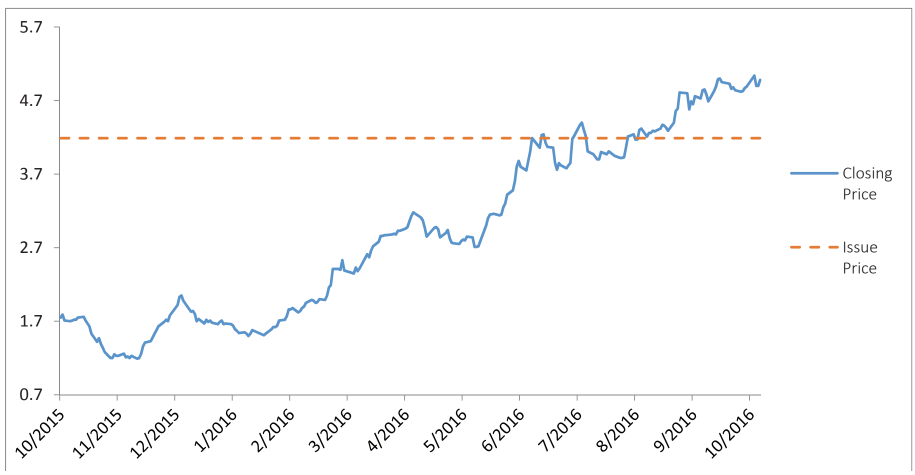
(iv) a discount of approximately 15.69% to the closing price of HK$4.97 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and

(v) a premium of approximately 233.1% over the consolidated net asset value per Share of the Group as at 30 June 2016 extracted from the 2016 Interim Report.

To assess the fairness and reasonableness of the Issue Price, we have conducted below analysis:

(a) Historical price movement analysis

Set out below is a chart showing the movement of the daily closing price of the Shares as quoted on the Stock Exchange during the last twelve months preceding the date of the Acquisition Agreement (i.e. 28 October 2015 to 27 October 2016) (the "**Company Share Review Period**"), of which we considered it is an appropriate period to reflect the recent market valuation to the Share:



Source: the Stock Exchange website (www.hkex.com.hk), Bloomberg

During the Company Share Review Period, the lowest closing price of the Shares was HK$1.19 recorded on 7 December 2015, while the highest closing price of the Shares was HK$5.04 recorded on 24 October 2016. The average closing price of the Shares during the Company Share Review Period is HK$2.91. The Issue Price is within the aforesaid range, and above the daily average, of the closing price of the Shares during the Company Share Review Period. We are therefore of the view that the Issue Price is fair and reasonable and was reached based on normal commercial terms so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

(b) Trading volume and liquidity analysis

Set out below is (i) the average daily trading volume of the Shares in each month during the Company Share Review Period; (ii) the respective percentages of the average daily trading volume of the Shares as compared to the number of total issued Shares; and (iii) the respective percentages of the average daily trading volume of the Shares as compared to the total issued Shares held by the public.

	Average daily trading volume of the Shares	% of the average daily trading volume to the total number of issued Shares *(Note 1)*	% of the average daily trading volume to the total number of issued Shares held by the public *(Note 2)*
2015			
October (from 28 October)	16,498,207	0.15%	0.52%
November	28,249,964	0.27%	0.88%
December	38,568,782	0.36%	1.20%
2016			
January	17,365,842	0.16%	0.54%
February	19,383,167	0.18%	0.61%
March	21,957,335	0.20%	0.69%
April	16,573,550	0.15%	0.52%
May	14,633,286	0.14%	0.46%
June	17,566,954	0.16%	0.55%
July	7,007,782	0.07%	0.22%
August	12,945,104	0.12%	0.40%
September	10,818,005	0.10%	0.34%
October (up to the date of the Acquisition Agreement)	5,796,000	0.05%	0.18%

Source: the Stock Exchange website (www.hkex.com.hk), Bloomberg

Notes:

1. the total number of issued Shares as at Latest Practicable Date was 10,745,577,750

2. the total number of issued Shares held by the public shareholders was 3,203,032,482

As illustrated in the above table, the percentage of the average daily trading volume to the total number of the issued Shares ranged from approximately 0.05% to 0.36%, and approximately 0.18% to 1.20% of the total number of Shares held by the public shareholders of the Company. The average daily trading volume of the Shares among the Company Share Review Period was approximately 17,841,737 shares, representing approximately 0.17% of the total number of issued Shares and approximately 0.55% of the total number of Shares held by the public shareholders of the Company. Save and except for December 2015, the liquidity of the Shares was relatively thin, with an average trading volume of the Shares to the total number of the issued Shares and to the shareholding held by the public shareholders of the Company of below 1.0%.

Since the overall liquidity of the Shares was relatively thin during the Company Share Review Period and up to thirty-six (36) or sixty (60) months lock-up period (subject to the release or early release from Lock-up Undertaking) after the First Completion Date for the Consideration Shares is relatively long as compared to the six months lock-up period undertaken by the controlling shareholders of the new applicant of listing in the Stock Exchange, we consider it is reasonable for the Issue Price to be determined at a discount to the closing price of the Shares on the date of Acquisition Agreement.

(c) Comparable transaction analysis

In addition to our analysis above, we have also identified list of transactions by the companies listed on the Stock Exchange of which the underlying acquisitions involved the issue of shares under the specific mandate and announced within the 3 months period before the date of Acquisition Agreement i.e. from 28 July 2016 to 27 October 2016 (the "**Issuance Comparables**"), we consider that a review period of three months prior to and up to the date of the Acquisition Agreement and inclusion of all acquisition transactions are appropriate to capture the recent market practice because the Issuance Comparables are considered for the purpose of taking a general indication for the recent market practice in relation to the issuance price under other issuance of new shares under specific mandates as compared to the relevant prevailing market share prices under the recent market conditions and sentiments.

The Issuance Comparables have been selected exhaustively based on the above criteria, which have been identified, to the best of our endeavours, in our research through public information. Shareholders should note that the Issuance Comparables may have different principal activities, market capitalisations, profitability and financial positions as compared to those of the Company. However, since the Issuance Comparables were transacted at the time close to the date of the Acquisition Agreement under similar market conditions and investment sentiments, we are of the view that the Issuance Comparables, although not to be used in isolation in determining the fairness and reasonableness of the Issue Price, nevertheless can provide a general reference for the Independent Shareholders as they can reflect recent market trends of terms of transactions involving issuance of shares as full or partial settlement of consideration. As such we consider that the Issuance Comparables are fair and representative samples.

Company	Stock code	Date of announcement	Premium/(discount) of the issue price over/(to) closing price per share on the last trading day prior to the date of announcement in relation to the respective transaction	Premium/(discount) of the issue/subscription price over/(to) average closing price of the shares for the last five trading days prior to the date of announcement in relation to the respective transaction	Premium/(discount) of the issue/subscription price over/(to) average closing price of the shares for the last ten trading days prior to the date of announcement in relation to the respective transaction
Prosperity International Holdings (H.K.) Limited	803	26 Oct 2016	5.63%	10.62%	11.52%
New Sports Group Limited	299	19 Sep 2016	(47.46%)	(48.84%)	(48.63%)
Runway Global Holdings Company Limited	1520	5 Sep 2016	(31.37%)	(30.83%)	(31.77%)
Realord Group Holdings Limited	1196	5 Sep 2016	38.60%	47.70%	52.50%
Hoifu Energy Group Limited	7	2 Sep 2016	4.48%	3.55%	3.09%

Company	Stock code	Date of announcement	Premium/ (discount) of the issue price over/(to) closing price per share on the last trading day prior to the date of announcement in relation to the respective transaction	Premium/ (discount) of the issue/ subscription price over/(to) average closing price of the shares for the last five trading days prior to the date of announcement in relation to the respective transaction	Premium/ (discount) of the issue/ subscription price over/(to) average closing price of the shares for the last ten trading days prior to the date of announcement in relation to the respective transaction
Imagi International Holdings Limited	585	30 Aug 2016	(1.48%)	(1.48%)	(3.15%)
Asian Citrus Holdings Limited	73	25 Aug 2016	(19.35%)	(21.14%)	(21.51%)
CITIC Telecom International Holdings Limited	1883	16 Aug 2016	(1.32%)	1.69%	2.39%
China 3D Digital Entertainment Limited	8078	11 Aug 2016	(24.48%)	(23.20%)	(26.17%)
China 3D Digital Entertainment Limited	8078	10 Aug 2016	(31.60%)	(22.21%)	(25.72%)
Lisi Group (Holdings) Limited	526	9 Aug 2016	(43.76%)	(43.93%)	43.41%
China Mining Resources Group Limited	340	4 Aug 2016	(23.81%)	(25.65%)	(25.79%)
UKF (Holdings) Ltd.	1468	31 Jul 2016	(7.69%)	(9.55%)	(10.00%)
China Environmental Technology Holdings Ltd.	646	28 Jul 2016	(13.79%)	(13.42%)	(12.66%)
		Maximum	38.60%	47.70%	52.50%
		Minimum	(47.46%)	(48.84%)	(48.63%)
		Average	(14.10%)	(12.62%)	(6.61%)
		Issue Price	(15.86%)	(15.22%)	(14.40%)

Source: the Stock Exchange website (www.hkex.com.hk) and respective announcements by the relevant listed companies

As noted in the table above, the issue prices of the Issuance Comparables are within the range of: (i) a discount of approximately 47.46% to a premium of approximately 38.60% to the respective closing prices of their shares on the last trading days (the "**Market Range I**") with an average discount of approximately 14.10% (the "**Market Average I**"); (ii) a discount of approximately 48.84% to a premium of approximately 47.70% to the respective closing prices of their shares on the last five trading days (the "**Market Range II**") with an average discount of approximately 12.62% (the "**Market Average II**"); and (iii) a discount of approximately 48.63% to a premium of approximately 52.50% to the respective closing prices of their shares on the last ten trading days (the "**Market Range III**") with an average discount of approximately 6.61% (the "**Market Average III**").

The Issue Price represents a discount of approximately 15.86% to the closing price of the Shares on the date of Acquisition Agreement (the "**Issue Price Discount I**"), a discount of approximately 15.22% to the average closing price of the Shares on last five consecutive trading days (the "**Issue Price Discount II**") and a discount of approximately 14.40% to the average closing price of the Shares on last ten consecutive trading days (the "**Issue Price Discount III**").

Given that (i) the Issue Price Discount I is within the Market Range I and lower but close to the Market Average I; (ii) the Issue Price Discount II is within the Market Range II and lower but close to the Market Average II, (iii) the Issue Price Discount III is within the Market Range III but lower than the Market Average III and (iv) taking into account of the reasons stated in the section headed "2. Reasons for entering into the Acquisition Agreement", we are of the view that the Issue Price is fair and reasonable and was reached based on normal commercial terms so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

III. Financial Effects of the Acquisition

Assets and liabilities

As advised by the Directors, upon completion of the Acquisition, the Project Company will become a subsidiary of the Company and its financial results, assets and liabilities will be fully consolidated into the financial statements of the Group.

Based on the 2016 Interim Report, the net assets value of the Group was approximately RMB11,762.0 million as at 30 June 2016. As stated in the Appendix IV of the Circular, the Enlarged Group's total assets and total liabilities would increase by approximately RMB8,956.7 million and RMB6,195.2 million respectively, and as a result, the net assets value would increase by approximately RMB2,761.5 million or 23.5% to approximately RMB14,523.5 million assuming the Acquisition to be completed on 30 June 2016. As such, we consider that the Acquisition will have positive impact on the net assets value of the Group.

It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Acquisition.

IV. Conclusion

Having taken into account the above factors and reasons, we are of the opinion that although the entering of the Acquisition Agreement is not in the ordinary and usual course of the business of the Group, the terms of the Acquisition Agreement are on normal commercial terms or better and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole.

B. SERVICE AGREEMENT

In arriving at our opinions and recommendations in respect of the Service Agreement, we have taken into consideration the following principal factors and reasons:

I. Background of and Reasons for Entering Into the Service Agreement

As one of the Conditions, the Company will enter into the Service Agreement with Mr. Wei, pursuant to which Mr. Wei, being an independent non-executive Director as at the Latest Practicable Date will be re-designated as an executive Director subject to First Completion and with effect from the First Completion Date.

According to the 2015 Annual Report, Mr. Wei was an executive director and chief executive officer of Alibaba.com Limited, a leading worldwide B2B E-commerce company, for about five years where he successfully led the company through its initial public offering and listing on the Stock Exchange in 2007. Prior to Alibaba.com Limited, Mr. Wei also had experience in operational management and investment and was voted as one of "China's Best CEOs" by FinanceAsia magazine in 2010. As discussed with the management of the Company, Mr. Wei has extensive experience in the B2B and E-commerce businesses as well as in the investment and operational management and will be beneficial for Group's business. Also, as discussed with the management of the Company, Mr. Wei was the founder and key management of the Project Company and therefore possesses deep knowledge in the operation and management of the Project Company.

Taking into account that Mr. Wei has extensive experience in B2B E-commerce market as well as in the investment and operational management. His experience will be better utilised as he performs his duty as an executive Director to the Company. Also, as the key management in the Project Company and VKC, he will also be valuable to the Group to assist the smooth integration of the businesses of the Project Company into the Group. In this regards, we are of the view that the Service Agreement is entered in the usual and ordinary course of business of the Company and is in the interests of the Company and the Shareholders as a whole.

II. Principal Terms of the Service Agreement

Pursuant to the Service Agreement, Mr. Wei will be appointed as an executive Director for a term from the First Completion Date till 31 December 2019, subject to retirement by rotation and re-election in accordance with the articles of association of the Company. Mr. Wei will be entitled to remuneration of RMB1.2 million annually payable in twelve months and discretionary bonus.

Discussion of the specific major terms of the Service Agreement

Incentive Shares

As part of the remuneration package for Mr. Wei's contribution to the Company, if the Project Group satisfies the Target Performance for any one of the three financial years from 2017 to 2019, all of the Incentive Shares will be allotted and issued to Mr. Wei within the two weeks after the date on which the annual report for the relevant financial years is published. If none of the Target Performance for 2017 FY, 2018 FY and 2019 FY is met, no Incentive Shares will be allotted and issued to Mr. Wei.

The Incentive Shares will represent approximately 0.1% of the existing issued share capital of the Company as at the Latest Practicable Date and 0.09% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares and the Management Shares (assuming there will be no other allotment and issue of new Shares).

Based on the Issue Price of HK$4.19 per Share, the market value of the Incentive Shares will be HK$45,025,740.

Lock-up and release of the Incentive Shares

For details of the Lock-up and release of the Incentive Shares, please refer to the Letter from the Board.

We are of the view that, the terms of the Incentive Shares, the lock-up and release of the Incentive Shares is fair and reasonable and is in the interest of Shareholders as a whole given:

(a) the allotment and issue of the Incentive Shares to Mr. Wei can provide incentive for and to reward the potential contribution of Mr. Wei to the Company and the Target Group and it aligns Mr. Wei's interest with the performance of the Project Company and the Group; and

(b) The lock-up and release mechanism of the Incentive Shares will provide an incentive for Mr. Wei to better perform his duties on a continual basis and provide an incentive to retain or otherwise maintain the on-going relationship with Mr. Wei whose contributions are or will be beneficial to the long-term growth and development of the Group.

III. Conclusion

Having taken into account the above factors and reasons, we are of the opinion that the entering of the Service Agreement is in the ordinary and usual course of the business of the Group and is in the interests of the Company and the Shareholders as a whole and the terms of the Service Agreement are on normal commercial terms or better and are fair and reasonable so far as the Independent Shareholders are concerned.

C. CONSULTANCY AGREEMENT

In arriving at our opinions and recommendations in respect of the Consultancy Agreement, we have taken into consideration the following principal factors and reasons:

I. Background Information of the Consultancy Agreement

As stated in the Letter from the Board, as one of the Conditions, the Company will enter into the Consultancy Agreement with VKC, pursuant to which VKC as the consultant will provide E-commerce development related services in PRC to the Company.

According to the website of the VKC and other public available information, such as www.sina.com.cn (新浪), one of mainstream web portals in China and www.PEdaily.cn (投 界), a portal covering news about private equity and venture capital investment in China, we noticed that the management team of VKC has ample experience in E-commerce and investment industry as detailed in below paragraphs. VKC's management consisted of 3 managing partners and 3 operation partners. Managing partners of VKC comprised Mr. Wei, Dr. Daming Zhu and Mr. David Zhu.

Please refer to "B. Service Agreement – I. Background of and reasons for entering to the Service Agreement" for the experience in E-commerce industry of Mr. Wei. Dr. Daming Zhu co-founded VKC with Mr. Wei and has over 10 years of experience in private equity investment. Prior to VKC, Dr. Daming Zhu was a partner at DT Capital* (德同資本) and initiated and managed lots of investment projects such as 51Auto* (51汽車網), an E-commerce website trading second-hand cars in China. Mr. David Zhu was the CEO of a leading online advertising service provider in China prior to joining VKC and has extensive experience in online advertising industry. He also served as the executive vice president of Focus Media, China's largest digital outdoor advertising group listed in Nasdaq (Nasdaq: FMCN).

VKC's operational partners include Ms. Blue Wu, Ms. Lilian Sun and Mr. Elliot Huang. Ms. Blue Wu has led team to provide consulting services to various companies on business model generation and operations improvement, particularly in the area of E-commerce and marketing during her tenure in VKC. Prior to joining VKC, she served in Alibaba as a senior director of marketing for 5 years. Ms. Lilian Sun is responsible for fund-raising, investor relationship and fund governance and compliance in VKC and she has over 14 years as CFO or financial controller at various renowned corporations. Ms. Lilian Sun was the China region CFO of Rockwell Collins, a world's leading provider for aviation electronics solutions listed in NYSE (NYSE: COL) and she also worked as financial controller for two PE/VC funds prior to joining VKC. Mr. Elliot Huang was HR VP for Alibaba and for Taobao.com prior to joining VKC and has 14 years of experience in human resources. He also served as HR VP for China Resource Vanguard, a large state-owned retailer, and as senior training manager in Walmart China.

VKC also has accumulated experience in E-commerce from investing in relevant players in the industry. As advised by the management of the Group and the information on the website of VKC, VKC focuses on the internet, E-commerce, consumer retail empowered by internet and E-commerce and B2B services empowered by IT and internet technologies in mainland China. VKC has invested in companies such as JD Finance, one of the largest online consumer and supplier financing platforms in China and Octopus, the largest B2B online travel platforms in China. VKC also partners with the management teams of its portfolio companies to continuously enhance their value and operations models by providing them with operational enhancement services based on VKC's rich industry and sector knowledge as well as operational expertise.

Having considered that VKC's management team's extensive experience in the E-commerce market together with VKC's rich industry and sector knowledge will be beneficial to Company's strategic transformation to an E-commerce enterprise, we are of the view that the execution of the Consultancy Agreement will be beneficial to the Group in developing and operating integrated wholesale trading platforms supported with logistics and warehousing, E-commerce and finance services and targets to form the world's largest B2B trading platform and is therefore in the usual and ordinary course of business of the Company and are in the interests of the Company and the Shareholders as a whole.

II. Principal Terms of the Consultancy Agreement

Pursuant to the Consultancy Agreement, VKC as the consultant will, at the request and direction of the Company, provide strategic advice and consultancy service to the Company and its major subsidiaries regarding E-commerce development services in China by way of provision of the development strategy, business cooperation opportunities, relevant acquisition targets and relationship networking for a term of three years commencing from the First Completion Date. In particular, VKC will assist the Project Group to achieve the Performance Target through its provision of the consultancy service. VKC will also be responsible for providing the staff necessary or appropriate to perform its obligations under the Consultancy Agreement and be responsible for all salaries or fees paid to its partners, principals, employees, consultants, agents, representatives or other third parties in connection with the provisions of the abovementioned E-commerce development related services.

Discussion of the specific major terms of the Consultancy Agreement

VKC Consultancy Service Consideration Shares

As the consultancy fee, if the Project Group satisfies the Target Performance for any one of the three financial years from 2017 to 2019, all of the VKC Consultancy Service Consideration Shares will be allotted and issued to VKC upon the publication of that year's annual report of the Company. If none of the Target Performance for 2017 FY, 2018 FY and 2019 FY is met, no VKC Consultancy Service Consideration Shares will be allotted and issued to VKC.

The VKC Consultancy Service Consideration Shares represent approximately 0.4% of the existing issued share capital of the Company as at the Latest Practicable Date and 0.38% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares and the Management Shares (assuming there will be no other allotment and issue of new Shares of the Company).

Based on the Issue Price of HK$4.19 per Share, the value of VKC Consultancy Service Consideration Shares will be approximately HK$180,090,390.

In assessing the fairness and reasonableness of the VKC Consultancy Service Consideration Shares, we are of the view that since the execution of the Consultancy Agreement is one of the conditions precedent to the Acquisition Agreement and the main scope of services provided by VKC in the Consultancy Agreement is to facilitate Project Company to achieve Performance Target which is part of the Acquisition Agreement, the Consultancy Agreement forms part of the Acquisition and therefore the value of the VKC Consultancy Service Consideration Shares should be assessed in conjunction with the value of the Consideration Shares.

Taking into account of the value of VKC Consultancy Service Consideration Shares of approximately HK$180.1 million and the Consideration of up to approximately HK$2.591 billion, the PER of the Project Company after taking into account of the value of VKC Consultancy Service Consideration Shares (the "**PER(V)**") is approximately 97.23 times. We are of the view that, given the PER of the Consideration of the Target Group itself is within the PER Range and below the PER Average, if the PER(V) is still lower or within the range of valuation of the same Market Comparable, we would consider that the total value of the Consideration Shares and the VKC Consultancy Service Consideration Shares as a whole is even more fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole in a larger extent as the Group is able to acquire the Target Group and to enter into the Consultancy Agreement together at a more reasonable valuation.

By comparing the PER(V) with the Market Comparable, we noted that (i) the PER(V) of approximately 97.23 times, even without taking into account of the possible downward adjustment in Consideration due to the adjustment mechanism such as Lock-up Undertaking, Release from Lock-up Undertaking, Early Release from Lock-up Undertaking and Sale of Consideration Shares and possible adjustment in VKC Consultancy Service Consideration Shares as disclosed in the Letter from the Board, is within the PER Range and below the PER Average; and (ii) by excluding the outliers of 730.89 times and 48.14 times, the PER(V) of approximately 97.23 times is still within the range of 50.80 times to 98.36 times, which indicate that the Group is able to acquire the Target Group and to enter into the Consultancy Agreement together at a reasonable valuation as comparable to the Market Comparable.

Though the PER(V) is higher than the PER Average, by considering (i) the benefit to the Group for entering into the Acquisition Agreement and Consultancy Agreement as discussed above in particular (a) the strengthening of the Group's existing E-commerce and supply chain finance business and the benefit from the improving financial performance of Project Company and the strong market outlook of the B2B market; and (b) the Consultancy Agreement will be beneficial to the Group in developing and operating integrated wholesale trading platforms supported with logistics and warehousing, E-commerce and finance services and targets to form the world's largest B2B trading platform and (ii) the Consideration together with the value of VKC Consultancy Service Consideration Shares of approximately HK$2.771 billion represents the maximum amount of the consideration the Company is subject to and the Consideration together with the value of VKC Consultancy Service Consideration Shares may be lowered by taking into account of the aforesaid adjustment mechanism, we consider the Consideration together with the value of VKC Consultancy Service Consideration Shares is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Lock-up and release of the VKC Consultancy Service Consideration Shares

For details of the Lock-up and release of the VKC Consultancy Service Consideration Shares, please refer to the Letter from the Board.

We are of the view that, the terms of the VKC Consultancy Service Consideration Shares, the lock-up and release of the VKC Consultancy Service Consideration Shares is fair and reasonable and is in the interest of Shareholders as a whole given:

a. the allotment and issue of VKC Consultancy Consideration Shares is conditional upon the satisfaction of Performance Target by the Project Group in any one of the financial years from 2017 to 2019 which will encourage VKC's effort in helping the Project Group to achieve target growth which in turn will benefit the Company both in transforming to an E-commerce enterprise and financially;

b. the allotment and issue of the VKC Consultancy Service Consideration Shares to VKC can provide incentive for and to reward the potential contribution of VKC to the Company and the Target Group and it aligns VKC's interest with the performance of the Project Company and the Group;

c. the allotment and issue of VKC Consultancy Consideration Shares will not adversely impact Company's operating cash flow for the next five years;

d. The lock-up and release mechanism of the VKC Consultancy Consideration Shares will provide an incentive for VKC to better perform its work on a continual basis and provide an incentive to retain or otherwise maintain the on-going relationship with VKC which contributions are or will be beneficial to the long-term growth and development of the Group.

III. Conclusion

Having considered the above factors, we are of the view that the entering into of the Consultancy Agreement is in the ordinary and usual course of business of the Group and that terms and conditions of the Consultancy Agreement are on normal commercial terms or better and fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

D. DILUTION EFFECT ON THE SHAREHOLDING INTERESTS OF THE EXISTING PUBLIC SHAREHOLDERS

The following table illustrates the shareholding structure of the Company as at the Latest Practicable Date and the effect on the shareholding structure of the Company upon Completion:

	As at the Latest Practicable Date		Immediately upon the allotment and issue of all the Consideration Shares, the Incentive Shares and VKC Consultancy Service Consideration Shares		Immediately upon the allotment and issue of the Management Shares	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Zall Development Investment Company Limited *(Note 1)*	7,542,545,268	70.19%	7,542,545,268	66.06%	7,542,545,268	66.01%
Vendor A *(Note 3)*	–	–	267,489,000	2.34%	267,489,000	2.34%
Vendor B *(Note 3)*	–	–	169,410,000	1.48%	169,410,000	1.48%
Vendor C *(Note 3)*	–	–	80,328,000	0.70%	80,328,000	0.70%
Vendor D *(Note 2, 3)*	–	–	101,094,000	0.89%	101,094,000	0.89%
Mr. Wei *(Note 3)*	–	–	10,746,000	0.09%	10,746,000	0.09%
VKC *(Note 3)*	–	–	42,981,000	0.38%	42,981,000	0.38%
Core Management Team *(Note 3)*					8,059,050	0.07%
Public Shareholders	3,203,032,482	29.81%	3,203,032,482	28.05%	3,203,032,482	28.03%
	10,745,577,750	100%	11,417,625,750	100%	11,425,684,800	100%

Note:

1. As at the Latest Practicable Date, Zall Development Investment Company Limited is a company wholly-owned by Mr. Yan Zhi, co-chairman of the Company and executive Director.

2. This is based on the assumption that Target Company D2 has acquired up to the remaining 1.94% equity interest in the Project Company owned by the Management Team. In the event that the equity interest in the Project Company acquired is less than 1.94%, the Consideration Shares to be issued to Vendor D shall be adjusted proportionally.

3. The Shares, if allotted and issued, held by Vendor A, Mr. Wei and VKC, being the connected persons of the Company, are not regarded as being in public hands. The Shares, if allotted and issued, held by Vendor B, Vendor C, Vendor D and the Core Management Team will be regarded as being in public hands.

We noted that the shareholding interest of the existing public Shareholders is subject to dilution to the aforementioned extents as a result of the Acquisition and the issue of the Consideration Shares, the Incentive Shares and VKC Consultancy Service Consideration Shares. However, with considerations of (i) the reasons for and benefit of entering into the Acquisition Agreement, the Service Agreement and the Consultancy Agreement; (ii) the Consideration being fair and reasonable to the Company and the Shareholders; (iii) the terms of the Acquisition Agreement, Service Agreement and Consultancy Agreement being fair and reasonable to the Company and the Shareholders and (iv) the Issue Price being fair and reasonable as far as the Independent Shareholders are concerned as discussed in above sections, we consider the possible dilution effect on the shareholding interests of the existing public Shareholders to be justifiable.

RECOMMENDATION

Having taken into account the above factors and reasons, though the entering into the Acquisition Agreement is not in the ordinary and usual course of business of the Group, we are of the opinion that the terms of the Acquisition Agreement, Service Agreement and Consultancy Agreement are on normal commercial terms or better and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole. Therefore, we advise (i) the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the relevant resolution to approve the Transactions at the EGM; and (ii) the Independent Shareholders to vote in favor of the relevant resolution to approve the Transactions at the EGM.

Yours faithfully,
For and on behalf of
TC Capital International Limited

Edward Wu
Chairman

Stanley Chung
Managing Director

Note: Mr. Edward Wu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2005. Mr. Stanley Chung has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2006. Both Mr. Wu and Mr. Chung have participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

For the purposes of this letter, unless otherwise indicated, conversion of RMB and HK$ is calculated at the exchange rate of HK$1 = RMB0.893 (i.e. RMB1 to HK$1.12). The exchange rate is for illustrative purpose only and does not constitute a representation that any amount has been, could have been, or may be exchanged at this or any other rate at all.

* *for identification only*

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group (i) for the year ended 31 December 2015 is disclosed in the 2015 annual report of the Company published on 20 April 2016, from pages 48 to 139, (ii) the year ended 31 December 2014 is disclosed in the 2014 annual report of the Company published on 24 April 2015, from pages 48 to 135, and (iii) for the year ended 31 December 2013 is disclosed in the 2013 annual report of the Company published on 10 April 2014, from pages 51 to 136, all of which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.zallcn.com).

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 December 2016, being the latest practicable date for the purpose of determining this indebtedness of the Enlarged Group prior to the printing of this circular, the Enlarged Group had the following:

	RMB *'000*
Bank loans and loans from other financial institutions:	
Short-term loans	
— secured	1,669,454
— unsecured	2,890,431
Long-term loans	
— secured	6,013,894
— unsecured	—
Guarantees:	1,933,634
Total:	12,507,413

Save as aforementioned and apart from intra-group liabilities, as at the close of business on 31 December 2016, the Enlarged Group did not have any other outstanding borrowings, loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the Acquisition, the internal resources available to the Enlarged Group, presently available banking facilities and in the absence of unforeseen circumstances, the Enlarged Group will have sufficient working capital for its present requirements for the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material change in the financial or trading position or outlook of the Group since 31 December 2015, the date to which the latest audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the Group extracted from the annual reports of the Company for each of the three years ended 31 December 2013, 2014 and 2015 and the interim report of the Company for the six months ended 30 June 2016. The financial data in respect of the Group, for the purpose of this circular, is derived from the audited consolidated financial statements of the Company for the years ended 31 December 2013, 2014 and 2015. Terms used below shall have the same meanings as defined in the aforesaid reports.

(a) For the six months ended 30 June 2016

Business Review

On-going Strategic Transformation

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

(1) The development of the e-commerce business was well under way with the implementation of the Cloud Market plan, which aims at expanding the businesses of e-commerce, Internet finance, logistics information

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

(2) In March 2016, the Group announced the acquisition of 30% equity interests in LightInTheBox Holding Co., Ltd. ("LightInTheBox", a company incorporated under the laws of the Cayman Islands with limited liability, whose American Depositary Shares are listed on the New York Stock Exchange) (蘭亭集勢). Being the Group's first move in its pursuit of the cross-border e-commerce business, such acquisition was expected to promote the integration of the domestic and international trading businesses of both parties, and realise the combination and link-up of the parties' online and offline resources. The acquisition was completed during the period;

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

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

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

Offline businesses

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

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

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

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

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

Online businesses

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

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

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

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

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

Results of Operation

Operating revenue

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

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

Sale of properties

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

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

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

Rental income

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

Cost of sales

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

Gross profit

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

Other income

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

Selling and distribution expenses

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

Administrative and other expenses

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

Increase in fair value of investment properties and non-current assets classified as held for sale and fair value gain upon transfer of completed properties held for sale to investment properties

The Group holds a portion of properties developed for rental income and/ or capital appreciation purposes. The Group's investment properties are revaluated at the end of the respective review period on an open market value or existing use basis by an independent property valuer. For the six months ended 30 June 2016, the Group recorded fair value change of investment properties and non-current assets classified as held for sale of RMB106.3 million (for six months ended 30 June 2015: RMB550.7 million) and fair value gain upon transfer of completed properties held for sale to investment properties of RMB626.4 million (for six months ended 30 June 2015: RMB817.9 million). The decrease of fair value gain of RMB635.9 million in total was attributable to the slowdown in the increment of the fair value of the investment properties and the decrease of GFA in completed properties held for sale transferred to investment properties during the period.

Share of (losses)/profits of joint ventures

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

Share of losses of associates

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

Gain on disposal of subsidiaries

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

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

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

Finance income and costs

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

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

Income tax

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

Profit for the period

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

Liquidity and capital resources

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

Capital expenditure

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

Bank loans and loans from other financial institutions

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

Net gearing ratio

As at 30 June 2016, the net gearing ratio (calculated by dividing total borrowings, net of cash and cash equivalents, restricted cash and short term bank deposits, by total equity attributable to equity shareholders of the Company) of the Group was 62.0% (31 December 2015: 60.2%).

Foreign exchange risk

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

Charge on assets

As at 30 June 2016, the Group had pledged certain of its assets with a total book value of RMB13,651.4 million (31 December 2015: RMB10,165.0 million) for the purpose of securing certain of the Group's bank borrowings.

Contingent liabilities

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

During the period, the Group's wholly owned subsidiary, Wuhan North Hankou Guarantee Investment Company Limited ("Wuhan Guarantee Investment") is principally engaged in provision of business start-up loan guarantee and personal loan guarantee for small and medium sized enterprises in the PRC. In accordance with the terms stipulated in the relevant agreements, Wuhan Guarantee Investment is required to make payments to reimburse the beneficiary of the guarantee for the loss incurs if a specified borrower fails to make payment when due.

As at 30 June 2016, the guarantees provided to lenders in relation to personal loans and banks in relation to mortgage facilities granted to purchasers of the Group's properties amounted to RMB102.5 million (31 December 2015: RMB103.4 million) and RMB1,137.0 million (31 December 2015: RMB1,455.9 million), respectively.

Employees and Remuneration Policy

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

(b) For the year ended 31 December 2015

Business Review

Business Restructuring and Strategic Transformation of the Group

In 2015, the Group completed its business restructuring by disposing of its non-core assets and business, with the transformation strategies established by the Board during the second half of 2014 being basically implemented. The Group will continue to consolidate its advantages in core business and push forward the process of bringing its core business online and O2O integration, all in a bid to thoroughly transform the Group from a traditional property developer to a service-oriented and internet-based E-commerce enterprise. With the proactive effort to develop its E-commerce business, the Group launched the "Cloud Market" plan during the second half of 2015, which aims to expand E-commerce, internet finance, logistics information and data services based on the data advantage and service functions of transaction, warehousing, logistics and finance of the large-scale commerce and logistics center. The "Cloud Market" plan, encompassing three online transaction and service platforms, namely Zallgo (卓爾購), Zalljinfu (卓金服) and Zallfuhui(卓服匯) for E-commerce, finance and logistics respectively, will provide core functions including online wholesale and procurement management, as well as value-added services such as supply chain finance, logistics information and transaction matching so as to facilitate the integration of online and offline businesses. Through its "Cloud Market" plan, the Group will swiftly sharpen its competitive edge in supply chain resources, with an aim to build the largest wholesale transaction platform featuring online-offline integration and become a leading O2O enterprise in China.

Currently, the Group's businesses are categorized into offline businesses and online businesses:

Offline businesses

Offline businesses mainly comprise: 1) development, operation and sale of large-scale wholesale and trade centers, including the three main trade center projects of North Hankou International Trade Centre, Tianjin Zall E-commerce Mall and Jingzhou Zall City; 2) provision of office, commercial production, processing and auxiliary commercial space for the regional headquarters of various types of corporate customers (including enterprises inside the wholesale markets) through projects such as No.1 Enterprise Community-Wuhan project, No.1 Enterprise Community-Changsha headquarters project and North Hankou Industrial City project; and 3) warehousing and logistics business, including different types of warehousing and logistics facilities and the Wuhan Inland Port Centre project.

North Hankou International Trade Centre is the flagship project of the Group, and is an integrated commodity sale platform featuring display, storage, logistics and E-commerce in one. North Hankou is well-positioned to capitalize on the relocation of the market on Hanzheng Street, and to proactively introduce Zhejiang, Guangdong and other coastal markets of origin for the construction of more than 20 specialized markets in footwear, small goods, clothing, hotel supplies, daily chemical products, children's products, electronics and electrical appliances, automobiles and related accessories, staging active wholesale transactions of millions of commodities. In 2015, the sixth North Hankou International Trade Fair was successfully held in China. A total transaction amount of RMB23.8 billion was recorded for the 37 days of the trade fair, representing a historical record high for the trade fair and an increase by approximately 12% from last year. Riding on the edges of the North Hankou project that clusters numerous merchants in one single platform, the development and E-commercialization of foreign trade in North Hankou has achieved new breakthroughs. In respect of foreign trade, North Hankou Imported Goods Display Centre "萬國優選" (www.whwgh.com) commenced business in 2015, showcasing a comprehensive series of imported goods including mother and childcare, food, beverages and wines, daily chemical products, fruits and seafood. The first North Hankou-Russia Economic and Trade Symposium was successfully held, bringing in a purchase amount of approximately US$1 billion by the Russian merchants. After their visit, trade representatives of Thai enterprises will strengthen the cooperation with North Hankou to increase the number of local Thai product directly imported to Wuhan. In respect of E-commercialization, North Hankou E-commerce Mall has commenced operation and formed the largest E-commerce business in China that encompasses mega-scale E-commercial building, base for ventures by university students and salon for E-commerce customer generation in one comprehensive system. Leveraging on the property advantages of the offline market, the Company has joined hands with Alibaba Wuhan Industrial Zone to launch the "萬家網店Support Scheme" that has attracted more than 3,000 online wholesalers to enter North Hankou, bringing in monthly transaction amount of over RMB800 million. With ICBC e-Buy North Hankou channel going online, more than 4,000 merchants of North Hankou made their presence on the ICBC e-Buy E-commerce platform, establishing the largest online wholesale service platform in China. In 2015, North Hankou project was once again awarded as "National E-commerce Demonstration Base (國家級電子商務示範基地)", "National Pilot Market for Domestic and Foreign Trade (國家級內外貿結合商品試點市場) and "Hubei Pilot Market for Domestic and Foreign Trade (湖北省內外貿結合試點市場)".

Tianjin Zall E-commerce Mall is located in Xiqing University Town, Tianjin, and is designed to cover warehousing, logistics, finance, passenger transportation, informatization and other areas to form an all-category, all-format and all-industry chain service equipped with comprehensive auxiliary facilities. The first phase of the project has a gross floor area of 612,000 square meters. Construction works for the main part were completed, and some of the commercial and trade zones have completed interior decorative works and commenced operation. Amongst all, Haining Leather City (Zone A1) has commenced operation in 2015, forming the largest specialized fur market in northern China.

Phase one of Jingzhou Zall City has commenced construction in 2013, featuring a total gross area of 317,000 square meters and a total of over 5,300 standardized shops, making itself a leader amongst innovative specialized wholesale markets in central China. At present, all the works for the main part of phase one were completed and the entire phase is expected to complete in 2017. Phase one of Jingzhou Zall City comprises 6 buildings, with two of them being completed and ready for presale. Some merchants have already moved in for commencement of business by the end of 2015.

No. 1 Enterprise Community — Wuhan project provides office and auxiliary commercial space for local headquarters of different categories of corporate customers, tailor-making consolidated commercial auxiliary facilities combining office, research and development, logistics and display in one for top-notch corporates. Phases one, two and three of Enterprise Community — Wuhan project have all completed construction, while the phase four with a planned area of 500,000 square meters has entered the stage of project construction. The project has successfully attracted the nearly 100 enterprises to set up their headquarters therein, including Changhong, BBK, Amoi, Panda, and Central China Grid.

Zall No. 1 Enterprise Community — Changsha functions mainly as a base of local headquarters and E-commerce auxiliary services for different types of enterprises, as well as the incubation base for warehousing and logistics centers and E-commerce ventures. The project will converge traditional wholesalers and brands that have E-commercialized and pure e-commerce business to realize a service coverage of the markets in Hunan and south-western China. It is aimed to become the most influential physical base for E-commerce enterprises of consumer products in central China, which will in turn facilitate the upgrade and transformation of the traditional industry model. Phase one of the project was completed and has passed inspection by the end of 2015 and has commenced of sale and marketing.

The North Hankou Industrial City was generally planned to construct industrial premises with an area of 3,000,000 sq.m., which has a capacity of stationing nearly 2,000 manufacturers. The project provides complete physical auxiliary facilities and comprehensive professional services for manufacturers of brand clothing city, textile and accessory city as well as knitted and cotton clothing city in the North Hankou International Trade Centre, possessing production and processing area, storage facilities area, staff living quarters, business street and research and development creative centre, exhibition and training centre, logistics service centre and brand incubation centre, and forming an integrated park with design, manufacture, exhibition, training and living facilities. It will be built as a top industrial park covering the whole industrial chain which is the largest one in Central China, has most complete categories of garment processing, and most concentrated origin of the apparel industry upon its establishment. The processing industries gathering nearby will make North Hankou a cost-competitive market, which will further strengthen the radiation distribution function of North Hankou as China's largest consumer goods trading platform for domestic needs. In 2015, the first phase of plants of the industrial city was completed and would be put into business use in 2016.

The logistics business of the Wuhan Inland Port Centre mainly focuses on providing supporting services and facilitating wholesale clients to store, exhibit, distribute, purchase and sell consumer goods and other products among wholesalers, distributors and merchants. The inland port centre will introduce a city pickup and delivery service platform focused on "cash on delivery" service, providing freight forwarding, special line, less-than-carload freight enterprises with ground distribution operations. It will cooperate with Amazon and other global leading logistics enterprises to launch the first B2B smart cloud storage service platform in Wuhan, and offer storage and delivery integrated solution for a large number of traditional dealers, traders, wholesalers, manufacturers, third-party logistics providers and other clients as well as those carry out internet e-commerce business, so as to focus on building an integrated, hub-like and modern logistics base adhering to the service concept of "smart cloud storage and city pickup and delivery". Main construction of the phase I of the Wuhan Inland Port Centre was basically completed, and the exterior wall decoration, interior decoration, park road and greening were expected to be completed in the first half of 2016.

Online Businesses

This mainly comprises the "Cloud Market" plan supported by the three major online transaction and service platforms, namely Zallgo (卓爾購), Zalljinfu (卓金服) and Zallfuhui (卓服匯).

Overall Business and Financial Position of Zall Cloud Market

The Group launched the "Zall Cloud Market Plan" to expand e-commerce, internet banking, logistics information, data services and other businesses, standing on the basis and advantages of the existing trade, warehousing, logistics, finance and data of large-scale commerce logistics center. In August 2015, Dr. Gang Yu, the founder of Yihaodian.com, joined the Group as an executive Director and the co-chairman of the Company, responsible for promoting and implementing the Group's "Zall Cloud Market Plan". "Zall Cloud Market Plan" aims at full integration of physical wholesale market and e-commerce, relying on the basis and advantages of property, customers, logistics and data of offline physical commerce markets in North Hankou. The Group specially set up an e-commerce group comprising a professional team with over 300 employees, specializing in online trading and service platform for provision of online wholesale, procurement management and other core functions as well as supply chain finance, logistics information, transaction match and other value-added services, so as to achieve the organic integration of the offline and online businesses, and introduce three online trading and service platforms: Zallgo (卓爾購), Zalljinfu (卓金服) and Zallfuhui (卓服匯).

According to the information from Analysys International, the transaction sale and income scale of B2B market in the PRC reached RMB9.4 trillion and RMB19.22 billion respectively in 2014. It is expected that the transaction scale and income scale of B2B market in the PRC will reach RMB13.8 trillion and RMB38.19 billion by 2017. Through the three online trading and service platforms, Zallgo, Zalljinfu and Zallfuhui, Zall Cloud Market continuously strengthens its supply chain service capabilities, meanwhile, according to the integration needs of procurement, wholesale purchasing, sales, operations, management, finance and other business processes of medium-sized and small wholesale merchants with the upstream and downstream supply chain business partners, Zall Cloud Market adopts service diversification and industry intensification means to carry out supply chain financial service on the B2B platform, dig trade behavior and transaction records with big data and conduct credit facility, financing, capital settlement and other services by cooperation with banks and financial institutions. Supply chain financial service can support the development of a large number of upstream and downstream medium-sized and small enterprises on the supply chain which are dependent on the core business of the industry, effectively solve the financing problems of medium-sized and small wholesale merchants, provide logistics services by cooperation with logistics providers, and solve transportation problems by striving for price advantage for enterprise users of the platforms, especially the problems related to bulk cargos that are not appropriate to large logistics.

The Group's three online platforms, Zallgo, Zalljinfu and Zallfuhui, cross-platform integration of which forms a closed loop ecosystem of Zall Cloud Market, are serving for online trading, financing support, intelligent logistics and other links of wholesale trade respectively, and the closed loop enjoys big data integration services. By the end of February 2016, Zallgo's transaction amount exceeded RMB4.3 billion and registered business operators reached 9,654; Zalljinfu's total financing amounted to RMB1.1 billion and registered users reached 60,000; and Zallfuhui's service charges amounted to RMB180 million and registered users reached 12,000.

Prospects

The Group aims at becoming China's leading large e-commerce enterprise integrating online and offline businesses, and plans to achieve its goals through the following strategies.

Undertake strategic planning of platforms by integrating online and offline businesses

As the core of future development, Zall Cloud Market undertakes strategic planning platforms by integrating online and offline businesses. Users can get product information on the online platform of Zallgo, and driving turnover of the wholesale market or booths is the key to full transition of B2B to online trade. With a large community of registered users of medium-sized and small enterprises and huge information and product base, the Zallgo platform provides data of offline products for online trading; and with large offline commodity trading centers and integrated logistics centers, passenger flow of commerce and trade will be expanded through online publicity and promotion; and with close coordination of online and offline businesses, a brand new mode of online operation and offline implementation will be created.

Expand the users and turnover of medium-sized and small wholesale merchants

As the largest online and offline integrated wholesale trading platform in Central China, Zallgo brings together a large number of domestic and overseas medium-sized and small enterprises. They bring a large number and full range of goods, which has become a huge advantage for Zallgo to improve customer loyalty. Buyers can use the website of Zallgo to look for the goods they need, and add desirable products and companies to their favorites during the process of browsing to enhance convenience of review and purchase next time. Zallgo offers buyers quick delivery of business opportunities, with which buyers can set keywords of the products they need and subscribe the latest news of the related commodities. In addition, buyers can also enjoy services including purchase of merchandise, shopping guide information, logistics services, looking for suppliers and posting selling advertisement and so on. Sellers and buyers on the Zallgo are inseparable, where many companies appear on the Zallgo platform with dual identity of suppliers and buyers, and as sellers, they can enjoy even more service on the platform.

Zallgo offers services mainly related to seller services, purchaser services, business tools, online help, etc. The stakeholders mainly include suppliers (being the sellers), purchasers (being the buyers), advertisers, third-party certification service providers, banks, etc. Each of the stakeholders carries out corresponding activities and achieves business on Zallgo. With development and innovation of technologies and business models, Zallgo can realize increasingly rich functions, and the range of stakeholders involved will be gradually expanded. As at 31 December 2015, Zallgo had 5,765 shops and 33,000 registered users, with turnover reaching RMB2.4 billion. It is expected that, through continuously improving brand awareness and online self-operated rate and increasing efforts on attracting investment and with buyers' public praise effect, turnover, annual registered users, and shops and markets stationed would all experience a steady growth for the year of 2016.

Serve upstream and downstream enterprises with supply chain financial services

Zalljinfu is the supply chain financial service platform of Zall Cloud Market, which effectively integrates trading information, logistics and property information, storage information, etc. of wholesale market, forming a bigdata risk-control model and credit rating system, to provide core merchants and their upstream and downstream enterprises on Zall Cloud Market with convenient, fast and low-cost financing service. At present, its principal activities include Zallbangdai（卓幫貸）, Zallbangchou（卓幫籌）and Zalldanbao（卓擔保）. By the end of 2015, the number of registered users on Zalljinfu reached 38,000 and the total financing amount with the platform was RMB500 million, of which 95% were from Zallbangdai and 5% were from Zallbangchou.

In addition to the traditional mortgage business, the wholesale industry cluster is characterized that upstream and downstream small and micro enterprises generally lack of collateral, but possess a complete upstream and downstream supply chain. As merchants of Zallgo have financing needs in the trading process, Zalljinfu designed credit loan services based on seller and buyer, warehouse receipt pledge financing services and stock right pledge financing services. Logistics occupies the important delivery link in the entire commodity trading process, connecting the upstream and downstream supply chain. Zalljinfu provides financing services on the supply chain, on the basis of logistics service process and logistic production process. Based on the third-party logistics service carriers on the Zallfuhui platform, Zalljinfu designed accounts receivable factoring and financing, order financing and credit loan services. The financing needs from Zallgo and Zallfuhui platforms will be satisfied by Zalljinfu butting banks, financial institutions or other merchants to supply funds. Zalljinfu is an intermediary service provider between funds demand side and supply side, which will efficiently butt the two ends, reduce trading costs and improve trading efficiency, so as to facilitate the trading in the cloud market.

Through the integration of resource advantages and product advantages of traditional financial institutions (such as banks, asset management companies, etc.) and financial institutions (such as commercial factoring companies, guarantee companies, small loan companies, financial leasing companies, etc.), the Group created an O2O financial ecosystem of cloud market to better provide long-tail users of Zall Cloud Market with multilevel favorable financial services, gradually innovated and improved its own internet banking system. Zalljinfu will increase efforts on internet finance innovation in 2016, and provide better financial services for merchants of the cloud market, covering: O2O payments, online wealth management, online crowd funding, business factoring, internet insurance and other services.

Wuhan North Hankou Guarantee Investment Company Limited, a subsidiary of the Group, is one of important service means of supply chain financial services of the Zall Cloud Market platform, which provides support and services for healthy development of clients on each link of the supply chain of the professional market in North Hankou, to meet financial needs of merchants there. At present, it has provided credit guarantee services totaling more than RMB500 million for over 300 merchants across apparel, trunks and bags, shoes and fur, hotel supplies, automotive, mechanical and electrical industries. As at 31 December 2015, the Company was granted bank credit amounting to RMB550 million in total, the balance of which reached RMB110 million. To reduce the financing costs for small and micro enterprises, speed up turnover rate of goods, practically decrease circulating costs and expanding operating scale for a number of merchants, it strictly control the guarantee expense of secured financing clients below 2%, which greatly promoted the business development of the merchants there. The secured financing amounted to RMB105,440,000 throughout the year under review, of which RMB25,400,000 was for corporate clients and RMB80,040,000 was for individual customer.

Develop the Ecosystem of Supply Chain of the Medium-Sized and Small Wholesalers

Zallfuhui focuses on logistics and property online services for the wholesale market, positioning as a service assistant of merchants. Through adding logistics delivery, lease and sale of warehouse of shops, property management and other service functions, it seamlessly connects commodities, shops, storage and logistics to provide integrated intelligent supporting services for merchants on the platform. Standing on the basis and advantages of the existing trade information, warehousing information, logistics information and data of the large-scale commerce logistics centers of Zall, it provides logistics information, trading match, storage property and other online data process and trading service, which organically integrates online and offline businesses.

In particular, with the wholesale market which has concentrated needs for logistics as the starting point of logistics sector, a logistics information platform and a trading platform were created and the credit rating system was gradually introduced and enhanced, to achieve one-to-one connection between owner of cargo and owner of vehicle, so as to significantly improve operating efficiency. The smart match of supply and demand and realtime monitoring of order status make the services transparent and simple. With the platform for posting and addressing information related to properties, merchants can quickly find properties for their shops, warehouse, lodging and office needs on the property end of Zallfuhui. In the future, a transaction platform for property information will be created for users to complete property transaction in an easy and convenient manner, enhance users' experience and thereby to improve the success rate of property transaction. The smart property service has been added into the development procedure of Zallfuhui. When the function is in service, merchants will be able to pay the utility bills, property fee, and rental and complete other actions with the APP Zallfuhui, which will achieve online and offline interoperability of more merchants' needs and highly improve the user's life convenience.

Through the above growth strategy, it is expected that the number of merchant users of Zallgo will increase. The registered users include business buyers, sellers, drivers, logistics companies, both sides of lease and sale of properties. It is expected that turnover of property transactions and logistics services will also experienced a healthy growth in 2016.

Results of Operation

Revenue

Revenue of the Group decreased by approximately 48.2% from RMB1,986.1 million for the year ended 31 December 2014 to RMB1,029.5 million for the year ended 31 December 2015. The decrease was primarily due to (i) decrease in the sales of properties; (ii) increase of rental income; and (iii) recognition of revenue from construction contracts during the year under review.

Sales of properties

Revenue from sales of properties decreased by approximately 63.3% from RMB1,894.7 million for the year ended 31 December 2014 to RMB696.0 million for the year ended 31 December 2015.

The Group's revenue from sales of properties was generated from sales of wholesale shopping mall units, office and retails units and residential apartments. The GFA and ASP of the respective projects during the year ended 31 December 2015, together with the comparative figures for the year 2014 are set forth below:

	For the year ended 31 December					
	2015			2014		
	GFA Sold	Average selling price (net of business tax)	Turnover	GFA Sold	Average selling price (net of business tax)	Turnover
	(sq.m.)	*RMB/sq.m.*	*(RMB'000)*	*(sq.m.)*	*RMB/sq.m.*	*(RMB'000)*
North Hankou Project	65,666	6,247	410,202	110,573	10,754	1,189,078
No. 1 Enterprise Community — Wuhan	19,310	4,875	94,132	73,384	4,038	296,312
Wuhan Salon	7,326	7,386	54,110	55,389	6,136	339,859
Zall Life City — Zall Hupan Haoting Residences	8,507	5,343	45,452	14,797	4,697	69,495
Jingzhou Zall City	14,806	4,107	60,806	—	—	—
No. 1 Enterprise Community — Changsha	6,944	4,500	31,249	—	—	—
Total	122,559		695,951	254,143		1,894,744

The Group's turnover from sales of properties decreased significantly over the year under review mainly due to the decrease in the GFA delivered of certain properties during 2015. The GFA sold in North Hankou Project was significantly decreased by approximately 40.6% from 110,573 sq.m. for the year ended 31 December 2014 to 65,666 sq.m. for the year ended 31 December 2015. The GFA sold in No. 1 Enterprise Community — Wuhan decreased by approximately 73.7% from 73,384 sq.m. for the year ended 31 December 2014 to 19,310 sq.m. for the year ended 31 December 2015.

The GFA sold in Wuhan Salon and Zall Life City — Zall Hupan Haoting Residences decreased by approximately 86.8% from 55,389 sq.m. to 7,326 sq.m. and approximately 42.5% from 14,797 sq.m. to 8,507 sq.m., respectively. During the year, the Group disposed of its entire equity interest in Wuhan Zall City and the turnover of Wuhan Salon only comprised half of the year 2015.

For the year ended 31 December 2015, JingZhou Zall City and No. 1 Enterprise Community — Changsha had first time contributed revenue of RMB60.8 million and RMB31.2 million to the Group with a total GFA delivered of 14,806 sq.m. and 6,944 sq.m. respectively.

Rental income

The Group's rental income increased significantly by approximately 44.4% from RMB71.7 million for the year ended 31 December 2014 to RMB103.5 million for the year ended 31 December 2015. The increase was primarily due to an increase in the number of wholesale shopping mall units in the North Hankou Project retained for leasing.

Revenue from construction contract

During the year, the Group entered into a construction contract to build certain properties on behalf of a third party. The Group recognised a revenue of RMB197.0 million according to actual cost incurred for the year ended 31 December 2015.

Cost of sales

Cost of sales of the Group decreased by approximately 24.9% from RMB1,010.0 million for the year ended 31 December 2014 to RMB758.3 million for the year ended 31 December 2015, primarily due to the decrease in the sales of properties and regcognition of cost of construction contract of RMB208.6 million during the year.

Gross profit

Gross profit of the Group decreased by approximately 72.2% from RMB976.1 million for the year ended 31 December 2014 to RMB271.2 million for the year ended 31 December 2015. The Group's gross profit margin decreased from 49.1% in 2014 to 26.3% in 2015 mainly due to the changes in the combination of the properties delivered during the year. For the year ended 31 December 2014, approximately 62.8% of the revenue from sales of properties were contributed by sales of wholesale shopping mall units in North Hankou Project with a gross profit margin of over 60%. However, for the year ended 31 December 2015, approximately 59.0% of the revenue from sales of properties were contributed by sales of auxiliary facilities units in North Hankou Project, of which the gross profit margin is lower than traditional wholesale shopping mall units. The remaining 41.0% of the revenue from sales of properties comprised of other projects with the overall gross profit margin a lot lower than North Hankou Project.

Other income

Other income of the Group increased significantly from RMB8.3 million for the year ended 31 December 2014 to RMB972.2 million for the year ended 31 December 2015. The increase was mainly due to (i) gain on early redemption of convertible bonds of RMB123.8 million; (ii) gain arising from acquisition of subsidiaries of RMB367.3 million; (iii) government grant income of RMB114.4 million; and (iv) fair value change on financial assets held for trading of RMB348.4 million.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately 14.6% from RMB165.5 million for the year ended 31 December 2014 to RMB141.3 million for the year ended 31 December 2015. The decrease was primarily due to the offsetting effect of (i) an increase RMB8.8 million and RMB4.4 million in advertising and promotion expenses and staff related costs; and (ii) a decrease of RMB38.6 million in promotion expenses and other expenses related to Zall Football Club.

Administrative and other expenses

Administrative and other expenses of the Group decreased slightly by approximately 1.6% from RMB156.0 million for the year ended 31 December 2014 to RMB153.5 million for the year ended 31 December 2015. The decrease was primarily due to the offsetting effect of (i) an increase of RMB7.1 million and RMB2.4 million in public welfare donation and consult fee, respectively; (ii) a decrease of RMB10.4 million in entertainment and related expenses and office expenses; and (iii) a decrease of RMB2.4 million in rental expenses.

Increase in fair value of investment properties and non-current assets classified as held for sale and fair value gain upon transfer of completed properties held for sale to investment properties

The Group holds a portion of properties developed for rental income and/or capital appreciation purposes. The Group's investment properties are revaluated at the end of the respective review period on an open market value or existing use basis by an independent property valuer. For the year ended 31 December 2015, the Group recorded fair value change of investment properties and non-current assets classified as held for sale of RMB439.6 million (2014: RMB1,831.7 million) and fair value gain upon transfer of completed properties held for sale to investment properties of RMB798.2 million (2014: RMB325.6 million). The significant net decrease of RMB919.6 million in fair value of the Group's investment properties during the year ended 31 December 2015 reflected the offsetting effect in the slowdown of property price in Wuhan and increased number of wholesale shopping mall units retained for rental purposes over the period under review.

Share of profits of joint ventures

Share of profits of joint ventures consisted primarily of share of profit from Wuhan Big World Investment, which reflected the Group's 50% equity interest share of profit of this entity. After the business combination, Wuhan Big World Investment became a subsidiary of the Group during the year.

Gain on disposal of subsidiaries

During the year, the Group completed its business restructuring by disposing of its non-core assets and business, including (i) equity swap transaction in relation to disposal of Wuhan Zall City and acquisition of Wuhan IP centre, Wuhan Guarantee Investment and Zhuo Futong Technology; and (ii) disposal of entire interests in Zhen An Cayman, Zall Shenyang, Zall Xiaogan, Zall Football, Zall Four Seasons Hotel. As a result of the disposal of these subsidiaries, the Group recognised an aggregate gain of RMB353.7 million during the year.

Finance income and costs

For the year ended 31 December 2015, interest income of RMB5.7 million (2014: RMB22.3 million) was credited to the consolidated statement of profit or loss.

For the year ended 31 December 2015, a net finance cost of RMB264.9 million (2014: RMB122.1 million) was charged to the consolidated statement of profit or loss. The increase was mainly attributable to an increase in bank and other borrowings and interest on the convertible bonds during the year ended 31 December 2015.

Income tax

Income tax decreased by approximately 80.1% from RMB1,147.1 million for the year ended 31 December 2014 to RMB228.2 million for the year ended 31 December 2015. The decrease was mainly due to the effect of (i) the decrease in PRC corporate income tax as the taxable profit from decrease in operating profit; (ii) the decrease of PRC LAT of RMB91.9 million as a result of the decrease in properties sales; and (iii) the decrease of deferred LAT of RMB652.1 million as result of decrease of fair value gain from investment properties and the reversal of deferred LAT relating to Tianjin Zall E-commerce Mall. The Group's effective tax rate was decreased from approximately 41.6% for the year ended 31 December 2014 to approximately 10.0% for the year ended 31 December 2015.

Profit for the year

For the year ended 31 December 2015, the Group recorded a net profit of RMB2,046.0 million. Profit attributable to equity shareholders of the Company was RMB2,037.7 million, representing a increase of approximately 29.6% over the amount of RMB1,572.8 million for the year ended 31 December 2014.

Liquidity and capital resources

As at 31 December 2015, cash and cash equivalents of the Group was RMB243.5 million (2014: RMB250.8 million). The Group's cash and cash equivalents consist primarily of cash on hand and bank balances which are primarily held in RMB denominated accounts with banks in the PRC.

Capital expenditure

For the year ended 31 December 2015, the Group's total expenditure in respect of property, plant and equipment and investment properties under development amounted to RMB115.1 million and RMB548.6 million (2014: RMB10.0 million and RMB819.3 million), respectively.

Bank loans and loans from other financial institutions

As at 31 December 2015, the Group's total long-term and short-term loans was RMB6,394.8 million, representing a slight increase of RMB36.0 million over the amount of RMB6,158.8 million as at 31 December 2014, including long-term and short-terms loans of disposal group held for sale amount to RMB1,737.1 million. All the loans were denominated in RMB, being the functional currency of the Group.

Convertible bonds

The Group fully redeemed the convertible bonds issued on 19 June 2013 during the year under review.

Net gearing ratio

As at 31 December 2015, the net gearing ratio (calculated by dividing total borrowings, net of cash and cash equivalents, restricted cash and short term bank deposits, by total equity attributable to equity shareholders of the Company) of the Group was 60.2% (2014: 78.7%).

Foreign exchange risk

The Group's sales were primarily denominated in RMB, being the functional currency of the Group's major operating subsidiaries. Accordingly, the Board expects any future exchange rate fluctuation will not have any material effect on the Group's business. As at 31 December 2015, the Group did not use any financial instruments for hedging purpose.

Charge on assets

As at 31 December 2015, the Group had pledged certain of its assets with a total book value of RMB12,964.2 million (2014: RMB10,136.2 million) for the purpose of securing certain of the Group's bank borrowings.

Contingent liabilities

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

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

As at 31 December 2015, the guarantees provided to lenders in relation to personal loans and banks in relation to mortgage facilities granted to purchasers of the Group's properties amounted to RMB103.4 million (2014: Nil) and RMB1,455.9 million (2014: RMB1,331.7 million), respectively.

Employees and Remuneration Policy

As at 31 December 2015, the Group employed a total of 979 full time employees (2014: 1,005). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2015, the employees benefit expenses were RMB56.2 million (2014: RMB52.6 million). The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires.

The Group has also adopted a share option scheme (the "Share Option Scheme") and a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants, including the Directors, and full-time or part-time employees, executives or officers of the Group who had contributed to the success of the Group's operations. A total number of 85,233,750 shares granted pursuant to the Pre-IPO Share Option Scheme was exercised during the year ended 31 December 2015.

Use of Proceeds from Placing

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

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

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

Key Risks and Uncertainties

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

Business Risk

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

Industrial Risk

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

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

Operational Risk

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

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

Financial Risk

The financial risk management of the Group are set out in note 33 to the consolidated financial statements of the Company's 2015 Annual Report.

(c) For the year ended 31 December 2014

Business Overview

North Hankou Project

The North Hankou International Trade Center (the "North Hankou Project") is the Group's flagship project and the largest wholesale shopping mall in Central China focusing on consumer products. It is designed to capture the business opportunities arising from the relocation of the traditional wholesale trade center at Hanzheng Street in Wuhan. The North Hankou Project has a total site area of approximately over 1.8 million square metre ("sq.m."). Its wholesale mall units have a total gross floor area ("GFA") of over 4.0 million sq.m.. It consists of more than 20 separate wholesale shopping malls which sell a variety of consumer products and over one million kinds of merchandise. The Group aims to develop it into an integrated business platform for suppliers, manufacturers, distributors and small to medium enterprises for domestic consumer products.

For the year ended 31 December 2014, a total of approximately 1,025 occupants have already been relocated from Hanzheng Street to North Hankou Project; and the eight separate markets originally located in Hanzheng Street have moved to the North Hankou Project and several professional markets such as used-car market have been added, which help to further improve the transaction volume of the occupants and the human traffic in the area.

As for supplementary facilities, Tazihu East Road (塔子湖東路) has been put into operation and the renovation of Daijiashan Bridge (岱家山橋樑) has been incorporated into governmental planning. These transportation facilities are expected to effectively alleviate the current traffic pressure on Daihuang Expressway and facilitate the traffic and logistics of Panlongcheng and North Hankou districts to and from downtown Wuhan. On the other hand, Light Rail No. 1 connecting North Hankou Project and downtown Wuhan has completed construction and commenced operation on 28 May 2014. As a result, North

Hankou International Trade Center became one of the few large-scale modern commerce and logistics centers in China that are equipped with direct rail transit.

Leveraging on the platform advantage of numerous occupants in the North Hankou Project, the "Hubei E-commerce Demonstration Base" (湖北省電子商務示範基地) was officially established in North Hankou during the first half of 2014, aiming at developing North Hankou into the largest E-commerce cluster in Central China. To further promote its market prosperity and E-commerce development, North Hankou has specially planned an E-commerce base which can accommodate over 2,000 manufacturers and 5,000 E-commerce enterprises and vendors. On 10 October 2014, Zall's e-commerce team became the operational service provider of Alibaba's Wuhan Industrial Belt, fully in charge of reviewing and operating those Wuhan online wholesalers who wish to enter Alibaba's selective retailing platform. As of 31 December 2014, 1,680 of such wholesalers received the approval of Zall's e-commerce team to enter the Platform for Alibaba Wuhan Industrial Belt, yielding a monthly turnover of over RMB100 million.

In December 2014, the 5th North Hankou International Trade Fair (the "Fair") was successfully held in the North Hankou Project. The Fair occupied an area of 2,000,000 sq.m.. During the month of the Fair being held, hundred thousands of large and medium sized wholesale market operators participated in the Fair and the total transaction amount of the Fair broke the record and reached RMB21.2 billion, representing an increase of 35.9% as compared with RMB15.6 billion of 2013.

For the year ended 31 December 2014, North Hankou Project contributed sales revenue of RMB1,189.1 million to the Group, representing an increase of 118% as compared with the corresponding period in 2013, mainly attributable to the increase in the GFA delivered in 2014 as compared with the corresponding period in 2013. During the period under review, the total GFA sold and delivered in North Hankou Project amounted to 110,573 sq.m., at an average selling price ("ASP") of RMB10,754 per sq.m., which was similar to that of the corresponding period of 2013.

No. 1 Enterprise Community — Wuhan

No. 1 Enterprise Community — Wuhan is a unique business park within three kilometres of the North Hankou Project of the Group. It provides offices in close proximity to the occupants of the North Hankou Project. The project is located at the Panlongcheng Economic and Technology Development Zone in Wuhan. Its major target customers are small and medium enterprises which are in need of business headquarters. No. 1 Enterprise Community — Wuhan has a total planned GFA of 1,100,000 sq.m. and is expected to have one high-rise office towers, four high-rise commercial and residential buildings, several hundreds low-rise modern individual office buildings and retail shops.

For the year ended 31 December 2014, No. 1 Enterprise Community — Wuhan contributed sales revenue of RMB296.3 million to the Group, representing an increase of 53.9% as compared with 2013, mainly due to the delivery of Phase III of the project.

North Hankou • Zall Life City

North Hankou • Zall Life City (漢口北 • 卓爾生活城) consists of two residential development projects, including Zall Hupan Haoting Residences and Zall Zhujinyuan Residences in the Panlongcheng Economic and Technology Development Zone of Wuhan.

Zall Hupan Haoting Residences

Zall Hupan Haoting Residences is the first large living and services center of the Group. It was officially launched in 2012. Zall Hupan Haoting Residences is a tailor-made residential area for North Hankou and has a total site area of approximately 180,000 sq.m. and a GFA of over 350,000 sq.m.. The project will be completed in two phases and is scheduled to be fully completed by 2015.

For the year ended 31 December 2014, Zall Hupan Haoting Residences contributed sales revenue of RMB69.5 million (2013: RMB362.5 million) to the Group, with an ASP of RMB4,600 per sq.m..

Zall Zhujinyuan Residences

Zall Zhujinyuan Residences is scheduled to be completed in two phases and is located in the Panlongcheng Economic and Technology Development Zone of Wuhan. It has a total site area of approximately 60,000 sq.m. and a GFA of approximately 170,000 sq.m.. The project is scheduled to be fully completed by 2015.

Wuhan Salon

Wuhan Salon (武漢客廳) is a multi-structural and multi-functional cultural center near Wuhan downtown with a total GFA of over 1,500,000 sq.m., aiming to provide diversified cultural experience for customers. It is the Group's key largescaled city complex project which equips with Chinese cultural and art exhibitions, arts trading center, cultural and creative center and hotel facilities.

Wuhan Salon was recognized as one of the Major Cultural Construction Projects in Hubei Province (湖北省重大文化建設項目名錄) by the Hubei Department of Culture in 2012. It was also listed as one of the major cultural investment projects for the "12th Five Year Plan" of Wuhan. The Group will develop it as an innovative platform for Chinese cultural exchange and a cultural demonstrative park to support the business requirements and the growth of the Group's existing and potential customers.

Wuhan Salon will be developed in three phases and Phase I consists mainly of residential units and office buildings. Phases II and III, which consist of residential units, office buildings, retail shopping mall, trading center and hotel facilities, etc. In 2014, the construction of main structures for Wuhan Salon Phase I have been substantially completed, except for Unit H, I, G and Arts Building, of which the basement and tower structures are currently under construction. The remaining constructions are expected to be completed by 2016.

For the year ended 31 December 2014, Wuhan Salon contributed sales revenue of RMB339.9 million (2013: RMB422.2 million) to the Group with an ASP of RMB6,136 per sq.m..

Zall No. 1 Enterprise Community — Changsha

Zall No. 1 Enterprise Community — Changsha (卓爾第一企業社區•長沙總部基地) is a project located in Kaifu District in Changsha. The project replicates the successful model of No. 1 Enterprise Community in Wuhan and is expected to become a base of headquarters and enterprises for boosting the development of logistics industry and corporate headquarters in Changsha area.

The construction of Zall No. 1 Enterprise Community — Changsha has commenced in 2012. With a total GFA of approximately 380,000 sq.m., Phase I of the project is expected to be completed in 2015. Currently, the principal part of Phase I has been fully completed, all works have entered the final stage and is undergoing the filing procedures for the completion. Pre-sales of the office building were launched in the second half of 2014 and attracted many large and medium-sized companies in Hunan Province. Currently, a number of companies have moved in Zall No.1 Enterprise Community with some other companies also indicating their interests. The development of Phase II is progressing smoothly. As at the date of this report, it has obtained the land use right certificate and the construction land planning permit and it is also undergoing revision of the detailed planning.

Zall Finance Center

Zall Finance Center (卓爾金融中心), is a 51% held joint development project of the Group located in the financial center of Wuhan. The Project will be developed into a premier commercial center and Grade A office building. The project has a total GFA of over 97,000 sq.m. and a total site area of approximately 10,000 sq.m.. During the year under review, the Group accelerated the construction with the main structural buildings being topped out and 50% of the curtain wall engineering, elevators, air-conditioners, fire-fighting works and high and low voltage power distribution engineering have been completed.

Shenyang Salon

Shenyang Salon (瀋陽客廳) is an integrated high-end urban complex project with a cultural theme located in Shenyang. The project includes eco-apartments, commercial SOHO, luxury hotels, brand stores, cultural market, media complex and central park. The project will be developed in two phases. Phase I of the project has a planned total GFA of over 300,000 sq.m. and a total site area of approximately 150,000 sq.m.. The Group plans to develop the project into a new cultural landmark in Shenyang and Northeast China. The project commenced construction in 2013. Part of Phase I of the project has been almost completed at the end of 2014 and is currently undergoing certain repairs and maintenance before delivery. Part of Phase I of the project is expected to be completed around mid 2015.

Tianjin Zall E-Commerce Mall

The Tianjin Zall E-Commerce Mall (天津卓爾電商城) is based in Xiqing University Town, Tianjin (天津西青大學城), on the main artery between Beijing and Tianjin, with easy access to all transportation means including aviation, high-speed railway and expressway. It is 10 minutes from Tianjin South Railway Station, 30 minutes from Tianjin Railway Station and Tianjin West Railway Station, and 35 minutes from Tianjin Binhai International Airport. It has a total GFA of 3 million sq.m. and commenced construction in 2014 and is expected to be completed in 5 years. By the time of completion, it will become a core commodity distribution hub serving Northern China or even the whole Northeast Asia, with focus on Beijing and Tianjin.

Building on the success of North Hankou Project which captured the opportunity of the relocation of Wuhan's traditional wholesale trade center at Hanzheng Street, the Tianjin Zall E-Commerce Mall takes the business opportunities from the relocation of major wholesale markets in Beijing and Tianjin, including wholesale markets around Beijing Zoo (北京動物園批發市場), Dahongmen (大紅門), Muxiyuan (木樨), Dahutong (大胡同), Ruijing (瑞景), Yonghao (永濠) and Tianjin Foreign Commodities Market (天津洋貨批發市場), by thoroughly upgrading the traditional wholesale industry with modern logistics, E-commerce and information technology. It will become the first large-scale modern O2O trade and logistics center in China, and the largest consumer goods distribution platform in Northern China. The Tianjin Zall E-Commerce Mall will showcase the new development opportunities for wholesalers to go online and become a new basement for infrastructures for online vendors. It plans to set up online store for each wholesaler, to establish an unified online trading platform, to help wholesalers in independent online marketing, and to provide online payment, financial support and comprehensive information technology for wholesalers. Meanwhile it also provides optimal offline services for E-commerce businesses as a center of storage, financial services and business incubator for them.

With a total investment of RMB2 billion, Phase I of Tianjin Zall E-Commerce Mall, the international trade center, has a GFA of 612,000 sq.m., covering major consumer goods categories, including small commodities, clothing, footwear and leather, hotel supplies, stationery, daily chemical products, textile and accessories, children's products, non-staple food and seasonings. Phase I will form 10 specialized wholesale clusters, and a comprehensive supporting service system of warehouses, logistics, E-commerce, financial support, and information technology management.

As of 31 December 2014, through selling the operating right for a term of 20 years, the presale area of Tianjin Zall E-Commerce Mall amounted to approximately 41,610 sq.m., with the presale amount of around RMB214 million and the average selling price was approximately RMB5,143 per sq.m..

Jingzhou Zall City

The Jingzhou Zall City (荊州卓爾城) is situated in the "golden triangle" of the new industrial port district in western Jingzhou, enjoying a prime location with convenient transportation. To the east it is adjacent to the Jiuyang Machinery and Electronics Industrial Park (九陽機械電子工業園區) off the Jiuyang Avenue (九陽大道); to the west it is just opposite to the Central China Agricultural High Technology Development Zone (華中農高區) off a water diversion canal; to the north are the Wuhan-Yichang High Speed Railway (漢宜高鐵) and Shanghai-Chongqing Expressway (滬渝高速); to the south is Libu Port of Jingzhou City (荊州李埠港) and College of Agriculture Yangtze University (長江大學農學院). The State Road 318 runs from east to west through the project. The project is just 5 kilometers from Jingzhou city Expressway Exit, Jingzhou Chudu Bus Terminal and Jingzhou Railway Station.

The Jingzhou Zall City Project will have a total GFA of 3,390,000 sq.m.. With a planned total GFA of 310,000 sq.m., the international trade center of Phase I is expected to be able to host over 6,300 standardized stores. It is expected to be a leading new specialized wholesale market in Central China.

As of 31 December 2014, the presold properties of Jingzhou Zall City amounted to approximately 24,372 sq.m., with a presale turnover of around RMB122 million and an average price of approximately RMB5,006 per sq.m..

Zall Asia Expo City

On 8 June 2014, the Group entered into the strategic cooperation framework agreement (the "Framework Agreement") with the Management Committee of the Central-Yunnan Industry Cluster Area District, Yunnan Province. Pursuant to the Framework Agreement, the Company has agreed to invest in the development and construction of a large-scale integrated logistics and trade centre in Dabanqiao Town, Yunnan (雲南省大板橋鎮), the PRC ("Zall Asia Expo City Project"). The Zall Asia Expo City Project has a total land area of approximately 2,001,000 sq.m., approximately 1,334,000 sq.m. of which will be for logistics use and warehousing facilities and the remaining approximately 667,000 sq.m. will be for commercial use.

The planned total GFA of Zall Asia Expo City Project is approximately 3,300,000 sq.m. As at 31 December 2014, the project is still under planning and will commence its construction after acquisition of the land and going through relevant procedures for approving the construction.

Wuhan Zall Football Club

Wuhan Zall Professional Football Club Co., Ltd. (武漢卓爾職業足球俱樂部有限公司) ("Zall Football Club") was acquired by the Group in 2011. Zall Football Club participated in the Super League of the Chinese Football Association (中國足球協會超級聯賽) in 2013 and the China League One of the Chinese Football Association (中國足球協會甲級聯賽) in 2014 and finished with the third place.

As one of the top 10 private enterprises in Hubei Province located in Wuhan, the Group considers that the operation of a football team will enhance the brand image of the Group in the local community, promote the brand of Zall across China through participation in leagues of the team and help Zall to build a nationwide trade and logistics network.

Cooperation with Shenzhen Nanshan

On 18 November 2014, the Company entered into a cooperation agreement with Shenzhen Nanshan Real Estate Development Company Ltd. (深圳市南山房地產開發有限公司) ("Shenzhen Nanshan"), pursuant to which the Company agreed to dispose certain of its subsidiaries, so as to concentrate its resources on its core business segment (i.e. the development and operating of large scale consumer product-focused wholesale shopping malls and the related value-added services). Up to the date of this report, no formal agreements have been signed.

Cooperation with Fullshare

On 9 April 2015, the Company entered into a memorandum of understanding with Fullshare Holdings Limited (豐盛控股有限公司) ("Fullshare"), pursuant to which the Company agreed to dispose certain equity interests of its subsidiaries, so as to concentrate its resources on its core business segment (i.e. the development and operating of large scale consumer product-focused wholesale shopping malls and the related value-added services). Up to the date of this annual report, no definitive agreements have been signed. For further details, please refer to the announcement of the Company dated 9 April 2015.

Proposed Restructuring

During the year under review, the Group has proposed a restructuring exercise as a strategic move to adjust its principal activities, namely the development and operation of wholesale shopping malls and provision of related facilities and valued-added services. It was approved by the independent shareholders in the EGM held on 16 January 2015. The restructuring exercise will be completed when all the conditions precedent are satisfied or waived, which is expected to be no later than 30 June 2015. For details of the restructuring exercise, please refer to the circular dated 31 December 2014 and the announcement dated 31 March 2015 issued by the Company.

Results of Operation

Turnover

Turnover increased by 25.6% from RMB1,581.2 million for the year ended 31 December 2013 to RMB1,986.1 million for the year ended 31 December 2014. The increase was primarily due to an increase in the sales of properties. The Group's revenue from rental income for the year ended 31 December 2013 increased by 62.5% from RMB44.1 million to RMB71.7 million for the year ended 31 December 2014, which was mainly attributable to an increase in the total leased area of North Hankon Project.

Sales of properties

Revenue from sales of properties increased by 24.3% from RMB1,523.9 million for the year ended 31 December 2013 to RMB1,894.7 million for the year ended 31 December 2014.

The Group's revenue from sales of properties was generated from sales of wholesale shopping mall units, office and retails units and residential apartments. The GFA and ASP of the respective projects during the year ended 31 December 2014, together with the comparative figures for the year 2013 are set forth below:

	For the year ended 31 December					
	2014			2013		
	GFA Sold	Average selling price (net of business tax)	Turnover	GFA Sold	Average selling price (net of business tax)	Turnover
	(sq.m.)	*RMB/sq.m.*	*(RMB'000)*	*(sq.m.)*	*RMB/sq.m.*	*(RMB'000)*
North Hankou Project	110,573	10,754	1,189,078	50,938	10,731	546,599
No. 1 Enterprise Community — Wuhan	73,384	4,038	296,312	51,538	3,730	192,522
Wuhan Salon	55,389	6,136	339,859	78,633	5,360	422,243
Zall Life City — Zall Hupan Haoting Residences	14,797	4,697	69,495	78,741	4,600	362,514
Total	254,143		1,894,744	259,850		1,523,878

The Group's turnover from sales of properties increased significantly over the year under review mainly due to an increase in the GFA delivered of certain properties during 2014. The GFA sold in North Hankou Project was significantly increased by 117.0% from 50,938 sq.m. for the year ended 31 December 2013 to 110,573 sq.m. for the year ended 31 December 2014. The GFA sold in No. 1 Enterprise Community — Wuhan was increased by 42.4% from 51,538 sq.m. for the year ended 31 December 2013 to 73,384 sq.m. for the year ended 31 December 2014, mainly due to the completion and delivery of the office and residential buildings in Phase III of the project.

The GFA sold in Wuhan Salon and Zall Life City — Zall Hupan Haoting Residences decreased by 29.6% from 78,633 sq.m. to 55,389 sq.m. and 81.2% from 78,741 sq.m. to 14,797 sq.m., respectively.

Rental income

The Group's rental income increased significantly by 62.5% from RMB44.1 million for the year ended 31 December 2013 to RMB71.7 million for the year ended 31 December 2014. The increase was primarily due to an increase in the number of wholesale shopping mall units in the North Hankou Project retained for leasing.

Cost of sales

Cost of sales increased by 10.2% from RMB916.3 million for the year ended 31 December 2013 to RMB1,010.0 million for the year ended 31 December 2014, primarily due to an increase in the sales of properties.

Gross profit

Gross profit increased by 46.8% from RMB664.8 million for the year ended 31 December 2013 to RMB976.1 million for the year ended 31 December 2014. The Group's gross profit margin increased from 42.0% in 2013 to 49.1% in 2014 mainly due to the changes in the combination of the properties delivered during the year. For the year ended 31 December 2013, only 35.9% of the revenue from sales of properties were contributed by North Hankou Project, of which the gross profit margin of the wholesale shopping mall units are usually maintained at over 60%. However, for the ended 31 December 2014, approximately 62.8% of the revenue from sales of properties were contributed by North Hankou Project. The remaining 37.2% of the revenue from sales of properties were contributed by No. 1 Enterprise Community — Wuhan, Wuhan Salon and Zall Life City projects, of which the overall gross profit margin of these projects are a lot lower, comparing to North Hankou Project.

Other net loss

For the year ended 31 December 2014, certain non-current assets held for sale were disposed of and a loss on disposal of RMB2.6 million (2013: RMB8.6 million) was incurred.

Other revenue

Other revenue decreased by 69.8% from RMB35.9 million for the year ended 31 December 2013 to RMB10.8 million for the year ended 31 December 2014.

The decrease was primarily due to decrease of RMB2.9 million in government grant income and RMB22.0 million in football club related income.

Selling and distribution expenses

Selling and distribution expenses decreased by 14.7% from RMB194.2 million for the year ended 31 December 2013 to RMB165.5 million for the year ended 31 December 2014. The decrease was primarily due to a decrease of RMB20.2 million and RMB11.0 million in the advertising and promotion expenses and other expenses related to Zall Football Club respectively.

Administrative and other expenses

Administrative and other expenses of the Group decreased by 3.6% from RMB161.9 million for the year ended 31 December 2013 to RMB156.0 million for the year ended 31 December 2014. The decrease was primarily due to the offsetting effect of (i) an increase of RMB4.2 million in staff related costs resulting from an increase in the number of the Group's administrative and management personnel and an increase in salaries; and (ii) a decrease of RMB10.4 million in entertainment and related expenses during the year under review.

Increase in fair value of investment properties and non-current assets classified as held for sale and fair value gain upon transfer of completed properties held for sale to investment properties

The Group holds a portion of properties developed for rental income and/or capital appreciation purposes. The Group's investment properties are revaluated at the end of the respective review period on an open market value or existing use basis by an independent property valuer. For the year ended 31 December 2014, the Group recorded significant increases in fair value of investment properties and non-current assets classified as held for sale of RMB1,831.7 million (2013: RMB319.1 million) and fair value gain upon transfer of completed properties held for sale to investment properties of RMB325.6 million (2013: RMB1,423.0 million). The significant increase in fair value of the Group's investment properties during the years ended 31 December 2014 and 2013 reflected a rise in the property price in Wuhan and increased number of wholesale shopping mall units retained for rental purposes over the period under review and a first time recognition of increase in fair value of RMB1,319.7 million from the Group's investment properties in Tianjin during the year ended 31 December 2014.

Share of profits of joint ventures

Share of profits of joint ventures consisted primarily of share of profit from Wuhan Big World Investment Development Co., Ltd., which reflected the Group's 50% equity interest share of profit of this entity.

Fair value change on embedded derivative component of the convertible bonds

The Group issued convertible bonds on 19 June 2013 and a net loss of RMB9.3 million (2013: RMB12.7 million gain) was recognised in the consolidated statement of profit or loss during the year ended 31 December 2014 on the reevaluation of the convertible bonds as at 31 December 2014.

Finance income and costs

For the year ended 31 December 2014, interest income of RMB22.3 million (2013: RMB3.9 million) was credited to the consolidated statement of profit or loss.

For the year ended 31 December 2014, a net finance cost of RMB122.1 million (2013: RMB76.9 million) was charged to the consolidated statement of profit or loss. The increase was mainly attributable to an increase in bank and other borrowings and interest on the convertible bonds during the year ended 31 December 2014.

Income tax

Income tax was increased by 24.9% from RMB918.3 million for the year ended 31 December 2013 to RMB1,147.1 million for the year ended 31 December 2014. The increase was mainly due to an increase in PRC corporate income tax as a result of the increase in operating profits of the Group and the increase in PRC Land Appreciation Tax. The Group's effective tax rate was increased from 36.0% for the year ended 31 December 2013 to 41.6% for the year ended 31 December 2014. The increase in effective tax rate was partly because of the increase in PRC Appreciation tax on North Hankou of RMB53.9 million incurred in the year ended 31 December 2014.

Profit for the year

For the year ended 31 December 2014, the Group recorded a net profit of RMB1,610.7 million. Profit attributable to equity shareholders of the Company was RMB1,572.8 million, representing a slight decrease of 0.7% over the amount of RMB1,583.7 million for the year ended 31 December 2013.

Liquidity and capital resources

As at 31 December 2014, cash and cash equivalents of the Group was RMB250.8 million (2013: RMB738.8 million). The Group's cash and cash equivalents consist primarily of cash on hand and bank balances which are primarily held in RMB denominated accounts with banks in the PRC.

Capital expenditure

For the year ended 31 December 2014, the Group's total expenditure in respect of property, plant and equipment and investment properties under development amounted to RMB10.0 million and RMB819.3 million (2013: RMB4.4 million and RMB197.2 million) respectively.

Bank loans and loans from other financial institutions

As at 31 December 2014, the Group's total long-term and short-term loans was RMB6,158.8 million, including long-term and short-terms loans of disposal group held for sale amounted to RMB1,737.1 million, representing a increase of RMB1,061.0 million over the amount of RMB5,097.8 million as at 31 December 2013. All the loans were denominated in RMB, being the functional currency of the Group.

Convertible bonds

As at 31 December 2014, the Group had an amount equivalent to RMB677.9 million (2013: RMB608.3 million) in relation to the convertible bonds issued on 19 June 2013. The principal amount of the convertible bonds outstanding as at 31 December 2014 is USD100 million and the convertible bonds bears interest rate at 5.5% per annum, with a maturity date on 19 June 2018.

Net gearing ratio

As at 31 December 2014, the net gearing ratio (calculated by dividing total borrowings, net of cash and cash equivalents, restricted cash and short term bank deposits, by total equity attributable to equity shareholders of the Company) of the Group was 78.7% (2013: 70.1%).

Foreign exchange risk

The Group's sales were primarily denominated in RMB, being the functional currency of the Group's major operating subsidiaries. Accordingly, the Board expects any future exchange rate fluctuation will not have any material effect on the Group's business. As at 31 December 2014, the Group did not use any financial instruments for hedging purpose.

Charge on assets

As at 31 December 2014, the Group had pledged certain of its assets with a total book value of RMB10,136.2 million (2013: RMB6,045.5 million) for the purpose of securing certain of the Group's bank borrowings.

Contingent liabilities

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

As at 31 December 2014, the guarantees provided to banks in relation to mortgage facilities granted to purchasers of the Group's properties amounted to RMB1,331.7 million (2013: RMB1,533.4 million).

Employees and Remuneration Policy

As at 31 December 2014, the Group employed a total of 1,005 full time employees (2013: 939). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2014, the employees remuneration benefit expenses were RMB52.6 million (2013: RMB50.4 million). The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires. During the year, none of the Directors waived his/her emoluments nor has agreed to waive his/her emoluments for the year.

The Group has also adopted a share option scheme (the "Share Option Scheme") and a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants, including the Directors, and full-time or part-time employees, executives or officers of the Group who had contributed to the success of the Group's operations.

(d) For the year ended 31 December 2013

Business Overview

North Hankou Project

The North Hankou International Trade Center (the "North Hankou Project") is the Group's flagship project and the largest wholesale shopping mall in Central China focusing on consumer products. It is designed to capture the business opportunities arising from the relocation of the traditional wholesale trade center at Hanzheng Street in Wuhan. The North Hankou Project has a total site area of approximately over 1.8 million square metre ("sq.m.") sq.m. Its wholesale mall units have a total gross floor area ("GFA") of over 3.5 million sq.m. It consists of more than 20 separate wholesale shopping malls which sell a variety of consumer products and over one million kinds of merchandise. The Group aims to develop it into an integrated business platform for suppliers, manufacturers, distributors and small to medium enterprises for domestic consumer products.

During 2013, the relocation plan of Hanzheng Street continued to proceed in accordance with its original schedule. A total of approximately 14,000 occupants have already been relocated from Hanzheng Street to North Hankou Project. In particular, during 2013, the three largest footwear products markets originally in Hanzheng Street all moved into North Hankou Project, which helped to further improve the transaction volume of the occupants and the human traffic in the area.

In order to facilitate the planning and construction for the relocation of Hanzheng Street market to North Hankou Project, the local governments renovated Tazihu East Road (塔子湖東路) and Daijiashan Bridge (岱家山橋樑) and extended Jiefang Avenue (解放大道) during the year under review. The extension of light rail No. 1 connecting North Hankou Project and Wuhan City is expected to be completed in 2014. With the extensive expressways, highways, roads to the airports and railway network, the North Hankou Project will become a traffic hub for the area.

In November 2013, the 4th North Hankou International Trade Fair (the "**Fair**") was successfully held in the North Hankou Project. During the week of the Fair being held, hundred thousands of large and medium sized wholesale market operators participated in the Fair and the total transaction amount of the Fair broke the record and reached RMB15.6 billion.

For the year ended 31 December 2013, North Hankou Project contributed sales revenue of RMB546.6 million to the Group, representing a decrease of 62.3% as compared with the corresponding period in 2012, mainly attributable to the decrease in the GFA delivered in 2013 as compared with the corresponding period in 2012. During the period under review, the total GFA sold and delivered in North Hankou Project amounted to 50,938 sq.m., at an average selling price ("**ASP**") of RMB10,731 per sq.m., representing a decrease of 11.4% in ASP as compared with the corresponding period of 2012. The decrease in ASP is mainly due to the different kinds of industries involved in the wholesale shopping malls and certain of the residential apartments ancillary to the wholesale shopping malls, which were of lower ASP, being sold during the year ended 31 December 2013.

No. 1 Enterprise Community — Wuhan

No. 1 Enterprise Community — Wuhan is a unique business park within three kilometres of the North Hankou Project. It provides offices in close proximity to the occupants of the North Hankou Project. The project is located at the Panlongcheng Economic and Technology Development Zone in Wuhan. Its major target customers are small and medium enterprises which are in need of business headquarters. No. 1 Enterprise Community — Wuhan has a total planned GFA of 1,100,000 sq.m. and is expected to have three high-rise office towers, several hundreds low-rise modern individual office buildings and retail shops.

For the year ended 31 December 2013, No. 1 Enterprise Community — Wuhan contributed sales revenue of RMB192.5 million to the Group, representing an increase of 1,635.4% as compared with 2012, mainly due to the delivery of Phase III of the project.

North Hankou • Zall Life City

North Hankou • Zall Life City (漢口北•卓爾生活城) consists of two residential development projects, including Zall Hupan Haoting Residences and Zall Zhujinyuan Residences in the Panlongcheng Economic and Technology Development Zone of Wuhan.

Zall Hupan Haoting Residences

Zall Hupan Haoting Residences is the first large living and services center of the Group. It was officially launched in 2012. Zall Hupan Haoting Residences is a tailor-made residential area for North Hankou and has a total site area of approximately 180,000 sq.m. and a GFA of over 300,000 sq.m.. The project will be completed in two phases and is scheduled to be fully completed by 2015.

For the year ended 31 December 2013, Zall Hupan Haoting Residences contributed sales revenue of RMB362.5 million (2012: RMB Nil) to the Group, with an ASP of RMB4,600 per sq.m..

Zall Zhujinyuan Residences

Zall Zhujinyuan Residences is scheduled to be completed in two phases and is located in the Panlongcheng Economic and Technology Development Zone of Wuhan. It has a total site area of approximately 60,000 sq.m. and a GFA of approximately 170,000 sq.m.. The project is scheduled to be fully completed by 2015.

Wuhan Salon

Wuhan Salon (武漢客廳) is a multi-structural and multi-functional cultural center near Wuhan downtown with a total GFA of over 800,000 sq.m., aiming to provide diversified cultural experience for customers. It is the Group's key large-scaled city complex project which equips with Chinese cultural and art exhibitions, arts trading center, cultural and creative center and hotel facilities. Wuhan Salon was recognized as one of the Major Cultural Construction Projects in Hubei Province (湖北省重大文化建設項目名錄) by the Hubei

Department of Culture in 2012. It was also listed as one of the major cultural investment projects for the "12th Five Year Plan" of Wuhan. The Group will develop it as an innovative platform for Chinese cultural exchange and a cultural demonstrative park to support the business requirements and the growth of the Group's existing and potential customers.

Wuhan Salon will be developed in three phases, Phase I, which consists mainly of residential units and office buildings, was completed and started to be delivered in 2013. Phases II and III, which consist of residential units, office buildings, retail shopping mall, trading center and hotel facilities, etc will continue to be constructed as planned and will be gradually completed between 2014 to 2016.

For the year ended 31 December 2013, Wuhan Salon contributed sales revenue of RMB422.2 million (2012: RMB Nil) to the Group with an ASP of RMB5,360 per sq.m..

Zall No. 1 Enterprise Community — Changsha

Zall No. 1 Enterprise Community — Changsha (卓爾第一企業社區•長沙總部基地) is a project located in Kaifu District in Changsha. The project replicates the successful model of No. 1 Enterprise Community in Wuhan and is expected to become a base of headquarters and enterprises for boosting the development of logistics industry and corporate headquarters in Changsha area.

The construction of No. 1 Enterprise Community — Changsha has commenced in 2012. With a total GFA of approximately 200,000 sq.m., Phase I of the project is expected to be completed in 2014 and is expected to attract a large number of large and medium sized enterprises in Hunan Province. Pre-sale of the office building units is expected to start in second half of 2014.

Zall Finance Center

Zall Finance Center (卓爾金融中心), is a 51% held joint development project of the Group located in the financial center of Wuhan. The Group plans to develop it into a premier commercial center and Grade A office building. The project has a total GFA of over 97,000 sq.m. and a total site area of approximately 10,000 sq.m.. During the year under review, the Group accelerated the construction and the project is expected to start to contribute rental income to the Group in the second half of 2014.

Shenyang Salon

Shenyang Salon (瀋陽客廳) is an integrated high-end urban complex project with a cultural theme located in Shenyang. The project includes eco-apartments, commercial SOHO, luxury hotels, brand stores, cultural market, media complex and central park. The project will be developed in two phases. Phase I of the project has a planned total GFA of over 300,000 sq.m. and a total site area of approximately 150,000 sq.m.. The Group plans to develop the project into a new cultural landmark in Shenyang and Northeast China. During the year under review, construction work has started and Phase I of the project is expected to be completed in 2014.

Wuhan Zall Football Club

As one of the top 10 private enterprises in Hubei Province located in Wuhan, in addition to its focus on the development of North Hankou Project as a national commercial centre, the Group also endeavours to promote local culture and sports. In 2011, the Group acquired a 100% equity interest in Hubei Zhong Bo Football Club (湖北中博足球俱樂部) at a consideration of RMB10 million to support local football development. More importantly, the Group considers that the operation of a football team has also strongly enhanced the brand of the Group in the local community. Upon completion of the acquisition, the football club was renamed to Wuhan Zall Professional Football Club Co., Ltd. (武漢卓爾職業足球俱樂部有限公司) ("Zall Football Club") and became a wholly-owned subsidiary of the Group.

Zall Football Club participated in the Super League of the Chinese Football Association in 2013.

Results of Operation

Turnover

Turnover increased by 6.1% from RMB1,489.9 million for the year ended 31 December 2012 to RMB1,581.2 million for the year ended 31 December 2013. The increase was primarily due to an increase in the sales of properties. The Group's revenue from rental income for the year ended 31 December 2012 increased by 122.1% from RMB19.9 million to RMB44.1 million for the year ended 31 December 2013, which was mainly attributable to an increase in the total leased area of North Hankon Project.

Sales of properties

Revenue from sales of properties increased by 4.2% from RMB1,462.0 million for the year ended 31 December 2012 to RMB1,523.9 million for the year ended 31 December 2013.

The Group's revenue from sales of properties was generated from sales of wholesale shopping mall units, office and retails units and residential apartments. The GFA and ASP of the respective projects during the year ended 31 December 2013 are set forth below:

	For the year ended 31 December					
	2013			2012		
	GFA Sold	Average selling price (net of business tax) RMB/ sq.m.	Turnover	GFA Sold	Average selling price (net of business tax) RMB/ sq.m.	Turnover
	(sq.m.)		*(RMB'000)*	*(sq.m.)*		*(RMB'000)*
North Hankou Project	50,938	10,731	546,599	119,797	12,112	1,450,954
No. 1 Enterprise Community — Wuhan	51,538	3,730	192,522	3,470	3,197	11,094
Wuhan Salon	78,633	5,360	422,243	—	—	—
Zall Life City — Zall Hupan Haoting Residences	78,741	4,600	362,514	—	—	—
Total	259,850		1,523,878	123,267		1,462,048

The Group's turnover from sales of properties increased over the year under review mainly due to an increase in the total GFA delivered during 2013. The GFA sold in North Hankou Project was decreased by 57.5% from 119,797 sq.m. for the year ended 31 December 2012 to 50,938 sq.m. for the year ended 31 December 2013. On the contrary, the GFA sold in No. 1 Enterprise Community — Wuhan was increased significantly from 3,470 sq.m. to 51,538 sq.m., due to the completion and delivery of the office buildings in Phase III of the project.

In addition, Wuhan Salon and Zall Life City — Zall Hupan Haoting Residences had the first time contributed revenue of RMB422.2 million and RMB362.5 million respectively, to the Group with a total GFA delivered of 78,633 sq.m. and 78,741 sq.m. respectively.

Rental income

The Group's rental income increased significantly by 122.1% from RMB19.9 million for the year ended 31 December 2012 to RMB44.1 million for the year ended 31 December 2013. The increase was primarily due to an increase in the number of wholesale shopping mall units in the North Hankou Project retained for leasing.

Cost of sales

Cost of sales increased by 125.1% from RMB407.0 million for the year ended 31 December 2012 to RMB916.3 million for the year ended 31 December 2013, primarily due to an increase in the sales of properties.

Gross profit

Gross profit decreased by 38.6% from RMB1,082.9 million for the year ended 31 December 2012 to RMB664.8 million for the year ended 31 December 2013. The Group's gross profit margin was decreased from 72.7% in 2012 to 42.0% in 2013 mainly due to the changes in the combination of the properties delivered during the year. For the year ended 31 December 2012, over 99% of the revenue from sales of properties were contributed by North Hankou Project, of which the gross profit margin of the wholesale shopping mall units are usually maintained at over 70%. However, for the year ended 31 December 2013, only approximately 35.9% of the revenue from sales of properties were contributed by North Hankou Project. The remaining 64.1% of the revenue from sales of properties were contributed by No. 1 Enterprise Community — Wuhan, Wuhan Salon and Zall Life City projects, of which the overall gross profit margin of these projects are a lot lower, comparing to North Hankou Project.

Other net loss

For the year ended 31 December 2013, certain non-current assets held for sale were disposed of and a loss on disposal of RMB8.6 million (2012: RMB9.8 million) was incurred.

Other revenue

For the year ended 31 December 2013, football club related income and government grant income amounting to RMB32.0 million and RMB2.9 million, respectively, were credited to the consolidated statement of profit or loss (2012: RMB5.9 million and RMB50,000, respectively).

Selling and distribution expenses

Selling and distribution expenses increased by 119.8% from RMB88.3 million for the year ended 31 December 2012 to RMB194.2 million for the year ended 31 December 2013. The increase was primarily due to an increase of RMB45.6 million in advertising and an increase of RMB47.1 million in promotional campaigns and other expenses related to Zall Football Club.

Administrative and other expenses

Administrative and other expenses of the Group increased by 18.3% from RMB136.8 million for the year ended 31 December 2012 to RMB161.9 million for the year ended 31 December 2013. The increase was primarily due to (i) an increase of RMB6.4 million in staff related costs resulting from an increase in the number of the Group's administrative and management personnel and an increase in salaries; and (ii) an increase of RMB14.6 million in donation and related expenses.

Increase in fair value of investment properties and non-current assets classified as held for sale and fair value gain upon transfer of completed properties held for sale to investment properties

The Group holds a portion of properties developed for rental income and/ or capital appreciation purposes.The Group's investment properties are revaluated at the end of the respective review period on an open market value or existing use basis by an independent property valuer. For the year ended 31 December 2013, the Group recorded increases in fair value of investment properties and non-current assets classified as held for sale of RMB319.1 million (2012: RMB200.5 million) and fair value gain upon transfer of completed properties held for sale to investment properties of RMB1,423.0 million (2012: RMB496.9 million). The significant increase in fair value of the Group's investment properties during the years ended 31 December 2013 and 2012 reflected a rise in the property price in Wuhan and increased number of wholesale shopping mall units retained for rental purposes over the period under review.

Share of profits of joint ventures

Share of profits of joint ventures consisted primarily of share of profit from Wuhan Big World Investment Development Co., Ltd., which reflected the Group's 50% equity interest share of profit of this entity.

Fair value change on embedded derivative component of the convertible bonds

The Group issued convertible bonds on 19 June 2013 and a gain of RMB12.7 million was recognised in the consolidated statement of profit or loss during the year ended 31 December 2013 on the re-evaluation of the convertible bonds as at 31 December 2013.

Finance income and costs

For the year ended 31 December 2013, interest income of RMB3.9 million (2012: RMB3.4 million) was credited to the consolidated statement of profit or loss.

For the year ended 31 December 2013, a net finance cost of RMB76.9 million (2012: RMB5.5 million) was charged to the consolidated statement of profit or loss. The increase is mainly attributable to an increase in bank and other borrowings and issuance of the convertible bonds during the year ended 31 December 2013.

Income tax

Income tax was increased by 82.9% from RMB502.0 million for the year ended 31 December 2012 to RMB918.3 million for the year ended 31 December 2013. The increase was mainly due to an increase in deferred tax. The Group's effective tax rate was increased from 30.0% for the year ended 31 December 2012 to 36.0% for the year ended 31 December 2013.

Profit for the year

For the year ended 31 December 2013, the Group recorded a net profit of RMB1,629.0 million. Profit attributable to equity shareholders of the Company was RMB1,583.7 million, representing an increase of 37.6% over the amount of RMB1,150.9 million for the year ended 31 December 2012.

Liquidity and capital resources

As at 31 December 2013, cash and cash equivalents of the Group totalled RMB738.8 million (2012: RMB998.1 million). The Group's cash and cash equivalents consisted primarily of cash on hand and bank balances which were primarily held in RMB denominated accounts with banks in the PRC.

Capital expenditure

For the year ended 31 December 2013, the Group's total expenditure in respect of property, plant and equipment and investment properties under development amounted to RMB4.4 million and RMB197.2 million (2012: RMB8.8 million and RMB295.6 million), respectively.

Bank loans and loans from other financial institutions

As at 31 December 2013, the Group's total long-term and short-term loans totalled RMB5,097.8 million, representing an increase of RMB2,126.1 million over the amount of RMB2,971.7 million as at 31 December 2012. All the loans were denominated in RMB, being the functional currency of the Group.

Convertible bonds

As at 31 December 2013, the Group had an amount equivalent to RMB608.3 million (2012: RMB Nil) in relation to the convertible bonds issued on 19 June 2013. The principal amount of the convertible bonds outstanding as at 31 December 2013 is USD100 million and the convertible bonds bears an interest rate at 5.5% per annum, with a maturity date on 19 June 2018.

Net Gearing ratio

As at 31 December 2013, the net gearing ratio (calculated by dividing total borrowings, net of cash and cash equivalents, restricted cash and short term bank deposits, by total equity attributable to equity shareholders of the Company) of the Group was 69.8% (2012: 37.6%).

Foreign exchange risk

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

Charge on assets

As at 31 December 2013, the Group had pledged certain of its assets with a total book value of RMB5,619.4 million (2012: RMB1,680.2 million) for the purpose of securing certain of the Group's bank borrowings. Details of which are set out in note 25 to the 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 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.

As at 31 December 2013, the guarantees provided to banks in relation to mortgage facilities granted to purchasers of the Group's properties amounted to RMB1,533.4 million (2012: RMB1,575.5 million).

Employees and Remuneration Policy

As at 31 December 2013, the Group employed a total of 939 full time employees (2012: 842). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2013, the employees benefit expenses were RMB50.4 million

(2012: RMB41.9 million). The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires.

Use of Proceeds from Initial Public Offering

The Company's shares were listed on the Main Board of the Stock Exchange in July 2011 and the Company raised net proceeds of HK$1,449.3 million (equivalent to RMB1,208.8 million) from the initial public offering.

Up to 31 December 2013, the Group had utilized RMB1,015.3 million, representing 84.0% of the net proceeds as follows:

- RMB211.5 million for the construction and/or extension of our wholesale shopping malls and supporting facilities in North Hankou Project;
- RMB60.4 million for the construction of the low rise office building, high rise office tower and service center in No. 1 Enterprise Community — Wuhan;
- RMB272.0 million for the construction of Wuhan Salon (Phase I);
- RMB60.4 million for the construction of residential projects such as Zall Hupan Haoting Residences and Zall Zhujinyuan Residences;
- RMB290.1 million for the land acquisition and preliminary construction of Northeastern China (Shenyang) International Trade Center, No. 1 Enterprise Community Northeastern China Headquarters Business Park and Northeastern Logistic Enterprise Community; and
- RMB120.9 million for working capital purposes.

Such utilization of the net proceeds was in accordance with the proposed allocations as set out in the section headed "Use of Proceeds" of the prospectus of the Company dated 30 June 2011 (the "Prospectus") for the Listing. The unutilized portion of the net proceeds is currently held in cash and cash equivalents and it is intended that it will also be applied in a manner consistent with the proposed allocations in the Prospectus.

6. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

As the global manufacturing centre as well as a giant in the internet industry, China enjoys exceptional advantages to become the world's commodities exchange centre. The Group has been taking root on trading circulation area for years, and has been noticing the trends and opportunities in the development of the internet in recent years. Since mid-2015, the Group has comprehensively embraced the internet, and actively promoted the Group's transformation by proposing the "Zall Cloud Market" program with "wholesale + internet" to create a global trading platform.

The Group has a relatively large-scale offline entity trading and logistics market, comprising over 20 specialized wholesale markets with more than 20,000 merchants. As the Group held the "China Wholesale Market Annual Meeting" and "China North Hankou Trade Fair" for recent successive years, it has built and maintained good communication and cooperation with the main wholesale markets in different regions of China, including Yiwu, Guangzhou, Kunming, Chengdu, Xi'an and Shenyang. The Group launched the "Zall Cloud Market" program, based on the properties, clients, logistics and data basis and advantages of the offline entity trading markets with North Hankou International Trade Centre, Tianjin Zall E-commerce Mall, Jingzhou Zall City, etc. as representation, to achieve full integration of various entity wholesale markets and e-commerce throughout the country, to reduce supply chain costs of China's wholesale segment, to improve operating efficiency, and to build China's largest integrated online and offline wholesale trading platform. Zall Cloud Market includes three online trading and service platforms, namely Zallgo, Zalljinfu and Zallfuhui, which serve online transactions of wholesale trading, financing support and smart logistics respectively to form a closed loop of big data integration services. By the end of February 2016, (1) Zallgo's transaction amount exceeded RMB4.3 billion and registered business operators reached 9,654, (2) Zalljinfu's total financing amounted to RMB1.1 billion and registered users reached 60,000, and (3) Zallfuhui's service charges amounted to RMB180 million and registered users reached 12,000.

The Board expects the Acquisition will further strengthen the Enlarged Group's existing e-commerce and supply chain finance businesses by enlarging the Enlarged Group's client base and increasing the Enlarged Group's revenue in the long run. The Enlarged Group will continue to concentrate its resources on the core business segment, i.e. the development and operating of large-scale consumer product-focused wholesale shopping malls and the related value-added business, such as e-commerce, financial services, warehousing and logistics, with the aim to form the world's largest B2B trading platform and database for consumer goods.

The Board believes that the Enlarged Group's B2B e-commerice business will become a crucial driving force to the Enlarged Group's future growth. Continuous technological innovation with respect to the Enlarged Group's trading platform is expected to lead to increased efficiency and higher trading volume, increasing vendors' accessibilities and lowering cost.

7. MATERIAL ACQUISITION SINCE LATEST PUBLISHED AUDITED ACCOUNTS

As at the Latest Practicable Date, no member of the Group had acquired or agreed to acquire or was proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditors' report or next published accounts of the Company since 31 December 2015, being the date to which the latest published audited accounts of the Company have been made up.

The following is the text of an accountants' report on the Project Group, prepared for the sole purpose of inclusion in this circular, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

KPMG

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

15 February 2017

The Directors

Zall Group Ltd.

Dear Sirs,

INTRODUCTION

We set out below our report on the consolidated financial information relating to Shenzhen Sinoagri E-commerce Co., Ltd. (the "Project Company") and its subsidiaries (herein after collectively referred to as the "Project Group"), which comprises the consolidated statement of financial position of the Project Group as at 31 December 2013, 2014 and 2015 and 30 September 2016 and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement of the Project Group, for each of the years ended 31 December 2013, 2014 and 2015 and nine months ended 30 September 2016 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (the "Financial Information"), for the inclusion in the circular of Zall Group Ltd. (the "Company") dated 15 February 2017 (the "Circular") in connection with the proposed acquisition of the Superu Company Limited, Perfect International Limited, Sweet Returns Holdings Limited, Ronald Development International Limited and Sweet Returns Investment Limited by Zall Development (BVI) Holding Company Limited., a wholly-owned subsidiary of the Company (the "Proposed Acquisition").

The Project Company was established in the People's Republic of China (the "PRC") on 11 January 2011 with limited liability.

As at the end of the Relevant Periods, the Project Company has direct and indirect interests in the subsidiaries as set out in Section B Note 12 below. The Project Company and its subsidiaries have adopted 31 December as their financial year end date. The statutory financial statements of the Project Company were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises incorporated in the PRC. The statutory financial statements of the Project Group for each of the year ended 31 December 2013, 2014 and 2015 were audited by Ruihua Certified Public Accountants Shenzhen Branch, Dahua Certified Public Accountants Shenzhen Branch and Pan-China Certified Public Accountants Shenzhen Branch respectively in accordance with China Standards on Auditing.

The directors of the Project Company have prepared the consolidated financial statements of the Project Company for the Relevant Periods (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for the years ended 31 December 2013, 2014 and 2015 and nine months ended 30 September 2016 were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Company for inclusion in the Circular in connection with the Proposed Acquisition based on the Underlying Financial Statements, with no adjustments made thereon, and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with IFRSs issued by the IASB and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Project Group in respect of any period subsequent to 30 September 2016.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Project Group as at 31 December 2013, 2014 and 2015 and 30 September 2016 and of the Project Group's financial performance and cash flows for the Relevant Periods then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Project Group comprising the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the nine months ended 30 September 2015, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards of Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A FINANCIAL INFORMATION OF THE PROJECT GROUP

Consolidated statement of profit or loss

	Note	Year ended 31 December 2013 RMB'000	2014 RMB'000	2015 RMB'000	Nine months ended 30 September 2015 RMB'000 (Unaudited)	2016 RMB'000
Turnover	3	2,746,848	7,313,316	12,862,301	7,735,992	14,455,060
Cost of sales		(2,691,006)	(7,189,453)	(12,713,780)	(7,643,651)	(14,352,295)
Gross profit		55,842	123,863	148,521	92,341	102,765
Other income	4	2,617	1,993	14,432	8,925	25,676
Selling and distribution expenses		(7,214)	(13,949)	(25,202)	(17,830)	(30,648)
Administrative expenses		(49,184)	(62,699)	(77,241)	(43,677)	(53,283)
Profit from operations		2,061	49,208	60,510	39,759	44,510
Finance income	5(a)	7,642	4,346	7,923	5,129	5,680
Finance costs	5(b)	(9,313)	(16,356)	(29,921)	(19,559)	(26,385)
Net finance costs		(1,671)	(12,010)	(21,998)	(14,430)	(20,705)
Share of profits less losses of associates	13	15,053	11,330	13,893	4,117	13,880
Profit before taxation		15,443	48,528	52,405	29,446	37,685
Income tax	6(a)	(1,659)	(9,678)	(10,301)	(7,233)	(6,516)
Profit for the year/period		13,784	38,850	42,104	22,213	31,169
Attributable to:						
Equity shareholders of the Project Company		11,325	36,387	42,335	18,492	31,592
Non-controlling interests		2,459	2,463	(231)	3,721	(423)
Profit for the year/period		13,784	38,850	42,104	22,213	31,169

The accompanying notes form part of the Financial Information

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 December			Nine months ended 30 September	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit for the year/period	13,784	38,850	42,104	22,213	31,169
Other comprehensive income	—	—	—	—	—
Total comprehensive income for the year/period	13,784	38,850	42,104	22,213	31,169
Attributable to:					
Equity shareholders of the Project Company	11,325	36,387	42,335	18,492	31,592
Non-controlling interests	2,459	2,463	(231)	3,721	(423)
Total comprehensive income for the year/period	13,784	38,850	42,104	22,213	31,169

The accompanying notes form part of the Financial Information

Consolidated statement of financial position

		As at 31 December			As at 30 September
	Note	**2013**	**2014**	**2015**	**2016**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*9*	37,135	34,068	28,832	24,804
Intangible assets	*10*	8,923	8,095	6,885	5,728
Interest in associates	*13*	57,636	53,766	67,527	83,087
Deferred tax assets	*24*	16,900	14,904	17,855	18,625
Other non-current assets	*11*	—	6,143	3,626	2,885
		120,594	116,976	124,725	135,129
Current assets					
Financial assets at fair value through profit or loss	*14*	17,804	9,214	1,404,244	3,612,163
Inventories	*15*	12,602	33	130,350	110,118
Trade and other receivables	*16*	482,632	553,586	355,603	772,598
Loans receivable	*17*	354,236	657,632	917,214	943,417
Amounts due from related parties	*18(a)*	4,836	3,522	6,069	62,620
Restricted cash		—	—	135,630	168,000
Cash and cash equivalents	*19*	153,521	230,864	277,326	919,022
Current tax assets	*24(a)*	427	—	265	5
		1,026,058	1,454,851	3,226,701	6,587,943
Current liabilities					
Financial liabilities at fair value trough profit or loss	*14*	17,804	9,214	12,162	24,667
Trade and other payables	*20*	362,892	516,006	2,349,844	5,337,410
Bank loans	*21*	100,000	380,000	370,000	580,000
Amounts due to related parties	*18(b)*	3,586	892	47	17,331
Current taxation	*24(a)*	5,594	8,594	7,135	6,096

	Note	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015	As at 30 September 2016
		RMB'000	RMB'000	RMB'000	RMB'000
		489,876	914,706	2,739,188	5,965,504
Net current assets		536,182	540,145	487,513	622,439
Total assets less current liabilities		656,776	657,121	612,238	757,568
Non-current liability					
Deferred income	*4*	25,452	24,717	18,863	15,395
		25,452	24,717	18,863	15,395
NET ASSETS		631,324	632,404	593,375	742,173
CAPITAL AND RESERVES					
Share capital	*25*	444,000	444,000	444,000	500,027
Reserves	*25*	136,809	156,826	132,956	228,442
Total equity attributable to equity shareholders of the Project Company		580,809	600,826	576,956	728,469
Non-controlling interests		50,515	31,578	16,419	13,704
TOTAL EQUITY		631,324	632,404	593,375	742,173

Approved and authorised for issue by the board of directors on 15 February 2017.

The accompanying notes form part of the Financial Information

Consolidated statement of changes in equity

		Attributable to equity shareholders of the Project Company							
	Note	Share capital	Capital reserve	Equity-settled share-based payment reserve	Statutory reserves	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2013		444,000	108,674	–	17,206	35,609	605,489	28,721	634,210
Changes in equity for 2013:									
Profit for the year		–	–	–	–	11,325	11,325	2,459	13,784
Other comprehensive income		–	–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	11,325	11,325	2,459	13,784
Appropriations to statuary reserve	*25(f)*	–	–	–	4,181	(4,181)	–	–	–
Dividends to shareholders	*25(c)*	–	–	–	–	(36,005)	(36,005)	(3,501)	(39,506)
Capital injection from non-controlling interest		–	–	–	–	–	–	22,836	22,836
As at 31 December 2013		444,000	108,674	–	21,387	6,748	580,809	50,515	631,324

The accompanying notes form part of the Financial Information

	Note	Share capital	Capital reserve	Equity-settled share-based payment reserve	Statutory reserves	Retained profits	Total	Non-controlling interests	Total equity
		Attributable to equity shareholders of the Project Company							
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2014		444,000	108,674	–	21,387	6,748	580,809	50,515	631,324
Changes in equity for 2014:									
Profit for the year		–	–	–	–	36,387	36,387	2,463	38,850
Other comprehensive income		–	–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	36,387	36,387	2,463	38,850
Appropriations to statuary reserve	*25(f)*	–	–	–	4,922	(4,922)	–	–	–
Dividends to shareholders	*25(c)*	–	–	–	–	(14,691)	(14,691)	(2,242)	(16,933)
Capital injection from non-controlling interest		–	–	–	–	–	–	500	500
Acquisition of non-controlling interests		–	(1,679)	–	–	–	(1,679)	(19,658)	(21,337)
As at 31 December 2014		444,000	106,995	–	26,309	23,522	600,826	31,578	632,404

The accompanying notes form part of the Financial Information

		Attributable to equity shareholders of the Project Company							
	Note	Share capital	Capital reserve	Equity-settled share-based payment reserve	Statutory reserves	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2015		444,000	106,995	–	26,309	23,522	600,826	31,578	632,404
Changes in equity for 2015:									
Profit for the year		–	–	–	–	42,335	42,335	(231)	42,104
Other comprehensive income		–	–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	42,335	42,335	(231)	42,104
Capital injection from non-controlling interest		–	–	–	–	–	–	400	400
Equity-settled share-based transactions		–	–	196	–	–	196	–	196
Appropriations to statuary reserve	*25(f)*	–	–	–	5,261	(5,261)	–	–	–
Dividends to shareholders	*25(c)*	–	–	–	–	(35,331)	(35,331)	–	(35,331)
Acquisition of non-controlling interests		–	(31,070)	–	–	–	(31,070)	(15,328)	(46,398)
As at 31 December 2015		444,000	75,925	196	31,570	25,265	576,956	16,419	593,375

The accompanying notes form part of the Financial Information

		Attributable to equity shareholders of the Project Company							
	Note	Share capital	Capital reserve	Equity-settled share-based payment reserve	Statutory reserves	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2016		444,000	75,925	196	31,570	25,265	576,956	16,419	593,375
Changes in equity for 2016:									
Profit for the period		–	–	–	–	31,592	31,592	(423)	31,169
Other comprehensive income		–	–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	31,592	31,592	(423)	31,169
Equity-settled share-based transactions		–	–	1,450	–	–	1,450	–	1,450
Appropriations to statuary reserve	*25(f)*	–	–	–	3,206	(3,206)	–	–	–
Dividends to shareholders	*25(c)*	–	–	–	–	(36,723)	(36,723)	(2,292)	(39,015)
Issuance of new shares	*25(b)*	56,027	99,167	–	–	–	155,194	–	155,194
As at 30 September 2016		500,027	175,092	1,646	34,776	16,928	728,469	13,704	742,173

The accompanying notes form part of the Financial Information

	Attributable to equity shareholders of the Project Company							
	Share capital	Capital reserve	Equity-settled share-based payment reserve	Statutory reserves	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2015	444,000	106,995	–	26,309	23,522	600,826	31,578	632,404
Changes in equity for 2015:								
Profit for the period	–	–	–	–	18,492	18,492	3,721	22,213
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	18,492	18,492	3,721	22,213
Capital injection from non-controlling interest	–	–	–	–	–	–	400	400
As at 30 September 2015	444,000	106,995	–	26,309	42,014	619,318	35,699	655,017

The accompanying notes form part of the Financial Information

Consolidated cash flow statement

		Year ended 31 December			Nine months ended 30 September	
		2013	2014	2015	2015	2016
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Operating activities						
Cash (used in)/generated from operations		(556,110)	(155,932)	187,670	229,778	310,346
Income tax paid		(4,398)	(4,255)	(14,976)	(14,895)	(8,065)
Net cash (used in)/generated from operating activities	*19(b)*	(560,508)	(160,187)	172,694	214,883	302,281
Investing activities						
Payment for the purchase of property, plant and equipment		(2,494)	(6,420)	(9,532)	(6,692)	(2,187)
Payment for the purchase of intangible assets		(274)	(1,796)	(3,119)	(783)	(1,333)
Cash receipt from disposal of property, plant and equipment		61	412	2,385	1,880	1,267
Cash receipt from disposal of intangible assets		—	40	586	440	72
Payment for investments in associates		(7,600)	—	—	—	(1,680)
Interest received		7,642	4,346	4,292	3,318	6,580
Dividend received		18,092	15,200	132	132	—
Net cash generated from/(used in) investing activities		15,427	11,782	(5,256)	(1,705)	2,719

		Year ended 31 December			Nine months ended 30 September	
		2013	2014	2015	2015	2016
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Financing activities						
Net proceeds from bank loans		100,000	400,000	570,000	200,000	400,000
Repayment of bank and other loans		(14,000)	(120,000)	(580,000)	(80,000)	(190,000)
Interest paid		(1,938)	(15,911)	(29,439)	(19,188)	(25,978)
Other borrowing cost paid		(108)	(521)	(484)	(369)	(237)
Dividend paid		(46,142)	(16,933)	(35,331)	—	(2,292)
Proceeds from non-controlling shareholders		22,836	500	400	400	—
Proceeds from capital injection from shareholders		—	—	—	—	155,194
Payment to acquisition of non-controlling interest in a subsidiary		—	(21,337)	(46,398)	—	—
Net cash generated from/(used in) financing activities		60,648	225,798	(121,252)	100,843	336,687
Net (decrease)/increase in cash and cash equivalents		(484,433)	77,393	46,186	314,021	641,687
Cash and cash equivalents at the beginning of the year/period		645,220	153,521	230,864	230,864	277,326
Effect of foreign exchange rate changes		(7,266)	(50)	276	270	9
Cash and cash equivalents at the end of the year/period	*19*	153,521	230,864	277,326	545,155	919,022

The accompanying notes form part of the Financial Information

B NOTES TO THE FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies

(a) Statement of compliance

The Financial Information has been prepared for inclusion in the circular of the Zall Group Ltd. (the "Company") dated 15 February 2017 (the "Circular") in connection with the proposed acquisition of Shenzhen Sinoagri E-commerce Co., Ltd. (the "Project Company") and its subsidiaries (herein after collectively referred to as the "Project Group") by Zall Development (BVI) Holding Company Limited., a wholly-owned subsidiary of the Company (the "Proposed Acquisition").

The Financial Information set out in this report has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (the "IASB"). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The Financial Information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the nine months ended 30 September 2015 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) Basis of preparation of the Financial Information

The Project Company was established in the People's Republic of China (the "PRC") on 11 January 2011 with limited liability. The Project Group is principally engaged in B2B e-commerce for the trading of agricultural products, services including supply chain management and supply chain finance. For further information regarding the subsidiaries refer to Note 12.

The Financial Information for the year ended 31 December 2013, 2014 and 2015 and nine months ended 30 September 2016 comprise the Project Company and its subsidiaries and the Project Group's interest in associates.

These consolidated financial statements are presented in Renminbi ("RMB") rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis except that the financial assets at fair value through profit or loss are stated at their fair value as explained in the note 1(f).

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

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

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

(c) Changes in accounting policies

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

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

(d) Subsidiaries and non-controlling interests

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

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

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

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

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

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

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

(e) Associates

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

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

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

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

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

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

(f) Other investments in debt and equity securities

The Project Group's and the Project Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

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

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

Dated debt securities that the Project Group and/or the Project Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see note 1(k)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note1(k)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 1(t)(iv) and 1(t)(v), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

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

(g) Derivative financial instruments

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

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(k)).

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

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

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

—	Land & buildings	5-30 years
—	Machineries	10 years
—	Motor vehicles	5-8 years
—	Furniture, office equipment and others	5 years

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

(i) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Project Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labor, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(k)). Other development expenditure is recognised as an expense in the period in which it is incurred.

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

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

—	Software	5 years
—	Capitalised development costs	5 years

Both the period and method of amortisation are reviewed annually.

(j) Operating lease charges

Leases which do not transfer substantially all the risks and rewards of ownership to the Project Group are classified as operating leases.

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

(k) Impairment of assets

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

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

— significant financial difficulty of the debtor;

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

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

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

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

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

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

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

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

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

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

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

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

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

(ii) Impairment of other assets

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

— property, plant and equipment;

— non-current deposits and prepayments;

— intangible assets; and

— investments in subsidiaries and associates in the Project Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

— Reversals of impairment losses

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

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

(l) Inventories

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

Cost is calculated using the first-in-first-out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

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

(m) Trade and other receivables (including amounts due from related parties)

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

Loans and receivables are carried at amortised cost using the effective interest method, less impairment losses, if any (see note 1(k)).

(n) Interest-bearing borrowings

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

(o) Trade and other payables (including amounts due to related parties)

Trade and other payables (including amounts due to related parties) are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

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

(q) Employee benefits

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

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

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labor rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

(ii) Share-based payments

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

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

(iii) Termination benefits

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

(r) Income tax

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

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

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

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

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

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

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

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

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

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

    — the same taxable entity; or

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

(s) Provisions and contingent liabilities

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

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

(t) Revenue recognition

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

(i) Sale of goods

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

(ii) Provision of service

Revenue from provision of service is recognised at the time when service are provided. Revenue excludes VAT or other sales taxes and is after deduction of any trade discounts.

(iii) Supply chain financing services

Supply chain financing services comprise provision of interest-bearing loans.

Interest income for interest-bearing loans is recognised as it accrues using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Project Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

For impaired financial assets, the accrual of interest income based on the original terms of the financial assets is discontinued.

(iv) Dividends

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

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

(v) Interest income

Interest income for all interest-bearing financial instruments is recognised in profit or loss on an accruals basis using the effective interest method (see note 1(t)(iii)).

(vi) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Project Group will comply with the conditions attaching to them. Grants that compensate the Project Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Project Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(u) Translation of foreign currencies

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

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

The functional currency of the Project Company and its subsidiaries is Renminbi and the Financial Information are presented in Renminbi.

(v) Borrowing costs

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

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

(w) Related parties

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

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

(ii) has significant influence over the Project Group; or

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

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

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

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

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

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

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

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

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

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

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

(x) Segment reporting

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

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

The Project Group is principally engaged in B2B e-commerce for the trading of agricultural products, services including supply chain management and supply chain finance management considers that the revenue and profit are derived almost entirely from wholesales of agricultural products for the years ended 31 December 2013, 2014 and 2015 and nine months ended 30 September 2016 and financial information regularly provided to the Project Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Project Group's lines of business and geographical locations does not meet the quantitative thresholds as set out in IFRS 8, Operating Segments, to be reportable. Accordingly, no segment information is presented in the Financial Information.

Substantially all of the Project Group's operations are in the PRC. Consequently, no geographic information is presented.

2 Accounting judgements and estimates

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

(a) Impairment of non-financial assets

If circumstances indicate that the carrying value of a non-financial asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Project Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Project Group's net assets value.

(c) Impairment of financial assets

The Project Group estimates the impairment allowances for financial assets, including trade and other receivables, loans and receivables and available-for-sale investments, by assessing the recoverability based on factors such as credit history and prevailing market conditions. This requires the use of estimates and judgements. Impairment losses are applied to financial assets where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of financial assets and thus the impairment loss in the period in which such estimate is changed.

(d) Depreciation/amortisation

Property, plant and equipment/intangible assets are depreciated/amortised on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Project Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation/amortisation expenses to be recorded during any reporting period. The useful lives are based on the Project Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

3 Turnover

Project Group is principally engaged in B2B e-commerce for the trading of agricultural products, services including supply chain management and supply chain finance. Turnover mainly represents the sales value of goods delivered to customers and interest income generated from the supply chain financing business.

The amount of each significant category of revenue recognised during the year/period are as follows:

	Year ended 31 December			**Nine months ended 30 September**	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Trading of sugar	2,554,272	6,852,766	12,579,242	7,622,896	14,204,837
Trading of other agricultural products	131,190	348,820	150,947	44,983	159,724
Supply chain financing related income	44,569	80,405	112,023	54,678	83,863
Others	16,817	31,325	20,089	13,435	6,636
	2,746,848	7,313,316	12,862,301	7,735,992	14,455,060

For the year ended 31 December 2013 and 2015 and for the nine months ended 30 September 2016 there were 2, 2 and 1 customers with whom transactions have exceeded 10% of the Project Group's revenue amounted to RMB1,126,753,000 RMB2,203,085 and RMB1,560,462,000 respectively.

For the year ended 31 December 2014, there is no single customer with whom transactions have exceeded 10% of the Project Group's revenue.

4 Other income

	Year ended 31 December			Nine months ended 30 September	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Government grants	1,752	2,941	6,658	4,607	9,057
Gain/(loss) on sale of property, plant and equipment	19	(51)	(487)	(272)	1
Net realised and unrealised gain on financial assets at fair value change through profit or loss	—	—	8,132	4,516	16,662
Forfeited deposits and compensation to customers	(25)	(1,003)	(286)	(244)	152
Others	871	106	415	318	(196)
	2,617	1,993	14,432	8,925	25,676

The unconditional government grants the Project Group received in respect of its contribution to the development sugar and information platform industry were recognised in profit or loss.

The Project Group also received government grants which were conditional on the set up or acquisition of the e-commerce platform. These grants were initially recognised in the consolidated statement of financial position as deferred income and are amortised through consolidated statement of profit or loss on a systematic basis in the same period.

The deferred income is analysed as follows:

	31 December			30 September
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January	19,650	25,452	24,717	18,863
Changes for the year/period:				
Additions	7,100	1,400	401	300
Amortisation	1,298	2,135	6,255	3,768
Balance at 31 December/30 September	25,452	24,717	18,863	15,395

5 **Profit before taxation**

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

	Year ended 31 December			Nine months ended 30 September	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(a) Finance income					
Interest income	7,642	4,346	7,647	4,859	5,671
Net foreign exchange gain	—	—	276	270	9
	7,642	4,346	7,923	5,129	5,680
(b) Finance costs					
Interest expenses on bank loans	1,938	15,785	29,439	19,187	26,146
Net foreign exchange loss	7,266	50	—	—	—
Bank charge and others	109	521	482	372	239
	9,313	16,356	29,921	19,559	26,385
(c) Staff costs					
Contributions to defined contribution retirement plan *(note 22)*	2,782	3,256	4,919	3,163	4,635
Salaries, wages and other benefits	11,777	17,823	30,328	14,904	26,999
Equity-settled equity settled share-based payments expenses *(note 23)*	—	—	196	—	1,450
	14,559	21,079	35,443	18,067	33,084
(d) Other items					
Amortisation of intangible assets	2,561	2,584	3,743	2,807	2,418
Auditors' remuneration	328	743	422	78	5
Cost of inventories *(note 15(b))*	2,687,068	7,199,516	12,731,085	7,653,186	14,321,221
Impairment loss on trade and other receivables	(1,118)	(7,531)	(1,609)	(1,058)	(1,168)
Impairment loss on inventories	—	—	(972)	—	—
Depreciation of property, plant and equipment	9,642	9,024	11,896	8,923	4,947
Operating lease charges in respect of property rentals	5,764	4,713	6,503	5,114	4,712

6 Income tax in the consolidated statement of profit or loss

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

	Year ended 31 December			Nine months ended 30 September	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current tax — PRC Corporate Income Tax					
Provision for the year/period	8,653	7,682	13,252	11,018	7,286
Deferred tax					
Origination and reversal of temporary differences	(6,994)	1,996	(2,951)	(3,785)	(770)
	1,659	9,678	10,301	7,233	6,516

Effective from January 1, 2008, the PRC statutory income tax rate is 25%. The Project Company and its subsidiaries are subject to PRC Corporate Income Tax ("CIT") at statutory rate of 25%, unless otherwise specified.

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

	Year ended 31 December			Nine months ended 30 September	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before taxation	15,443	48,528	52,405	29,446	37,685
Notional tax on profit before taxation, calculated at PRC statutory income tax rate of 25%	3,861	12,132	13,101	7,362	9,421
Tax effect of non-taxable share of profits of associates	(3,763)	(2,832)	(3,473)	(1,029)	(3,470)
Tax effect of non-deductible expenses	1,091	655	541	788	351
Tax effect of tax losses not recognised	592	145	150	124	223
Tax effect of using of previously unrecognised tax losses	(122)	(37)	—	—	—
Tax effect of recognising previously unrecognised tax losses	—	(385)	(18)	(12)	(9)
Actual tax expense	1,659	9,678	10,301	7,233	6,516

7 Directors' remuneration

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

	Year ended 31 December 2013						
	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Entity-settled share-based payments *(note)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:							
Qi Zhiping	—	494	—	38	532	—	532
Sun Wei	—	494	—	38	532	—	532
Wei Zhe	—	—	—	—	—	—	—
Jiang Jinzhi	—	—	—	—	—	—	—
Chen Shaoqun	—	—	—	—	—	—	—
	—	988	—	76	1,064	—	1,064

	Year ended 31 December 2014						
	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Equity-settled share based payments *(note)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:							
Qi Zhiping	—	494	306	40	840	—	840
Sun Wei	—	494	306	40	840	—	840
Wei Zhe	—	—	—	—	—	—	—
Jiang Jinzhi	—	—	—	—	—	—	—
Chen Shaoqun	—	—	—	—	—	—	—
	—	988	612	80	1,680	—	1,680

Year ended 31 December 2015

	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Equity-settled share based payments *(note)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:							
Qi Zhiping	—	745	312	46	1,103	3	1,106
Sun Wei	—	745	270	46	1,061	2	1,063
Wei Zhe	—	—	—	—	—	—	—
Jaing Jinzhi	—	—	—	—	—	—	—
Chen Shaoqun	—	—	—	—	—	—	—
	—	1,490	582	92	2,164	5	2,169

Period ended 30 September 2015 (unaudited)

	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Equity-settled share based payments *(note)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:							
Qi Zhiping	—	565	—	35	600	—	600
Sun Wei	—	565	—	35	600	—	600
Wei Zhe	—	—	—	—	—	—	—
Jiang Jinzhi	—	—	—	—	—	—	—
Chen Shaoqun	—	—	—	—	—	—	—
	—	1,130	—	70	1,200	—	1,200

	Period ended 30 September 2016						
	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Equity-settled share based payments *(note)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:							
Qi Zhiping	—	565	—	51	616	48	664
Sun Wei	—	565	—	51	616	47	663
Wei Zhe	—	—	—	—	—	—	—
Jiang Jinzhi (Resigned on 13 March 2016)	—	—	—	—	—	—	—
Chen Shaoqun (Resigned on 13 March 2016)	—	—	—	—	—	—	—
Yu Hao (Appointed on 13 March 2016)	—	—	—	—	—	—	—
Chen Lei (Appointed on 13 March 2016)	—	—	—	—	—	—	—
Xiao Tong (Appointed on 13 March 2016)	—	—	—	—	—	—	—
Pan Di (Appointed on 13 March 2016)	—	—	—	—	—	—	—
	—	1,130	—	102	1,232	95	1,327

Note: These represent the estimated value of share options granted to the directors under the Project Company's share option scheme. The value of these share options is measured according to the Project Group's accounting policies for share-based payment transactions as set out in note 1(q)(ii), and the details are disclosed in note 23.

During the year ended 31 December 2013, 2014 and 2015 and the nine months ended 30 September 2016, there were no amounts paid or payable by the Project Group to the directors or any of the highest paid individual set out in note 8 below as an inducement to join or upon joining the Project Group or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 December 2013, 2014 and 2015 and the nine months ended 30 September 2016.

8 Individuals with highest emoluments

Of the five individuals with highest emoluments, Qi Zhiping and Sun Wei are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of remaining individuals other than Qi Zhiping and Sun Wei are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries and other emoluments	820	1,470	1,850	1,341	1,341
Discretionary bonuses	—	292	498	—	—
Entity-settled share-based payments	—	—	—	—	—
Retirement scheme contributions	77	133	139	104	114
	897	1,895	2,487	1,445	1,455

The emoluments of the three individuals with the highest emoluments are within the following band:

	Year ended 31 December			Nine months ended 30 September	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Nil to HK$1,000,000	3	3	3	3	3

9 Property, plant and equipment

	Land & buildings	**Motor vehicles**	**Machineries**	**Furniture, office equipment and others**	**Construction in progress**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2013	22,466	4,554	26,076	4,898	3,560	61,554
Additions	508	490	207	67	1,222	2,494
Disposals	—	(855)	—	—	—	(855)
At 31 December 2013	22,974	4,189	26,283	4,965	4,782	63,193

	Land & buildings	Motor vehicles	Machineries	Furniture, office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	22,974	4,189	26,283	4,965	4,782	63,193
Additions	974	91	2,250	1,436	1,669	6,420
Transfer from construction in progress	—	—	198	—	(198)	—
Disposals	—	(248)	(869)	(263)	(50)	(1,430)
At 31 December 2014	23,948	4,032	27,862	6,138	6,203	68,183
At 1 January 2015	23,948	4,032	27,862	6,138	6,203	68,183
Additions	2,857	93	5,126	370	1,086	9,532
Transfer from construction in progress	1,355	—	4,774	—	(6,129)	—
Disposal	—	(260)	(4,359)	(2,769)	(1,160)	(8,548)
At 31 December 2015	28,160	3,865	33,403	3,739	—	69,167
At 1 January 2016	28,160	3,865	33,403	3,739	—	69,167
Additions	—	514	1,574	99	—	2,187
Disposals	—	(434)	(1,167)	(59)	—	(1,660)
At 30 September 2016	28,160	3,945	33,810	3,779	—	69,694
Accumulated depreciation:						
At 1 January 2013	(1,154)	(2,155)	(10,942)	(2,978)	—	(17,229)
Charge for the year	(6,283)	(513)	(2,404)	(442)	—	(9,642)
Written back on disposals	—	813	—	—	—	813
At 31 December 2013	(7,437)	(1,855)	(13,346)	(3,420)	—	(26,058)
At 1 January 2014	(7,437)	(1,855)	(13,346)	(3,420)	—	(26,058)
Charge for the year	(5,097)	(493)	(2,871)	(563)	—	(9,024)
Written back on disposals	—	127	732	108	—	967
At 31 December 2014	(12,534)	(2,221)	(15,485)	(3,875)	—	(34,115)
At 1 January 2015	(12,534)	(2,221)	(15,485)	(3,875)	—	(34,115)
Charge for the year	(1,978)	(775)	(8,399)	(744)	—	(11,896)
Written back on disposals	—	247	2,842	2,587	—	5,676
At 31 December 2015	(14,512)	(2,749)	(21,042)	(2,032)	—	(40,335)

	Land & buildings	Motor vehicles	Machineries	Furniture, office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	(14,512)	(2,749)	(21,042)	(2,032)	—	(40,335)
Charge for the period	(1,227)	(410)	(2,913)	(397)	—	(4,947)
Written back on disposals	—	354	8	30	—	392
At 30 September 2016	(15,739)	(2,805)	(23,947)	(2,399)	—	(44,890)
Net book value:						
At 31 December 2013	15,537	2,334	12,937	1,545	4,782	37,135
At 31 December 2014	11,414	1,811	12,377	2,263	6,203	34,068
At 31 December 2015	13,648	1,116	12,361	1,707	—	28,832
At 30 September 2016	12,421	1,140	9,863	1,380	—	24,804

10 Intangible assets

	Software	Development costs	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2013	17,868	1,224	19,092
Additions	144	130	274
At 31 December 2013	18,012	1,354	19,366
At 1 January 2014	18,012	1,354	19,366
Additions	1,569	227	1,796
Disposals	(54)	—	(54)
At 31 December 2014	19,527	1,581	21,108
At 1 January 2015	19,527	1,581	21,108
Additions	3,119	—	3,119
Transfer from development costs	1,581	(1,581)	—
Disposals	(586)	—	(586)
At 31 December 2015	23,641	—	23,641

	Software	Development costs	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2016	23,641	—	23,641
Additions	1,333	—	1,333
Disposals	(86)	—	(86)
At 30 September 2016	24,888	—	24,888
Accumulated amortisation:			
At 1 January 2013	(7,882)	—	(7,882)
Charge for the year	(2,561)	—	(2,561)
At 31 December 2013	(10,443)	—	(10,443)
At 1 January 2014	(10,443)	—	(10,443)
Charge for the year	(2,584)	—	(2,584)
Disposals	14	—	14
At 31 December 2014	(13,013)	—	(13,013)
At 1 January 2015	(13,013)	—	(13,013)
Charge for the year	(3,743)	—	(3,743)
At 31 December 2015	(16,756)	—	(16,756)
At 1 January 2016	(16,756)	—	(16,756)
Charge for the period	(2,418)	—	(2,418)
Disposals	14	—	14
At 30 September 2016	(19,160)	—	(19,160)
Net book value:			
At 31 December 2013	7,569	1,354	8,923
At 31 December 2014	6,514	1,581	8,095
At 31 December 2015	6,885	—	6,885
At 30 September 2016	5,728	—	5,728

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

11 Other non-current assets

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments for acquisition of long-term assets	—	6,143	3,626	2,885

12 Investments in subsidiaries

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

			Proportion of ownership interest			
Name of company	Place of incorporation/ establishment	Registered capital	Project Group's effective interest	Held by the Project Company	Held by a subsidiary	Principal activities
Shenzhen Kun Shang Yi Tang Supply Chain Co., Ltd. 深圳市昆商易糖供應鏈有限公司("Shenzhen Kun Shang Yi Tang")	The PRC	RMB80,000,000	93.33%	93.33%	—	B2B platform for trading of sugar, provision of logistic and supply chain management service
Guangxi Bave Block Trading Market Co., Ltd. 廣西大宗繭絲交易市場有限責任公司(" Guangxi Bave")	The PRC	RMB18,000,000	51%	41%	10%	B2B platform for trading of bave, provision of logistic and supply chain management service
Guangxi Zhongnong Enmore E-Commerce Co., Ltd. 廣西中農易貿電子商務有限公司("Guangxi Zhongnong Enmore")	The PRC	RMB5,000,000	80%	80%	—	Trading of agricultural products
Shenzhen Sinoagri Yixian Co., Ltd. 深圳市中農易鮮供應鏈有限公司("Shenzhen Sinoagri Yixian")	The PRC	RMB10,000,000	100%	100%	—	Trading of agricultural products and supply chain management

Shenzhen AP88.com Agriculture Information Technology Limited 深圳市中農易訊信息技術有限公司("Shenzhen AP88.com Agriculture")	The PRC	RMB30,000,000	100%	100%	—	Provision of agricultural technology and consulting service
Shenzhen Agricultural Products Electronic Fruit Co., Ltd. 深圳市中農易果供應鏈有限公司("Shenzhen Agricultural Products")	The PRC	RMB10,000,000	80%	80%	—	Provision of logistic and supply chain management service
Xi'an Sinoagri Da Tang Supply Chain Co., Ltd. 西安中農大唐供應鏈有限公司("Xi'an Sinoagri Da Tang")	The PRC	RMB10,000,000	60%	60%	—	Investment holding
Yunnan Kun Peng Eletronic Commercial Wholesale Markets of Agricultural Product Co.,Ltd. 雲南鯤鵬農產品電子商務批發市場有限公司 ("Yunnan Kun Peng")	The PRC	RMB40,000,000	93.33%	—	93.33%	B2B platform for trading of sugar and provision of logistic service
Shenzhen Sinoagri Cocoon Silk Supply Chain Co., Ltd. 深圳市中農繭絲綢供應鏈有限公司("Cocoon Silk Supply Chain")	The PRC	RMB10,000,000	51%	—	51%	B2B platform for trading of Cocoon Silk, provision of logistic and supply chain management service
Shenzhen Agriculture Products Distribution Center Co.Ltd. 深圳市農產品配送中心有限公司("Shenzhen Agriculture Products Distribution Center")	The PRC	RMB2,000,000	55%	55%	—	Trading of agricultural products
Hefei National Cotton Trading Center Co,.Ltd 合肥國家棉花交易中心有限公司 ("Hefei Cotton") (ii)	The PRC	RMB10,000,000	40%	40%	—	Trading of cotton

Note:

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

(ii) The Project Company holds 40% shares of Hefei Cotton, while 5 out of 7 directors are nominated by the Project Company. Thus Hefei Cotton is considered to be a subsidiary of the Project Company.

13 Interest in associates

The following list contains only the particulars of material associates, all of which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation and business	Paid-up capital	Proportion of ownership interest: Project Group's effective interest	Proportion of ownership interest: Held by the Project Company	Principal activities
Guangxi Sugar Market Network Co., Ltd. 廣西糖網食糖批發市場有限責任公司 ("Guangxi Sugar Market")	Incorporated	The PRC	RMB50,000,000	40.8%	40.8% *(Note: ii)*	B2B platform for trading of sugar, provision of logistic and supply chain management service
Guangxi Kangchen Shitang Trading Co., Ltd. 廣西康宸世糖貿易有限公司 ("Guangxi Kangchen")	Incorporated	The PRC	RMB10,000,000	40.8%	40.8% *(Note: ii)*	B2B platform for trading of sugar

All of the above associates are accounted for using the equity method in the financial information.

Note:

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

(ii) The Project Group's effective interest in the associates increased from 40% to 40.8% since June 2016.

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

	Guangxi Sugar Market				Guangxi Kangchen			
	As at 31 December			As at 30 September	As at 31 December			As at 30 September
	2013	2014	2015	2016	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Gross amounts of the associates'								
Current assets	1,740,834	1,383,377	1,275,939	2,248,361	9,990	652,569	2,144,768	3,150,631
Non-current assets	17,422	87,143	80,738	75,751	8	1,655	1,483	1,025
Current liabilities	(1,638,754)	(1,358,887)	(1,211,984)	(2,150,663)	(1)	(646,703)	(2,137,720)	(3,137,772)
Non-current liabilities	(2,146)	(2,912)	(1,000)	(400)	—	—	—	—
Equity	117,356	108,721	143,693	173,049	9,997	7,521	8,531	13,884
Turnover	314,824	1,405,396	1,142,161	1,118,964	—	3,894,002	14,493,548	10,151,807
Profit for the year/period	43,976	29,364	34,973	34,932	3	2,477	1,011	5,353
Other comprehensive income	—	—	—	—	—	—	—	—
Total comprehensive income	43,976	29,364	34,973	34,932	3	2,477	1,011	5,353
Dividend received from the associate	18,000	15,200	—	—	—	—	—	—
Reconciled to the Project Group's interests in the associates								
Gross amounts of net assets of the associate	117,356	108,721	143,693	173,049	9,997	7,521	8,531	13,884
Project Group's effective interest	40.0%	40.0%	40.0%	40.8%	40.0%	40.0%	40.0%	40.8%
Project Group's share of net assets of the associate	46,942	43,488	57,477	70,604	3,999	3,008	3,412	5,665
Goodwill	630	630	630	630	—	—	—	—
Carrying amount in the Financial Information	47,572	44,118	58,107	71,234	3,999	3,008	3,412	5,665

Aggregate information of associates that are not individually material:

	As at 31 December			As at 30 September
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Aggregate carrying amount of individually immaterial associates in the Financial Information	6,065	6,640	6,008	6,188
Aggregate amounts of the Project Group's share of those associates' profit or loss	2,888	(360)	502	2,933
Other comprehensive income	—	—	—	—
Total comprehensive income	2,888	(360)	502	2,933

14 Financial assets/(liabilities) at fair value through profit or loss

	As at 31 December			As at 30 September
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or lost				
Wealth management products (i)	—	—	1,392,082	3,587,496
Forward contracts (ii)	17,804	9,214	12,162	24,667
	17,804	9,214	1,404,244	3,612,163
Financial liabilities at fair value through profit or loss				
Forward contracts (ii)	(17,804)	(9,214)	(12,162)	(24,667)

i: The balance represents short-term investment in wealth management products. The wealth management products were all pledged for bills payable granted to the Project Group.

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

15 Inventories

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

	As at 31 December			As at 30 September
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Finished goods	12,602	33	130,350	110,118

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	As at 31 December			As at 30 September
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	2,687,068	7,199,516	12,731,085	14,321,221
Written down of inventories	—	—	972	—
	2,687,068	7,199,516	12,732,057	14,321,221

16 Trade and other receivables

	As at 31 December			As at 30 September
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	68,409	113,249	243,521	96,696
Bills receivable	—	—	6,500	3,500
Trade and bills receivables	68,409	113,249	250,021	100,196
Less: allowance for doubtful debts	(5,214)	(10,267)	(11,525)	(11,647)
	63,195	102,982	238,496	88,549
Deposits and prepayments	378,950	423,195	66,829	564,794
Other receivables	40,487	27,409	50,278	119,255
	482,632	553,586	355,603	772,598

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

At the end of the reporting period, the ageing analysis of trade and bills receivables (which are included in trade and other receivables), based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	As at 31 December			As at 30 September
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	62,048	102,733	208,971	57,794
1 to 2 years	89	249	29,494	1,363
2 to 3 years	822	—	31	29,392
Over 3 years	236	—	—	—
	63,195	102,982	238,496	88,549

Trade and bills receivables are normally due within 1 year from the date of billing. Further details on the Project Group's credit policy are set out in note 28(a).

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Project Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly (see note 1(k)(i)).

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

	As at 31 December			As at 30 September
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	4,823	5,214	10,267	11,525
Impairment loss recognised	391	5,053	1,258	122
At 31 December/30 September	5,214	10,267	11,525	11,647

At 31 December 2014 and 2015 and 30 September 2016, trade debtors and bills receivable of RMB50,738,000, RMB40,248,000 and RMB54,885,000 were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB6,543,000, RMB6,526,000and RMB6,475,000 were recognised.

(c) Trade and bills receivables that are not impaired

As at 31 December 2013, 2014 and 2015 and 30 September 2016, none of the trade and bills receivables that is neither individually nor collectively considered to be impaired was past due. The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	—	46,284	154,875	33,995

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

17 Loans receivable

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured loans	354,236	657,632	919,224	946,246
Less: allowance for doubtful debts – individually assessed	—	—	(2,010)	(2,829)
	354,236	657,632	917,214	943,417

Loans receivable represent secured loans secured by the third-party borrowers' inventories, properties or unlisted shares.

(a) Ageing analysis

At the end of the reporting period, all of the loans receivable are aged within 12 months based on the maturity date,

Further details of the Project Group's credit policy are set out in note 28(a).

(b) Impairment of loans receivable

Impairment losses in respect of loans receivable to third parties are recorded using an allowance account unless the Project Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against loans to third parties directly (see note 1(k)(i)).

At 31 December 2015 and 30 September 2016, loans receivable of RMB8,798,000 were individually determined to be impaired. The individually impaired loans receivable related to customers that were in financial difficulties and management assessed that only a portion of the loans receivables is expected to be recovered. Consequently, specific allowance for doubtful loans of RMB 2,010,000 and RMB2,829,000 were recognised.

(c) Loans receivable that are not impaired

As at 31 December 2013, 2014 and 2015 and 30 September 2016, loans receivable that is not individually considered to be impaired was not past due. The ageing analysis of loans receivable that are not individually considered to be impaired are as follows:

	As at 31 December			As at 30 September
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	354,236	657,632	910,426	937,448

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

18 Amounts due from/(to) related parties

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

		As at 31 December			As at 30 September
		2013	**2014**	**2015**	**2016**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties	*(i)*	4,836	3,522	6,069	62,620

Note:

The amounts due from related parties mainly represented service fee from the shareholders and associates of the Project Group. The amount was unsecured, interest-free and repayable on demand.

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

		As at 31 December			As at 30 September
	Note	**2013**	**2014**	**2015**	**2016**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to related parties	*(i)*	3,586	892	47	17,331

Note:

(i) The amounts due to related parties mainly represented advance received from the shareholders and associates of the Project Group. The amount was unsecured, interest-free and repayable on demand.

19 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and in hand	153,521	230,864	277,326	919,022

(b) Reconciliation of profit before taxation to cash (used in)/generated from operations:

		Year ended 31 December			30 September	
		2013	2014	2015	2015	2016
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Operating activities						
Profit before taxation		15,443	48,528	52,405	29,446	37,685
Adjustments for:						
Depreciation	*5(d)*	9,642	9,024	11,896	8,923	4,947
Amortisation of intangible assets	*5(d)*	2,561	2,584	3,743	2,807	2,418
Finance income	*5(a)*	(7,642)	(4,346)	(7,923)	(5,129)	(5,680)
Finance costs	*5(b)*	9,313	16,356	29,921	19,559	26,385
(Gain)/loss on sale of property, plant and equipment	*4*	(19)	51	487	272	1
Gain on financial assets at fair value change through profit or loss		—	—	(8,132)	(4,516)	(16,662)
Share of profits of associates		(15,053)	(11,330)	(13,893)	(4,117)	(13,880)
Amortisation of deferred income	*4*	(1,298)	(2,135)	(6,255)	(4,607)	(3,768)
Impairment loss on trade and other receivables	*5(d)*	1,118	7,531	1,609	1,058	1,168
Impairment loss on inventories	*5(d)*	—	—	972	—	—
Equity-settled share-base payment expenses		—	—	196	—	1,450
		14,065	66,263	65,026	43,696	34,064

		Year ended 31 December			30 September	
		2013	2014	2015	2015	2016
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Changes in working capital, net of effect of acquisitions						
(Increase)/decrease in inventory		(9,951)	12,569	(131,289)	(134,856)	20,232
(Increase)/decrease in trade and other receivables		(323,548)	(76,007)	200,081	(580,502)	(418,027)
Increase in loans receivable		(265,003)	(303,396)	(261,592)	—	(27,022)
Increase in amounts due from related parties		(2,587)	(1,164)	(888)	—	(56,778)
Increase in restricted cash		—	—	(135,630)	—	(32,370)
Decrease/(increase) in financial assets at fair value through profit or loss		854	8,590	(1,386,898)	(9,476)	(2,188,909)
Decrease/(increase) in financial liabilities at fair value through profit or loss		(854)	(8,590)	2,948	5,292	10,157
Additions in deferred income		7,100	1,400	401	398	300
Increase/(decrease) in amount due to related parties		3,586	(2,694)	(845)	—	17,284
Increase in trade and other payables		20,228	147,097	1,836,356	905,226	2,951,415
Cash (used in)/ generated from operations		(556,110)	(155,932)	187,670	229,778	310,346
Income tax paid	*24(a)*	(4,398)	(4,255)	(14,976)	(14,895)	(8,065)
Net cash (used in)/ generated from operating activities		(560,508)	(160,187)	172,694	214,883	302,281

20 Trade and other payables

	As at 31 December			As at 30 September
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payable	5,714	6,775	1,942,448	4,395,372
Receipts in advance	59,460	258,332	114,796	480,209
Accrued staff costs	3,794	10,659	15,506	10,202
Deposits from trading	179,914	221,794	274,525	349,054
Others	114,010	18,446	2,569	102,573
	362,892	516,006	2,349,844	5,337,410

Bills payable were secured by assets of the Project Group as set out below:

	As at 31 December			As at 30 September
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Restricted cash	—	—	135,630	168,000
Financial assets at fair value through profit or loss	—	—	1,392,082	3,587,496
	—	—	1,527,712	3,755,496

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

At the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	As at 31 December			As at 30 September
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	3,972	5,161	1,939,934	3,476,431
1 to 2 years	223	467	1,301	917,148
2 to 3 years	105	206	380	707
Over 3 years	1,414	941	833	1,086
	5,714	6,775	1,942,448	4,395,372

21 Bank loans

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured bank loans	—	80,000	170,000	280,000
Unsecured bank loans	100,000	300,000	200,000	300,000
	100,000	380,000	370,000	580,000

All of the bank loans were repayable within one year.

As at 31 December 2013, 2014 and 2015 and 30 September 2016, the Project Group had entered into several banking facilities for bank loans. Certain subsidiaries of the Project Company issued several guarantees to banks in respect of the banking facilities granted to the Project Group.

(a) Banking Facilities

Details of the banking facilities and the borrowings drawn by the Project Group at the end of the reporting period are set out below:

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Aggregate credit limit	150,000	420,000	1,290,000	2,220,000
Outstanding loans	(100,000)	(380,000)	(370,000)	(580,000)
Unutilised facilities	50,000	40,000	920,000	1,640,000

As 31 December 2013, 2014 and 2015 and 30 September 2016, the banking facilities were guaranteed by certain subsidiaries of the Project Company.

(b) Bank covenants

All of the Project Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Project Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Project Group were to breach the covenants the drawn down facilities would become payable on demand. The Project Group regularly monitors its compliance with these covenants. Further details of the Project Group's management of liquidity risk are set out in note 28(b). As 31 December 2013, 2014 and 2015 and 30 September 2016, none of the covenants relating to drawn down facilities had been breached.

22 Employee retirement benefits

Defined contribution retirement plans

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries of the Project Group participate in defined contribution retirement benefit schemes (the "Schemes") organised by the local authorities whereby the entities are required to make contributions to the Schemes based on a percentage of the eligible employees' salaries during the year. Contributions to the Schemes vest immediately. Under the Schemes, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Project Group has no further obligations beyond the annual contributions.

23 Equity-settled share-based transactions

Pursuant to an ordinary resolution of the shareholders passed on 16 December 2015, a share option scheme (the "Share Option Scheme") was approved and adopted to provide grantees with the opportunity to acquire equity interest in the Project Company. Pursuant to the Share Option Scheme, the vesting conditions of the Share Option Scheme include service condition, performance condition and the occurrence of an initial public offering.

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time) and directors of the Project Group and to promote the success of the business of the Project Group.

Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

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

				Number of share options granted		
Conditions	**Date granted**	**Vesting date**	**Expiry date**	**Directors**	**employees**	**Total**
Service condition	16 December 2015	16 December 2015	16 March 2016	—	906,671	906,671
Service condition	16 December 2015	16 December 2016	16 March 2017	—	2,346,667	2,346,667
Service condition	16 December 2015	16 December 2017	16 March 2018	—	1,626,662	1,626,662
Initial Public offerings condition	16 December 2015	31 December 2021	31 March 2022	400,000	600,000	1,000,000
Performance condition	16 December 2015	31 March 2018	30 June 2018	1,440,000	2,560,000	4,000,000
				1,840,000	8,040,000	9,880,000

(b) ***The number and weighted average exercise price of Share Option Scheme are as follows:***

	Weighted average exercise price *RMB*	**Number of options**
Outstanding at the beginning of the period (1 January 2015)	—	—
Granted during the year	2.77	9,880,000
Exercised during the year	2.77	906,671
Outstanding at 31 December 2015	2.77	8,973,329
Exercisable at 31 December 2015	2.77	8,973,329
Outstanding at the beginning of the period (1 January 2016)	2.77	8,973,329
Granted during the period	—	—
Exercised during the year	—	—
Outstanding at 30 September 2016	2.77	8,973,329
Exercisable at 30 September 2016	2.77	8,973,329

At 30 September 2016, the weighted average remaining expected life of share option is 1.53 years (31 December 2015: 2.28 years).

(c) ***Fair value of share options and assumptions***

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

Expected volatility (expressed as weighted average volatility used in the modelling under Binomial model)	45.6135% — 62.4400%
Option life	0.25-6.29
Expected dividends	2.6697%
Risk-free interest rate	2.4780% — 3.0531%

The expected volatility is based on past few years' historical price volatility of similar listed companies. Expected dividends are based on management's best estimation. The risk-free rate is referenced to the yields of CNY China Sovereign Zero Coupon Curve published by Bloomberg.

Except for the conditions mentioned above, there were no market conditions and no other service conditions associated with the share options.

24 Income tax in the consolidated statement of financial position

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

	As at 31 December			As at 30 September
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current taxation as of 1 January	912	5,594	8,594	7,135
Current tax assets as of 1 January	—	(427)	—	(265)
Provision for PRC Corporate Income Tax	8,653	7,682	13,252	7,286
Provisional Profits Tax paid	(4,398)	(4,255)	(14,976)	(8,065)
Current taxation as of 31 December/30 September	5,594	8,594	7,135	6,096
Current tax assets as of 31 December/30 September	(427)	—	(265)	(5)

(b) Deferred tax assets recognised

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

Deferred tax arising from:

	Tax losses	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2013	5,494	4,412	9,906
Credited to profit or loss	4,022	2,972	6,994
At 31 December 2013	9,516	7,384	16,900

	Tax losses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2014	9,516	7,384	16,900
(Charged)/credited to profit or loss	(3,837)	1,841	(1,996)
At 31 December 2014	5,679	9,225	14,904
At 1 January 2015	5,679	9,225	14,904
Credited to profit or loss	2,788	163	2,951
At 31 December 2015	8,467	9,388	17,855
At 1 January 2016	8,467	9,388	17,855
Credited/(charged) to profit or loss	1,630	(860)	770
At 30 September 2016	10,097	8,528	18,625

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(r), the Project Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB2,509,621, RMB1,403,720, RMB1,931,169 and RMB2,789,646 as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses for the PRC subsidiaries amounting to RMB8,108,000, RMB3,803,000 and RMB3,612,000 will expire in 2018, 2019 and 2020 respectively.

25 Capital, reserves and dividends

(a) Movements in components of equity

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

The Project Company

	Share capital	Capital reserve	Equity-settle share-based payment reserve	Statutory reserves	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	444,000	116,853	—	3,703	40,671	605,227
Changes in equity for 2013:						
Profit for the year	—	—	—	—	15,519	15,519
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	15,519	15,519
Appropriations to statuary reserve	—	—	—	3,147	(3,147)	—
Dividends to shareholders	—	—	—	—	(36,005)	(36,005)
At 31 December 2013	444,000	116,853	—	6,850	17,038	584,741

	Share capital *RMB'000*	Capital reserve *RMB'000*	Equity-settle share-based payment reserve *RMB'000*	Statutory reserves *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2014	444,000	116,853	—	6,850	17,038	584,741
Changes in equity for 2014:						
Profit for the year	—	—	—	—	30,337	30,337
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	30,337	30,337
Appropriations to statuary reserve	—	—	—	2,758	(2,758)	—
Dividends to shareholders	—	—	—	—	(14,691)	(14,691)
At 31 December 2014	444,000	116,853	—	9,608	29,926	600,387

	Share capital *RMB'000*	Capital reserve *RMB'000*	Equity-settle share-based payment reserve *RMB'000*	Statutory reserves *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2015	444,000	116,853	—	9,608	29,926	600,387
Changes in equity for 2015:						
Profit for the year	—	—	—	—	17,688	17,688
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	17,688	17,688
Equity-settled share-based transactions	—	—	196	—	—	196
Appropriations to statuary reserve	—	—	—	1,752	(1,752)	—
Dividends to shareholders	—	—	—	—	(35,331)	(35,331)
At 31 December 2015	444,000	116,853	196	11,360	10,531	582,940

	Share capital *RMB'000*	Capital reserve *RMB'000*	Equity-settle share-based payment reserve *RMB'000*	Statutory reserves *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2016	444,000	116,853	196	11,360	10,531	582,940
Changes in equity for 2016:						
Profit for the year	—	—	—	—	51,432	51,432
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	51,432	51,432
Equity-settled share-based transactions	—	—	1,450	—	—	1,450
Issuance of shares	56,027	99,167	—	—	—	155,194
Appropriations to statuary reserve	—	—	—	3,206	(3,206)	—
Dividends to shareholders	—	—	—	—	(36,723)	(36,723)
At 30 September 2016	500,027	216,020	1,646	14,566	22,034	754,293

(b) Share capital

	Year ended 31 December						Nine months ended 30 September	
	2013		2014		2015		2016	
	No. of shares	Amount *RMB'000*	No. of shares	Amount *RMB'000*	No. of shares	Amount *RMB'000*	No. of shares	Amount *RMB'000*
Authorised:								
Ordinary shares of RMB 1 each	444,000,000	444,000	444,000,000	444,000	444,000,000	444,000	509,000,000	509,000
Ordinary shares, issued and fully paid:								
At the beginning of the year	444,000,000	444,000	444,000,000	444,000	444,000,000	444,000	444,000,000	444,000
Issue of new shares under Share Option scheme *(note (i))*	—	—	—	—	—	—	907,000	907
Issuance of new shares *(note (ii) and (iii))*	—	—	—	—	—	—	55,120,000	55,120
At the end of the year	444,000,000	444,000	444,000,000	444,000	444,000,000	444,000	500,027,000	500,027

(i) On 20 January 2016, options under the share option scheme were exercised for 907,000 ordinary shares after the fulfilment of the service condition for the employee of the Project Company at a consideration of RMB2,512,000 in total, of which RMB907,000 were credited to share capital and RMB1,605,000 was credited to the capital reserve account in accordance with the accounting policy adopted by the Project Company.

(ii) On 20 January 2016 the Project Company issued 15,120,000 new shares to certain management at a price of RMB 2.77 per share. Proceeds of RMB15,120,000 representing the par value of these ordinary shares, were credited to the Project Company's share capital and the excess of the proceeds over the nominal value of the total number of ordinary shares issued after offsetting share issuance costs of RMB26,762,000, were credited to the capital reserve account of the Project Company.

(iii) On 20 January 2016 the Project Company issued 40,000,000 new shares to a third party at a price of RMB2.77 per share. Proceeds of RMB40,000,000 representing the par value of these ordinary shares, were credited to the Project Company's share capital and the excess of the proceeds over the nominal value of the total number of ordinary shares issued after offsetting share issuance costs of RMB70,800,000, were credited to the capital reserve account of the Project Company.

(c) ***Dividend***

Dividends payable to equity shareholders of the Project Company attributable to the previous financial years, approved and paid during the year/period:

	Year ended 31 December			Nine months ended 30 September
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year	36,005	14,691	35,331	36,723

The board of directors does not recommend the distribution of an interim dividend for the nine months ended 30 September 2016.

(d) ***Capital reserve***

The capital reserve represents the difference between the par value of the shares of the Project Company and proceeds received from the issuance of the shares of the Project Company.

(e) ***Equity-settled share-based payments reserve***

The equity-settled share-based payments reserve represents the portion of the grant date fair value of share options granted to the directors and employees of the Project Company and its subsidiaries that have been recognised in accordance with the accounting policy adopted for share-based payments in note 1(q)(ii).

(f) ***Statutory reserves***

According to laws applicable to the foreign investment enterprises in the PRC and the Articles of Association of Project Company and its subsidiaries, they are required to appropriate part of their net profits as determined in accordance with the PRC GAAP to various reserves. These include general reserve, statutory surplus reserve and statutory public welfare fund.

For general reserve, appropriation to general reserve is at the discretion of the directors of the relevant PRC entities. The reserve can only be used for specific purposes and is not distributable as cash dividends.

For statutory surplus reserve, 10% of the net profit, as determined in accordance with the PRC GAAP, of the relevant PRC entities is transferred to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital of the relevant PRC companies. The transfer to this reserve must be made before distribution of dividends to shareholders can be made. The statutory surplus reserve can be used to setting off accumulated losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholders or by increasing the par value of the shares currently held by the shareholders, provided that the balance after such issue is not less than 50% of the registered capital. Any amount of funds outside of the 50% reserve balance can be distributed as by the relevant PRC entities, as advances or cash dividends, subject however, to complying with applicable requirements. Such dividend or loans could take a considerable amount of time to implement and to be processed by certain governmental agencies.

(g) Capital management

The Project Group's primary objectives when managing capital are to safeguard the Project Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurate with the level of risk and by securing access to financing at a reasonable cost.

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

The Project Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose the Project Group defines net debt as total interest-bearing loans less cash and cash equivalents. The Project Group defines "capital" as all components of equity.

The net debt-to-capital ratio at 31 December 2013, 2014 and 2015 and 30 September 2016 was as follows:

	Year ended 31 December			Nine months ended 30 September
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	100,000	380,000	370,000	580,000
Less: Cash and cash equivalents	153,521	230,864	277,326	919,022
Restricted cash	—	—	135,630	168,000
Net cash	(53,521)	149,136	(42,956)	(507,022)
Total equity	631,324	632,404	593,375	742,173
Net debt-to-capital ratio *(note)*	—	24%	—	—

Note: No net debt-to-capital ratio at 31 December 2013 and 2015 and 30 September 2016 is presented as the Project Group were at net cash position as of that date.

Except for the banking facilities which require the fulfilment of certain covenants as disclosed in note 21(b), neither the Project Company nor any of the subsidiaries are subject to externally imposed capital requirements.

26 Operating lease commitments

At 31 December 2013, 2014 and 2015 and 30 September 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December			As at 30 September
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	56	684	2,546	2,557
After one year but within five years	6,930	6,275	3,729	1,818
	6,986	6,959	6,275	4,375

The Project Group leases properties under operating lease. The leases typically run for an initial period of one to five years. None of the leases includes contingent rentals.

27 Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the group, including amounts paid to the Project Group's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Short-term employee benefits	1,808	2,458	3,340	2,471	2,471
Post-employment benefits	153	1,117	1,311	174	216
Equity compensation benefits	—	—	5	—	95
	1,961	3,575	4,656	2,645	2,782

Remuneration is included in "staff costs" (see note 5(c)).

(b) ***The Project Group entered into the following significant related party transactions during the year:***

	Year ended 31 December			Nine months ended 30 September	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales to related companies	6,762	11,142	14,738	9,442	2,769
Purchase from related companies	114	1,181	472	472	88

28 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Project Group's business.

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

(a) Credit risk

The Project Group's credit risk is primarily attributable to trade and bills receivables and loans receivable under supply chain financing services and amounts due from related parties. Management has a credit policy in place and the exposure to these credit risks is monitored on an ongoing basis.

In respect of trade and bills receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors are normally due within 30 to 90 days from the date of billing. Normally, the Project Group does not obtain collateral from customers.

The Project Group's exposure to credit risk is influenced mainly by the industry, no significant concentrations of credit risk arising from individual customers.

In respect of loans receivable, management has established policies and systems for the monitoring and control of credit risk. The Project Group manages and analyses the credit risk for each of their new and existing clients before payment terms and conditions are offered. The Project Group assesses the credit quality of the third parties under supply chain financing services, taking into account its financial position, past experience and other factors. Impairment allowances on loan receivables are determined by an evaluation of the incurred loss at the end of the reporting period on a case-by-case basis. The assessment normally encompasses the anticipated receipts for the individual balance. Management has overall responsibility for the Project Group's credit policies and oversees the credit quality of the Project Group's loan portfolio in its supply chain financing business. In addition, management reviews the recoverable amount of loans receivable individually or collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Project Group's credit risk is significantly reduced.

Cash and cash equivalents and restricted cash are placed with financial institutions with sound credit ratings to minimize credit exposure.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

Further quantitative disclosures in respect of the Project Group's exposure to credit risk arising from trade and bills receivables and loans receivable are set out in notes 16 and 17.

(b) ***Liquidity risk***

Individual operating entities within the Project Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Project Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Project Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Project Group can be required to pay.

	At 31 December 2013		
	Contractual undiscounted cash outflow		**Carrying amount at 31 December**
	Within 1 year or on demand	**Total**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables	362,892	362,892	362,892
Bank loans	103,932	103,932	100,000
Amounts due to related parties	3,586	3,586	3,586
	470,410	470,410	466,478

	At 31 December 2014		
	Contractual undiscounted cash outflow		Carrying amount at 31 December
	Within 1 year or on demand	Total	2014
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables	516,006	516,006	516,006
Bank loans	389,541	389,541	380,000
Amounts due to related parties	892	892	892
	906,439	906,439	896,898

	At 31 December 2015		
	Contractual undiscounted cash outflow		Carrying amount at 31 December
	Within 1 year or on demand	Total	2015
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables	2,349,844	2,349,844	2,349,844
Bank loans	382,734	382,734	370,000
Amounts due to related parties	47	47	47
	2,732,625	2,732,625	2,719,891

	At 30 September 2016		
	Contractual undiscounted cash outflow		Carrying amount at 30 September
	Within 1 year or on demand	Total	2016
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables	5,337,410	5,337,410	5,337,410
Bank loans	593,529	593,529	580,000
Amounts due to related parties	17,331	17,331	17,331
	5,948,270	5,948,270	5,934,741

(c) Interest rate risk

The Project Group's interest rate risk arises primarily from fixed rate borrowings that expose the Project Group to fair value interest rate risk. The Project Group defines "net borrowings" as being interest-bearing financial liabilities less interest-bearing receivables (excluding cash held for short-term working capital purposes).The Project Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Project Group's interest bearing borrowings at the end of the reporting period:

	Year ended 31 December						Nine months ended 30 September	
	2013		2014		2015		2016	
	Effective interest rate	Principal amount *RMB'000*	Effective interest rate	Principal amount *RMB'000*	Effective interest rate	Principal amount *RMB'000*	Effective interest rate	Principal amount *RMB'000*
Net fixed rate borrowing:								
Bank loans	6.55%	100,000	6.75%	380,000	5.94%	370,000	4.96%	580,000
Less: loans receivable	9.00 — 15.00%	(354,236)	8.64 — 15.00%	(657,632)	6.96 — 14.00%	(917,214)	4.35 — 14.00%	(943,417)
		(254,236)		(277,632)		(547,214)		(363,417)

The Project Group's future interest expense and income will fluctuate in line with any change in borrowing rates. Management considers the Project Group's exposure to interest rate risk is minimal as all lendings and borrowings are at fixed rate.

(ii) Sensitivity analysis

At 31 December 2013, 2014 and 2015 and 30 September 2016, all of the Project Group's interest bearing borrowings are fixed rate borrowings, no sensitivity analysis on interest rate risk is presented.

(d) Currency risk

At 31 December 2013, 2014 and 2015 and 30 September 2016, the amounts of financial assets and liabilities denominated in currencies other than functional currency is immaterial, management considered the currency risk is limited.

(e) Fair value measurement

(a) Financial assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the Project 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 September	**Fair value measurements as at 30 September 2016 categorised into**		
	2016	**Level 1**	**Level 2**	**Level 3**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Assets:				
Wealth management products *(i)*:	3,587,496	3,587,496	—	—
Forward contracts *(ii)*	24,667	—	24,667	—
	3,612,163	3,587,496	24,667	—
Liabilities:				
Forward contracts *(ii)*	(24,667)	—	(24,667)	—

	Fair value at 31 December	Fair value measurements as at 31 December 2015 categorised into		
	2015	Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Assets:				
Wealth management products *(i)*:	1,392,082	1,392,082	—	—
Forward contracts *(ii)*	12,162	—	12,162	—
	1,404,244	1,392,082	12,162	—
Liabilities:				
Forward contracts *(ii)*	(12,162)	—	(12,162)	—

	Fair value at 31 December	Fair value measurements as at 31 December 2014 categorised into		
	2014	Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Assets:				
Forward contracts *(ii)*:	9,214	—	9,214	—
Liabilities:				
Forward contracts *(ii):*	(9,214)	—	(9,214)	—

	Fair value at 31 December	Fair value measurements as at 31 December 2013 categorised into		
	2013	Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Assets:				
Forward contracts *(ii)*:	17,804	—	17,804	—
Liabilities:				
Forward contracts *(ii)*:	(17,804)	—	(17,804)	—

Note:

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

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

During the year ended 31 December 2013, 2014 and 2015 and the nine months ended 30 September 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Project Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(b) All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2013, 2014 and 2015 and 30 September 2016.

29 Company-level statement of financial position

		As at 31 December			As at 30 September
		2013	**2014**	**2015**	**2016**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment		5,789	3,401	6,422	5,162
Intangible assets		1,819	2,797	5,728	5,668
Interest in associates		57,136	53,165	66,780	82,619
Investments in subsidiaries	*12*	152,621	96,676	153,676	153,676
Deferred tax assets		11,634	7,358	5,784	5,169
Other non-current assets		—	6,143	3,626	2,885
		228,999	169,540	242,016	255,179
Current assets					
Financial assets at fair value through profit or loss		—	—	1,392,082	3,405,069
Inventories		11,343	—	79,671	72,015
Trade and other receivables		155,517	126,640	361,309	601,243
Loans receivable		323,709	625,537	535,536	580,385
Restricted cash		—	—	135,630	168,000
Cash and cash equivalents		54,249	73,441	157,177	591,179
		544,818	825,618	2,661,405	5,417,891
Current liabilities					
Trade and other payables		80,647	35,429	1,942,385	4,331,492
Bank loans		100,000	350,000	370,000	580,000
Current taxation		529	529	529	529
		181,176	385,958	2,312,914	4,912,021
Net current assets		363,642	439,660	348,491	505,870

		As at 31 December			As at 30 September
		2013	**2014**	**2015**	**2016**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets less current liabilities		592,641	609,200	590,507	761,049
Non-current liability					
Deferred income		7,900	8,813	7,567	6,756
		7,900	8,813	7,567	6,756
NET ASSETS		584,741	600,387	582,940	754,293
CAPITAL AND RESERVES					
Share capital	*25*	444,000	444,000	444,000	500,027
Reserves	*25*	140,741	156,387	138,940	254,266
TOTAL EQUITY		584,741	600,387	582,940	754,293

Approved and authorised for issue by the board of directors on 15 February 2017.

30 Non-adjusting events after the reporting period

On 28 October 2016, Zall Development (BVI) Holding Company Limited ("Zall Development"), a wholly-owned subsidiary of Zall Group Ltd entered into an acquisition agreement, pursuant to which the Zall Development conditionally agreed to purchase 60.49% equity interest of the Project Group. The acquisition is not competed at the date of the Circular.

31 Possible impact of amendments, new standards and interpretations issued but not yet effective for the nine-month ended 30 September 2016

Up to the date of issue of the Financial Information, the IASB has issued a few amendments and new standards which are not yet effective for the nine-month ended 30 September 2016 and which have not been adopted in the Financial Information. These include the following which may be relevant to the Project Group.

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

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

IFRS 9, Financial instruments

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

(a) Classification and measurement

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

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

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

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

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

(b) *Impairment*

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

IFRS 15, Revenue from contracts with customers

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

(a) *Timing of revenue recognition*

The Project Group's revenue recognition policies are disclosed in note 1(t). Currently, revenue arising from the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

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

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

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

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

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

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the Project Group adopts IFRS 15 some of the Project Group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

(b) Significant financing component

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

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

The Project Group is in the process of assessing whether this component in the Project Group's advance payment schemes would be significant to the contract and therefore whether, once IFRS 15 is adopted, the transaction price would need to be adjusted for the purposes of recognising revenue.

(c) Sales with a right of return

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

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

IFRS 16, Leases

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

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

IFRS 16 will primarily affect the Project Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 26, at 30 September 2016 the Project Group's future minimum lease payments under non-cancellable operating leases amount to RMB 4,375,000 for properties and other assets, the majority of which is payable either between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Project Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

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

C SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Project Company and its subsidiaries in respect of any period subsequent to 30 September 2016.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Set out below is the management discussion and analysis of the Target Group for each of the three financial years ended 31 December 2013, 2014, 2015 and nine months ended 30 September 2016.

BUSINESS REVIEW AND FINANCIAL PERFORMANCE

	For nine months ended 30 September	For the year ended 31 December		
	2016	**2015**	**2014**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sales of white sugar	14,204,837	12,579,242	6,852,766	2,554,272
Sales of other agricultural products	159,724	150,947	348,820	131,190
Supply chain financing related revenue	83,863	112,023	80,405	44,569
Others	6,636	20,089	31,325	16,817
	14,455,060	12,862,301	7,313,316	2,746,848

The revenue of the Target Group were approximately RMB2,746,848,000, RMB7,313,316,000, RMB12,862,301,000 and RMB14,455,060,000 for the three years ended 31 December 2013, 2014, 2015 and for the nine months ended 30 September 2016 respectively. From 2013 to 2015, the sales of the Target Group increased significantly by approximately RMB10,115,453,000, such increase was mainly attributable to a fast growth of trading volume leading to an increased sales of white sugar, which represented over 90% of the total sales.

The gross profit of the Target Group were approximately RMB55,842,000, RMB123,863,000, RMB148,521,000 and RMB102,765,000 for the three years ended 31 December 2013, 2014, 2015 and for the nine months ended 30 September 2016 respectively. The increase in the gross profit was mainly attributable to the rapid expansion of white sugar trading volume and the rapid growth of supply chain financing service.

Other income of the Target Group includes government grants amounting to approximately RMB1,752,000, RMB2,941,000, RMB6,658,000 and RMB9,057,000 for the three years ended 31 December 2013, 2014, 2015 and for the nine months ended 30 September 2016 respectively.

Other gains and losses of the Target Group were approximately RMB865,000, RMB948,000, RMB7,773,000 and RMB16,619,000 for the three years ended 31 December 2013, 2014, 2015 and for the nine months ended 30 September 2016 respectively. For the year ended 31 December 2015, the balance mainly represented the net gain on the financial assets at a fair value through profit or loss, and the net loss on disposal of some fixed assets. For the year ended 31 December 2014, the balance mainly represented the compensations to customers arising from the mid to long term contracts. For the year ended 31 December 2013, other income mainly represented the gain on long outstanding payment.

The selling and distribution expenses of the Target Group were approximately RMB7,214,000, RMB13,949,000, RMB25,202,000 and RMB30,648,000 for the three years ended 31 December 2013, 2014, 2015 and for the nine months ended 30 September 2016 respectively. Such increase was mainly attributable to the expansion of white sugar business scale, the commencement of sales of kiwi fruit, eucalyptus boards and apple as well as increased sales personnel.

The administrative expenses of the Target Group were approximately RMB49,184,000, RMB62,699,000, RMB 77,241,000 and RMB 53,283,000 for the three years ended 31 December 2013, 2014, 2015 and for the nine months ended 30 September 2016 respectively. Such increase was mainly attributable to the increase in staff number, wages, consultation fees and performance bonuses arising from the business expansion.

The finance costs of the Target Group were approximately RMB9,313,000, RMB16,356,000, RMB 29,921,000 and RMB 26,385,000 for the three years ended 31 December 2013, 2014, 2015 and for the nine months ended 30 September 2016 respectively. The increase in finance costs was mainly attributable to the increased bank borrowings arising from the expansion of supply chain financing business.

Share of assets and profits of associates of the Target Group were approximately RMB15,053,000, RMB11,330,000, RMB 13,893,000 and RMB 13,880,000 for the three years ended 31 December 2013, 2014, 2015 and for the nine months ended 30 September 2016 respectively. The balance represented share of profits of the associates, which were mainly contributed by 40% profit sharing from Guangxi Sugar Network and Guangxi Kang Chen.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2013, 31 December 2014, 31 December 2015, and 30 September 2016, the total liabilities of the Target Group were approximately RMB515,328,000, RMB939,423,000, RMB2,758,051,000, RMB5,980,899,000, respectively. The total current liabilities were approximately RMB489,876,000, RMB914,706,000, RMB2,739,188,000, RMB5,965,504,000, respectively.

As at 31 December 2013, 31 December 2014, 31 December 2015, and 30 September 2016, the total cash and bank balances of the Target Group were approximately RMB153,521,000, RMB230,864,000, RMB412,956,000, RMB1,087,022,000, respectively.

As at 31 December 2013, 31 December 2014, 31 December 2015, and 30 September 2016, the total borrowings of approximately RMB100,000,000, RMB380,000,000, RMB370,000,000, RMB580,000,000, respectively. The borrowings interest at an average fixed interest rate were approximately 6.55%, 6.75%, 5.94%, 4.96% per annum, respectively.

Taking into account the internally generated funds of and the banking facilities available to the Target Group, the Target Group have sufficient capital to meet its working capital requirements and to finance foreseeable capital expenditure.

CAPTIAL STRUCTURE

The Target Group's operations were financed mainly by shareholders' equity, banking facilities available to the Target Group and internal resources. The Target Group's borrowings and cash and cash equivalents were mainly denominated in Renminbi. On 20 January 2016, the Target Group issued 15,120,000 shares of the Company to eligible employees and 40,000,000 shares of the Company to third parties at a price of RMB2.77 per share, raising an additional working capital of approximately RMB152,682,000 in aggregate. Under the Share Option Scheme, a total of 906,671 shares were exercised on 20 January 2016, raising an additional working capital of approximately RMB2,512,000. As at 31 December 2013, 31 December 2014 and 31 December 2015, there were no significant change in the Target Group's equity interest.

As at 31 December 2013, 31 December 2014, 31 December 2015, and 30 September 2016, the Target Group's gearing ratio (defined as total liabilities as a percentage of total assets) were 50.2%, 64.6%, 85.5%, 90.8%, respectively. The increase of the gearing ratios were due to the increase of bank borrowings, trade and other payables with expansion of business.

PLEDGE OF ASSETS

The Target Group did not have any pledge of assets as at 31 December 2013 and 31 December 2014.

As at 31 December 2015 and 30 September 2016, bills payable of the Target Group were secured by assets set out as below:

	31 December 2015	30 September 2016
	RMB'000	*RMB'000*
Restricted cash	135,630	168,000
Financial assets at fair value through profit or loss	1,392,082	3,587,496
	1,527,712	3,755,496

CONTINGENT LIABILITIES

The Target Group did not have any significant contingent liabilities as at 31 December 2013, 31 December 2014, 31 December 2015, and 30 September 2016.

COMMITMENTS

As at 31 December 2013, 31 December 2014, 31 December 2015, and 30 September 2016, the Target Group had commitments of approximately RMB6,986,000, RMB6,959,000, RMB6,275,000 and RMB4,375,000, respectively, which were related to property lease agreements which are not provided in the consolidated financial statements.

Dividend

For the three years as at 31 December 2013, 31 December 2014, 31 December 2015 and the nine months ended 30 September 2016 the Target Group declared the payment of dividends of approximately RMB36,005,000, RMB14,691,000, RMB35,331,000, and RMB36,723,000 respectively.

FOREIGN EXCHANGE RISK

The Target Group's business operations are mainly conducted in the PRC. All of the revenue and expense were principally denominated in Renminbi. In 2012, the Target Group introduced an external strategic investor and contributed approximately USD48,473,000 in October 2012. As affected by the appreciation of the RMB exchange rate, a loss of approximately RMB7,266,000 was recorded arising from the balance of such contribution in US dollar during the period. Other than that, the Target Group did not have material exchange risk exposure for the three years ended 31 December 2013, 31 December 2014, 31 December 2015 and for the nine months ended 30 September 2016. The Target Group had not used any financial instrument to hedge against the exposure in foreign exchange.

INTEREST RATE RISK

Since the loans of the Target Group were mainly sourced from bank borrowings and short-term notes, the benchmark lending rate announced by the People's Bank of China had a direct impact on the Target Group's cost of debt. Future changes in interest rate would also have certain impact on the Target Group's cost of debt. The Target Group will strive to reduce the finance cost by actively monitoring the changes in credit policies, taking pre-emptive actions, strengthening capital management and expanding financing channels.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2013, 31 December 2014, 31 December 2015 and 30 September 2016, the Target Group employed a total of about full time 180, 297, 335 and 376 employees respectively. The Target Group's staff recruitment and promotion are primarily based on individuals' merits, relevant experiences, development potentials for the positions offered and performance. Staff remuneration and benefit policies are formulated with reference to the competitive market conditions, and individual performance.

As at 31 December 2013, 31 December 2014,31 December 2015 and 30 September 2016, the staff cost of the Target Group amounted to approximately RMB14,559,000, RMB21,079,000, RMB35,443,000 and RMB33,084,000 respectively, including basic salaries, year-end bonus and staff benefits such as statutory social insurances.

PROSPECTS

In the white sugar B2B market, the Company has already captured a market share which gives it a strong competitive advantage, with a customer base covering a substantial majority of the participants in the industry. The Company will further exploit the synergies of the two most important subsidiary and associate, ie. Kunshang E-Sugar and Guangxi Sugar Network, sharing of resources including logistics, technology, settlement and payment. The Company will constantly expand its market share and keep itself in a leading position in the white sugar industry.

With regards to the B2B business for other bulk commodities, the Company will further strengthen its position and explore appropriate operating models. With its strong abilities in resources allocation, risk management and service capabilities, the Company will make good use of its successful business model in the white sugar to other products such as cocoon silk, eucalyptus boards products and fruit products, in order to achieve centralized control, engage in vertical integration of B2B transactions and expand more highly standardized products.

Looking forward, the State Council and the Ministry of Agriculture promulgated a series of decisions and deployment plans in respect of fostering the integration of rural industries, signifying that more development opportunities will be gradually arisen in the field of agricultural e-commerce in the future. The Company will continue to provide high value products and services to ecosystem in relation to agricultural products.

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this circular.

KPMG

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

15 February 2017

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF ZALL GROUP LTD

We have completed our assurance engagement to report on the compilation of pro forma financial information of Zall Group Ltd. (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2016 and the unaudited pro forma consolidated income statement and pro forma consolidated cash flow statement for the year ended 31 December 2015 and related notes as set out in Part B of Appendix IV to the circular dated 15 February 2017 (the "Circular") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix IV to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of Shenzhen Sinoagri E-commerce Co., Ltd. (the "Project Company") and its subsidiaries (collectively the "Project Group", and together with the Group referred to as the "Enlarged Group") (the "Proposed Acquisition") on the Group's financial position as at 30 June 2016 and the Group's financial performance and cash flows for the year ended 31 December 2015 as if the Proposed Acquisition had taken place at 30 June 2016 and 1 January 2015, respectively. As part of this process, information about the Group's financial position as at 30 June 2016 has been extracted by the Directors from the interim report of the Company for the period then ended, on which no review report has been published. Information about the Group's financial performance and cash flows for the year ended 31 December 2015 has been extracted by the Directors from the annual report of the Group for the year ended 31 December 2015, on which an audit report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 June 2016 or 1 January 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group, and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

(A) INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the unaudited pro forma financial information of the Group as if its acquisition of the 60.49% equity interest in Shenzhen Sinoagri E-commerce Co., Ltd. (the "Project Company") and its subsidiaries (herein after collectively referred to as the "Project Group") ("the Proposed Acquisition") (the "Unaudited Pro Forma Financial Information") had been completed on 30 June 2016 for the pro forma consolidated statement of financial position and on 1 December 2015 for the pro forma consolidated profit or loss, the pro forma consolidated profit or loss and other comprehensive income and the pro forma consolidated cash flow statement. Details of the Proposed Acquisition are set out in the section headed "Letter from the Board" contained in this circular.

The unaudited pro Forma financial information of the Group has been prepared by the directors of the Company (the "Directors") in accordance with Rules 4.29 and 14.69(4)(a)(ii) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for the purposes of illustrating the effect of the Proposed Acquisition pursuant to the terms of the sale and purchase agreement and because of its hypothetical nature, it may not give a true picture of the financial position or results of Group had the Proposed Acquisition been completed as of the specified dates or any future date.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2016 is prepared as if the Proposed Acquisition had taken place on 30 June 2016 and is based on (i) the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2016, which has been extracted from the published interim report of the Company for the period ended 30 June 2016; (ii) the audited consolidated statement of financial position of the Project Group as at 30 September 2016 as extracted from the Accountants' Report of the Project Group as set out in Appendix II to this Circular, and adjusted on a pro forma basis to reflect the effect of the Proposed Acquisition.

The unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2015 are prepared as if the Proposed Acquisition had taken place on 1 January 2015 and are based on (i) the audited consolidated statement of profit or loss, the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated cash flow statement of the Group for the year ended 31 December 2015, which have been extracted from the published annual report of the Company for the year ended 31 December 2015; (ii) the audited consolidated statement of profit or loss, the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated cash flow statement of the Project Group for the year ended 31 December 2015 as extracted from the Accountants' Report of the Project Group as set out in Appendix II to this Circular, and adjusted on a pro forma basis to reflect the effect of the Proposed Acquisition.

These pro forma adjustments are (i) directly attributable to the Proposed Acquisition and not relating to other future events or decisions and (ii) factually supportable.

The unaudited pro forma financial information should be read in conjunction with the historical financial information of the Group set out in the annual report of the Company for the year ended 31 December 2015 and the interim report of the Company for the period ended 30 June 2016, the accountant's report on the financial information of the Project Group as set out in Appendix II to this circular and other financial information contained in this circular.

(B) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Consolidated statement of financial position of the Group as at 30 June 2016	Consolidated statement of financial position of the Project Group as at 30 September 2016	Pro forma adjustments	The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note (1)	*Note (2)*	*Note (3)*	
Non-current assets				
Property, plant and equipment	164,690	24,804		189,494
Investment properties	13,658,400	—		13,658,400
Interest in associates	502,904	83,087	371,081	957,072
Interest in joint ventures	89,305	—		89,305
Intangible assets	—	5,728	486,040	491,768
Goodwill	—	—	1,350,479	1,350,479
Deferred tax assets	227,825	18,625		246,450
Long-term receivables	220,959	—		220,959
Other non-current assets	—	2,885		2,885
	14,864,083	135,129		17,206,812

	Consolidated statement of financial position of the Group as at 30 June 2016	Consolidated statement of financial position of the Project Group as at 30 September 2016	Pro forma adjustments	The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note (1)	*Note (2)*	*Note (3)*	
Current assets				
Financial assets at fair value through profit or loss	2,014,958	3,612,163	26,053	5,653,174
Properties under development	3,299,087	—		3,299,087
Completed properties held for sale	4,286,310	—		4,286,310
Inventories	—	110,118		110,118
Current tax assets	29,964	—		29,964
Trade and other receivables, prepayments	1,495,252	772,598		2,267,850
Loans receivable	—	943,417		943,417
Amount due from related parties	—	62,620		62,620
Restricted cash	405,471	168,000		573,471
Cash and cash equivalents	378,172	919,022		1,297,194
Current tax assets	—	5		5
	11,909,214	6,587,943		18,523,210
Non-current assets classified as held for sale	153,705	—		153,705
	12,062,919	6,587,943		18,676,915

	Consolidated statement of financial position of the Group as at 30 June 2016	Consolidated statement of financial position of the Project Group as at 30 September 2016	Pro forma adjustments	The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note (1)	*Note (2)*	*Note (3)*	
Current liabilities				
Financial liabilities at fair value through profit or loss	—	24,667		24,667
Trade and other payables	3,865,101	5,337,410		9,202,511
Bank loans and loans from other financial institutions	2,610,774	580,000		3,190,774
Amount due to related parties	—	17,331		17,331
Current taxation	237,182	6,096		243,278
Deferred income	15,725	—		15,725
Liabilities directly associated with non-current assets classified as held for sale	38,311	—		38,311
	6,767,093	5,965,504		12,732,597
Net current assets	5,295,826	622,439		5,944,318
Total assets less current liabilities	20,159,909	757,568		23,151,130
Non-current liabilities				
Bank loans and loans from other financial institutions	4,938,867	—		4,938,867
Deferred income	11,835	15,395		27,230
Deferred tax liabilities	3,447,214	—	214,280	3,661,494
	8,397,916	15,395		8,627,591

	Consolidated statement of financial position of the Group as at 30 June 2016	Consolidated statement of financial position of the Project Group as at 30 September 2016	Pro forma adjustments	The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note (1)	*Note (2)*	*Note (3)*	
NET ASSETS	11,761,993	742,173		14,523,539
CAPITAL AND RESERVES				
Share capital	29,727	500,027	(498,267)	31,487
Reserves	10,880,737	227,161	1,985,406	13,093,304
Total equity attributable to equity shareholders of the Company	10,910,464	728,469	1,485,858	13,124,791
Non-controlling interests	851,529	13,704	533,515	1,398,748
TOTAL EQUITY	11,761,993	742,173		14,523,539

(C) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Consolidated statement of profit or loss of the Group for the year ended 31 December 2015	Consolidated statement of profit or loss of the Project Group for the year ended 31 December 2015	Pro forma adjustments			The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (1)	*Note (2)*	*Note (4)*	*Note (5)*	*Note (6)*	
Revenue	1,029,482	12,862,301				13,891,783
Cost of sales	(758,272)	(12,713,780)				(13,472,052)
Gross profit	271,210	148,521				419,731
Other income	972,184	14,432				986,616
Selling and distribution expenses	(141,337)	(25,202)				(166,539)
Administrative and other expenses	(153,480)	(77,241)	(48,489)		(74,572)	(353,782)
Profit from operations before changes in fair value of investment properties	948,577	60,510				886,026
Increase in fair value of investment properties and non-current assets classified as held for sale	439,584	—				439,584
Fair value gain upon transfer of completed properties held for sale to investment properties	798,158	—				798,158

	Consolidated statement of profit or loss of the Group for the year ended 31 December 2015	Consolidated statement of profit or loss of the Project Group for the year ended 31 December 2015	Pro forma adjustments			The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (1)	*Note (2)*	*Note (4)*	*Note (5)*	*Note (6)*	
Profit from operations after changes in fair value of investment properties	2,186,319	60,510				2,123,768
Share of profits of joint ventures	10,315	—				10,315
Share of profits of associates	—	13,893				13,893
Gain on disposal of subsidiaries	353,708	—				353,708
Fair value change on embedded derivative component of the convertible bonds	(17,027)	—				(17,027)
Finance income	5,740	7,923				13,663
Finance costs	(264,909)	(29,921)				(294,830)
Profit before taxation	2,274,146	52,405				2,203,490
Income tax	(228,158)	(10,301)	12,122			(226,337)
Profit for the year	2,045,988	42,104				1,977,153
Attributable to:						
Equity shareholders of the Company	2,037,727	42,335		(2,267)		1,966,856
Non-controlling interests	8,261	(231)		2,267		10,297
Profit for the year	2,045,988	42,104				1,977,153

(D) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2015	Consolidated statement of profit or loss and other comprehensive income of the Project Group for the year ended 31 December 2015	Pro forma adjustments			The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (1)	*Note (2)*	*Note (4)*	*Note (5)*	*Note (5)*	
Profit for the year	2,045,988	42,104	(36,367)		(74,572)	1,977,153
Other comprehensive income for the year (after tax and reclassification adjustments):						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of						
— financial statements of subsidiaries in other jurisdictions	(49,030)	—				(49,030)

	Consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2015	Consolidated statement of profit or loss and other comprehensive income of the Project Group for the year ended 31 December 2015	Pro forma adjustments			The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (1)	*Note (2)*	*Note (4)*	*Note (5)*	*Note (5)*	
Other comprehensive income for the year	(49,030)	—				(49,030)
Total comprehensive income for the year	1,996,958	42,104				1,928,123
Attributable to:						
Equity shareholders of the Company	1,988,697	42,335		(2,267)		1,917,826
Non-controlling interests	8,261	(231)		2,267		10,297
Total comprehensive income for the year	1,996,958	42,104				1,928,123

(E) UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT

	Consolidated cash flow statement of the Group for the year ended 31 December 2015	Consolidated cash flow statement of the Project Group for the year ended 31 December 2015	Pro forma adjustments			The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (1)	*Note (2)*	*Note (3)*	*Note (4)*	*Note (6)*	
Operating activities						
Profit before taxation	2,274,146	52,405		(48,489)	(74,572)	2,203,490
Adjustments for:						
Amortisation	3,389	3,743		48,489		55,621
Depreciation						
— property, plant and equipment	12,412	11,896				24,308
— disposal group held for sale	398	—				398
Gain on early redemption of convertible bonds	(123,849)	—				(123,849)
Finance income	(5,740)	(7,923)				(13,663)
Finance costs	264,909	29,921				294,830
Fair value change on embedded derivative component of the convertible bonds	17,027	—				17,027
Fair value change from financial assets at fair value through profit or lost	—	(8,132)				(8,132)
Increase in fair value of investment properties and non current assets classified as held for sale	(439,584)	—				(439,584)
Fair value gain upon transfer of completed properties held for sale to investment properties	(798,158)	—				(798,158)

	Consolidated cash flow statement of the Group for the year ended 31 December 2015	Consolidated cash flow statement of the Project Group for the year ended 31 December 2015	Pro forma adjustments			The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (1)	*Note (2)*	*Note (3)*	*Note (4)*	*Note (6)*	
Fair value change on financial assets held for trading	(348,358)	—				(348,358)
(Gain)/loss on sale of property, plant and equipmen	—	487				487
Gain on sale of financial assets held for trading	(540)	—				(540)
Gain on disposal of 10% interest of Zall Shenyang and Zall Xiaogan	(4,016)	—				(4,016)
Share of profits of joint ventures	(10,315)	—				(10,315)
Share of profits of associates	—	(13,893)				(13,893)
Equity settled share-based payment expenses	1,733	196			74,572	76,501
Amortisation of deferred income	(83,176)	(6,255)				(89,431)
Amortisation of deferred income included in disposal group held for sale	(6,636)	—				(6,636)
Impairment loss on trade and other receivables	—	1,609				1,609
Impairment loss on inventory	—	972				972
Gain on disposal of subsidiaries	(353,708)	—				(353,708)
Gain on remeasurement of previously held interest upon step acquisition of subsidiaries	(265,870)	—				(265,870)
Gain on bargain purchase of subsidiaries	(101,423)	—				(101,423)
	32,641	65,026				97,667

	Consolidated cash flow statement of the Group for the year ended 31 December 2015	Consolidated cash flow statement of the Project Group for the year ended 31 December 2015	Pro forma adjustments			The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (1)	*Note (2)*	*Note (3)*	*Note (4)*	*Note (6)*	
Increase in properties under development, completed properties held for sale, inventories	(3,320,798)	(131,289)				(3,452,087)
Decrease in trade and other receivables, prepayments	475,534	200,081				675,615
Increase in loans receivable	—	(261,592)				(261,592)
Increase in amount due from related parties	—	(888)				(888)
Increase in restricted cash	—	(135,630)				(135,630)
Increase in financial assets at fair value through profit or loss	—	(1,386,898)				(1,386,898)
Increase in financial liabilities at fair value thought profit or loss	—	2,948				2,948
Increase in long term receivables	(208,659)	—				(208,659)
Increase in trade and other payables	1,690,315	1,836,356				3,526,671
Decrease in amount due to related parties	—	(845)				(845)
Increase in other deferred income						
— other deferred income	—	401				401
— disposal group held for sale	733	—				733
Cash (used in)/generated from operations	(1,330,234)	187,670				(1,142,564)

	Consolidated cash flow statement of the Group for the year ended 31 December 2015	Consolidated cash flow statement of the Project Group for the year ended 31 December 2015	Pro forma adjustments			The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (1)	*Note (2)*	*Note (3)*	*Note (4)*	*Note (6)*	
PRC tax paid	(109,878)	(14,976)				(124,854)
Net cash (used in)/generated from operating activities	(1,440,112)	172,694				(1,267,418)
Investing activities						
Payment for the purchase of property, plant and equipment	(116,842)	(9,532)				(126,374)
Payment for the purchase of intangible assets	—	(3,119)				(3,119)
Cash receipt from disposal of property, plant and equipment	—	2,385				2,385
Cash receipt from disposal of intangible assets	—	586				586
Net proceeds from disposal of subsidiaries	561,991	—				561,991
Increase in short-term bank deposits	(31,000)	—				(31,000)
Payment for acquisition of subsidiaries	(173,980)	—				(173,980)
Interest received	5,740	4,292				10,032
Dividend received	—	132				132
Proceeds from acquisition of the Project Group	—	—	230,864			230,864
Proceeds from disposal of financial assets held for trading	1,723	—				1,723

	Consolidated cash flow statement of the Group for the year ended 31 December 2015	Consolidated cash flow statement of the Project Group for the year ended 31 December 2015	Pro forma adjustments			The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (1)	*Note (2)*	*Note (3)*	*Note (4)*	*Note (6)*	
Net cash generated from/(used in) investing activities	247,632	(5,256)				473,240
Financing activities						
Proceeds from loans from the Ultimate Controlling Party	760,928	—				760,928
Repayment of convertible bonds	(714,983)	—				(714,983)
Proceeds from new bank loans and loans from other financial institutions	2,659,000	570,000				3,229,000
Repayment of bank loans	(499,073)	(580,000)				(1,079,073)
Increase in restricted cash	(62,131)	—				(62,131)
Interest and other borrowing costs paid	(352,073)	(29,922)				(381,995)
Dividends paid to equity shareholders of the Company	(583,325)	(35,331)				(618,656)
Capital injection by non-controlling equity holder						
Proceeds/ Withdraw from non-controlling shareholders	(19,600)	400				(19,200)
Repayment of loans from the Ultimate Controlling Party	(106,207)	—				(106,207)
Payment to acquisition of non-controlling interest in a subsidiary	—	(46,399)				(46,399)
Proceeds from placing of new shares	122,347	—				122,347
Proceeds from exercising of share option	20,574	—				20,574

	Consolidated cash flow statement of the Group for the year ended 31 December 2015	Consolidated cash flow statement of the Project Group for the year ended 31 December 2015	Pro forma adjustments			The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (1)	*Note (2)*	*Note (3)*	*Note (4)*	*Note (6)*	
Net cash generated from/ (used in) financing activities	1,225,457	(121,252)				1,104,205
Net increase in cash and cash equivalents	32,977	46,186	230,864			310,027
Cash and cash equivalents at 1 January	262,340	230,864	(230,864)			262,340
Effect of foreign exchange rate changes	(51,847)	276				(51,571)
Cash and cash equivalents at 31 December	243,470	277,326				520,796

Notes to the Unaudited Pro Forma Financial Information

1. The unadjusted consolidated statement of financial position of the Group as at 30 June 2016 is extracted from the published interim report of the Company for the period ended 30 June 2016. The unadjusted consolidated statement of profit or loss, the unadjusted consolidated statement of profit or loss and other comprehensive income and the unadjusted consolidated cash flow statement of the Group for the year ended 31 December 2015 are extracted from the published annual report of the Company for the year ended 31 December 2015.

2. The consolidated statement of financial position of the Project Group as at 30 September 2016, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income and the consolidated cash flow statement of the Project Group for the year ended 31 December 2015 are extracted from the Accountants' Report of the Project Group as set out in Appendix II to the Circular.

3. The identifiable assets and liabilities of the Project Group acquired by the Group will be accounted for in the consolidated financial statements of the Group at fair value under the acquisition method of accounting in accordance with International Financial Reporting Standards, Business Combinations ("IFRS 3").

For the purpose of the preparation of the unaudited pro forma consolidated statement of financial position, the adjustments represent (i) the elimination of the Project Group's share capital and pre-acquisition reserves at the date of acquisition of the Project Group; (ii) the recognition of fair value adjustments of identifiable assets and liabilities and related tax impact, as well as the goodwill recognised in accordance with the applicable standard under IFRS 3; and (iii) the recognition of non-controlling interests for the remaining 39.51% shares.

For the purpose of the Unaudited Pro Forma Financial Information, the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed is determined with reference to the valuation results of the Project Group as at 30 September 2016 issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("Jones Lang LaSalle"). The amounts of fair values of the identified assets and liabilities of the Project Group are subject to change upon the completion of the valuation of the fair values of the identified assets and liabilities of the Project Group on the date of completion of the Proposed Acquisition. Consequently, the fair value of identifiable assets and liabilities and goodwill could be different from the estimated amounts used in the preparation of the Unaudited Pro Forma Financial Information.

	RMB'000
Fair value of the consideration *(note (i))*	2,214,327
Less:	
Contingent consideration receivable *(note (ii))*	26,053
Carrying amount of Project Group's net assets as at 30 September 2016	742,173
Pro forma fair value adjustment to intangible assets *(note (iii))*	486,040
Pro forma fair value adjustment to long term investments *(note (iv))*	371,081
Add:	
Deferred tax liabilities arising from pro forma fair value adjustment to intangible assets and long term investments *(note (v))*	214,280
Non-controlling interests (note (vi))	547,219
Goodwill arising from the Proposed Acquisition	1,350,479

Notes:

(i) The consideration is satisfied by the issuance of 618,321,000 new shares of the Company. In preparing the Unaudited Pro Forma Financial Information, it is assumed that the fair value of each consideration share to be HK$4.19 per share, being the Issue Price as per the Acquisition Agreement, and the consideration for the Proposed Acquisition was estimated to be approximately HK$2,590,765,000 (equivalent to RMB 2,214,327,000). Following the issuance of consideration shares, share capital and share premium will be increased by approximately HKD 2,059,000 (equivalent to RMB 1,760,000) and HKD 2,588,706,000 (equivalent to RMB 2,212,567,000) respectively. The increase in the share capital is equal to the 618,321,000 new shares to be issued times the par value of HK$0.00333, whereas the remaining balance is classified as share premium.

(ii) It represents the fair value of contingent consideration receivable to be recognized under the Performance Guarantee arrangement . Upon the occurrence of a shortfall in the Project Group's actual revenue or net profits from the target revenue or target net profit for the years ending 31 December 2017, 2018, 2019, 2020 and 2021 as stated in the Acquisition agreement, the Company may (i) receive certain amount of issued shares as compensation for the shortfall (the "Shortfall Shares") or (ii) receive an amount equal to the value of the Shortfall Shares calculated at the issue price of HK$4.19 per share. The fair value of contingent consideration receivable was estimated by reference to the valuation report issued by Jones Lang LaSalle and was determined by using probability-weighted average method with scenarios under different forecasted profit.

(iii) Intangible assets included customer relationship, trademark and favorable contracts and their fair values were estimated by reference to the valuation report issued by Jones Lang LaSalle

Fair value of customer relationship amounted to RMB346.4 million and is determined using multi-period excess earning method under the income approach.

Fair value of trade mark amounted to RMB118.1 million is determined using the relief-from-royalty method under the income approach. Considering the Project Group has been operating for more than 20 years and well recognised as a renowned national agricultural products trading platform in China, the economic useful lives of the trade mark has been estimated as indefinite.

Fair value for favorable contracts amounted to RMB30.0 million is determined using the using incremental cash flows method under income approach.

The Directors have assessed whether there is any impairment on the intangible asset with indefinite useful life (i.e. trademark) and goodwill expected to arise from the Proposed Acquisition in accordance with International Accounting Standard 36, Impairment of Assets ("IAS 36") and concluded that there is no impairment in respect of intangible asset with indefinite useful life and goodwill. The recoverable amount of the cash generating unit containing these pro forma intangible asset and goodwill is determined based on value in use calculation. The value in use calculation uses cash flow forecast based on the most recent financial budget of the cash generating unit for the next five years approved by the management of the Project Group with key assumptions including budgeted gross margins and operating expenses. Such estimation is based on the cash generating unit's past performance and the management's expectations for the market development.

According to the Group's accounting policies, goodwill arising from the acquisition of the Project Group will be tested for impairment at least annually or whenever events or changes in circumstances indicate its carrying amount may not be recoverable in accordance with the requirements of IAS 36. For the purpose of impairment testing, goodwill will be allocated to the cash generating units that are expected to benefit from Proposed Acquisition. Similarly, the identifiable intangible assets acquired by the Group are tested for impairment when there is an indicator of impairment. The Directors confirmed that they will apply consistent accounting policies, principal assumption and valuation methods to assess impairment of goodwill in subsequent reporting periods in accordance with IAS 36.

(iv) Pro forma fair value adjustment to long term investments is determined by using market approach with reference to the P/E multiples of comparable listed companies.

(v) Deferred tax liabilities relating to the pro forma fair value adjustment of intangible assets and long term investment amounted to RMB214.3 million, and are calculated at the income tax rate of the Project Group at 25%.

(vi) Non-controlling interests of approximately RMB547.2 million is calculated as 39.51% of the fair value of Project Group's identifiable assets and liabilities.

4. The adjustment represents the additional amortisation of RMB48.5 million arising from the fair value adjustment on the intangible assets except for the trademark which has an indefinite useful life as stated in Note 3(iii) on a straight line basis over the estimated useful lives ranged from 3 to 9 years as if the Proposed Acquisition had been completed on 1 January 2015. The amount of RMB12.1 million represented the corresponding reversal of deferred tax liabilities relating to the fair value adjustments of intangible assets. These adjustments are expected to have a continuing effect on the Enlarged Group.

5. The adjustment represents profit and total comprehensive income attributable to non-controlling interests which is calculated as 39.51% of the profit and total comprehensive income of the Project Group taking into the consideration of the financial impact as stated in Note 4.

6. The adjustment represents the share-based payments expenses in relation to the Company's shares and options to be issued and granted to management team of the Project Group, Mr. Wei Zhe and Vision Knight Capital (China) Fund LLP. Pursuant to the acquisition agreement, the Company will:

(i) allot and issue management shares and grant options to the management team of the Project Group under the share option scheme adopted by the Company on 20 June 2011;

(ii) enter into the service agreement with Mr. Wei Zhe (an independent non-executive Director of the Company as of the circular date and will be the Executive Director after the completion of the Proposed Acquisition). The Company will allot and issue the 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; and

(iii) enter into a consultancy agreement with Vision Knight Capital (China) Fund LLP. ("VKC", a company owned by Mr. Wei Zhe) after completion of the Proposed Acquisition. The Company will allot and issue service consideration shares to VKC upon the publication of that year's annual report of the Company.

The above options and management shares, incentive shares and service consideration shares to be granted issued to the management team, Mr. Wei Zhe and VKC are subject to the financial performance of the Project Group for the five financial years from 2017 to 2021. The aforementioned management shares, incentive shares, service consideration shares and options (if exercised) amounted to 107,454,000 shares in total. For the purpose of the Unaudited Pro Forma Financial Information, the acquisition-date fair value of the above options and management shares, incentive shares and service consideration shares was estimated by the management of the Company. In preparing the Unaudited Pro Forma Financial Information, it is assumed that the fair value of management shares, incentive shares and service consideration shares to be HK$ 4.19 per share, being the Issue Price as per the Acquisition Agreement, and the share base payment expenses are estimated to be approximately HKD 41,421,000 (equivalent to RMB 35,403,000) . The fair value of options granted to the management of the Project Group is measured on binomial lattice model, and the share base payment expenses are estimated to be approximately to RMB 39,169,000. The amount of fair value are subject to change upon the completion of the valuation of the fair values of the above options and management shares, incentive shares and service consideration shares on the grant date after the completion of the Proposed Acquisition. Consequently, the fair value is subject to change upon the completion of the valuation.

7. No adjustment has been made to the Unaudited Pro Forma Financial Information for acquisition-related costs (including fees to legal advisers, financial adviser, reporting accountants, valuer, printer and other expenses) as the directors determined that such costs are insignificant.

8. No adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Enlarged Group subsequent to 30 June 2016.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

2. SHARE CAPITAL

The authorized and issued share capital of the Company as at the Latest Practicable Date were, immediately after the allotment and issue of all the Consideration Shares, Incentive Shares and VKC Consultancy Service Consideration Shares and immediately after the issue of the Management Shares will be, as follows:

As at the Latest Practicable Date

Authorised:		*HK$*
24,000,000,000	Shares	80,000,000
Issued and fully paid, or credited as fully paid:		*HK$*
10,745,577,750	Shares	35,818,593

Immediately after the allotment and issue of all the Consideration Shares, Incentive Shares and VKC Consultancy Service Consideration Shares (assuming there is no other allotment and issue of new Shares of the Company)

Authorised:		*HK$*
24,000,000,000	Shares	80,000,000
Issued and fully paid, or credited as fully paid:		*HK$*
11,417,625,750	Shares	38,058,752

Immediately following the allotment and issue of the Management Shares (assuming there is no other allotment and issue of new Shares of the Company)

Authorised:		*HK$*
24,000,000,000	Shares	80,000,000
Issued and fully paid, or credited as fully paid:		*HK$*
11,425,684,800	Shares	38,085,616

All the existing Shares in issue are fully paid and rank pari passu in all respects including all rights as to voting, dividends and interests in capital. The Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares and the Management Shares, when allotted, issued and fully paid or credited as fully paid, will rank pari passu in all respects with the then existing issued Shares, including, all rights as to voting, dividends and interests in capital.

As at the Latest Practicable Date, the Company did not have any outstanding options, warrants, derivatives or securities convertible into Shares.

3. INTEREST OF DIRECTORS AND CHIEF EXECUTIVE IN THE GROUP

At the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of 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 were taken or deemed to have been taken under such provisions 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 Listed Issuers (the "**Model Code**") to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Shares and underlying Shares of the Company

Name of Directors	Number of ordinary shares *(Note 1)*	Approximate percentage of the issued share capital of the Company *(Note 2)*
Yan Zhi	7,599,158,268	70.72%
Yu Gang	156,660,000	1.46%
Cui Jinfeug	1,312,500	0.01%

Note 1: 56,613,000 Shares are held directly by Mr. Yan Zhi and 7,542,545,268 Shares are held by Zall Development Investment, a company which is wholly owned by Mr. Yan Zhi.

Note 2: The percentage is calculated based on the total number of issued shares (i.e. 10,745,577,750 Shares) at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests and short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) 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 they would be taken or deemed to have under such provisions of the SFO), or (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

4. SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors or chief executive of the Company, none of the Directors is a director or employee of a company which has and no other person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

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

Notes:

(1) Zall Development Investment is a company wholly owned by Mr. Yan Zhi. In addition, 56,613,000 Shares are held directly by Mr. Yan Zhi as at the Latest Practicable Date

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

(3) The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at the Latest Practicable Date.

5. INTERESTS OF DIRECTORS IN ASSETS/CONTRACTS AND OTHER INTERESTS

Save for the Acquisition Agreement, the Service Agreement and the Consultancy Agreement (details of which are disclosed in this circular), there is no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group as a whole.

Save for the Acquisition (details of which are disclosed in this circular), as at the Latest Practicable Date, none of the Directors or their respective associates had any interest, direct or indirect, in any assets which has been, since 31 December 2015, being the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. INTEREST OF DIRECTORS IN COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware and save as disclosed in this circular, none of the Directors or their respective associates had any interest in a business which competes or may compete with the business of the Group, or has or may have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, there was no litigation or claim of material importance that is known to the Directors to be pending or threatened against any member of the Enlarged Group.

8. EXPERTS AND CONSENTS

The followings are the qualifications of the expert who has provided advice referred to or contained in this circular:

Name	**Qualification**
KPMG	Certified Public Accountants
TC Capital International Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of the experts named above has given and has not withdrawn its written consent to the issue of this circular with copies of its letter or report (as the case may be) and the references to its name included herein the form and context in which they respectively appear.

9. EXPERTS' INTEREST

As at the Latest Practicable Date, each of KPMG and TC Capital International Limited:

(a) did not have any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and

(b) was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2015 (being the date to which the latest published audited financial statements of the Company were made up).

10. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, with any member of the Group, a service agreement which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

11. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, were entered into by the members of the Enlarged Group within two years preceding the Latest Practicable Date and are or may be material:

(a) the Acquisition Agreement;

(b) the Consultancy Agreement;

(c) the Service Agreement;

(d) the equity transfer agreement entered into among Zalljinfu Information Technology (Wuhan) Co., Ltd.* (卓爾金服資訊科技(武漢)有限公司), Zall Financial Services Group Co., Ltd. (卓爾金融服務集團有限公司), Harvest Capital Management Co., Ltd.* (嘉實資本管理有限公司), New Resource Energy International Private Limited (新鑫國際能源有限公司) and Harvest

Financial Leasing Co., Ltd.* (嘉實融資租賃有限公司) dated 31 May 2016 in relation to the sale and purchase of 100% equity interests in Harvest Financial Leasing Co., Ltd (嘉實融資租賃有限公司), the details of which are set out in the Company's announcement dated 3 June 2016;

(e) the equity transfer agreement entered into among Zalljinfu Information Technology (Wuhan) Co., Ltd.* (卓爾金服資訊科技(武漢)有限公司), Capital Management Co., Ltd.* (嘉實資本管理有限公司), Harvest Financial Information Services (Hangzhou) Co., Ltd.* (嘉實金融資訊服務(杭州)有限公司) and Hangzhou Jiuyu Asset Management Co., Ltd.* (杭州九魚資產管理有限公司) dated 31 May 2016 in relation to the sale and purchase of the entire equity interests in Hangzhou Jiuyu Asset Management Co., Ltd.* (杭州九魚資產管理有限公司) and 90% equity interests in Harvest Financial Information Services (Hangzhou) Co., Ltd.* (嘉實金融資訊服務(杭州)有限公司), the details of which are set out in the Company's announcement dated 3 June 2016;

(f) the subscription agreement entered into between Lightinthebox Holding Co., Ltd. and Zall Cross-border E-commerce Investment Company Limited dated 17 March 2016 in relation to the allotment and issue by Lightinthebox Holding Co., Ltd.of its 42,500,000 shares and the warrant which entitling the holder to subscribe up to 7,455,000 shares, the details of which are set out in the Company's announcement dated 17 March 2016 and the Company's circular dated 25 May 2016;

(g) the investor rights agreement entered into between Lightinthebox Holding Co., Ltd., Mr. Quji (Alan) Guo, Wincore Holdings Limited and Zall Cross-border E-commerce Investment Company Limited dated 30 March 2016 to regulate certain matters in respect of Lightinthebox Holding Co., Ltd., the details of which are set out in the Company's announcement dated 17 March 2016 and the Company's circular dated 25 May 2016;

(h) the sale and purchase agreement dated 14 December 2015 entered into between the Zall Development (Wuhan) Co., Ltd.* (卓爾發展(武漢)有限公司) and Zall Holdings Company Limited (卓爾控股有限公司) in relation to the transfer of the entire equity interest in Wuhan Zall Professional Football Club Co., Ltd.* (武漢卓爾職業足球俱樂部有限公司), the details of which are set out in the Company's announcement dated 14 December 2015;

(i) the sale and purchase agreement dated 23 November 2015 entered into between Zall Development (HK) Holding Company Limited (卓爾發展(香港)控股有限公司) and Zall Property Investment Limited* (卓爾地產投資有限公司) in relation to the transfer of the 10% of the equity interest in Zall Development (Shenyang) Co., Ltd.* (卓爾發展(瀋陽)有限公司), the details of which are set out in the Company's announcement dated 23 November 2015;

(j) the sale and purchase agreement dated 23 November 2015 entered into between Zall Development (HK) Holding Company Limited (卓爾發展(香港)控股有限公司) and Zall Property Investment Limited* (卓爾地產投資有限公司) in relation to the transfer of the 10% of the equity interest in Zall Trading Development (Xiaogan) Co., Ltd.*(卓爾商貿發展(孝感)有限公司), the details of which are set out in the Company's announcement dated 23 November 2015;

(k) the agreement dated 6 August 2015 entered into between the Company and Dr. Yu Gang in connection with the subscription of 53,448,000 new Shares by Dr. Yu Gang, the details of which are set out in the Company's announcement dated 6 August 2015;

(l) the equity transfer agreement dated 2 July 2015 entered into between 福建縱橫投資實業集團有限公司(Fujian Zongheng Investment and Industry Co., Ltd.*) and 漢口北集團有限公司(North Hankou Corporation Limited*), in relation to the transfer of 50% of the equity interest in 武漢大世界投資發展有限公司 (Wuhan Big World Investment Development Company Limited*), the details of which are set out in the Company's announcement dated 3 July 2015;

(m) the sale and purchase agreement dated 24 June 2015 entered into between Zall Development (HK) Holding Company Limited (卓爾發展(香港)控股有限公司) and Fullshare Holdings Limited in relation to the transfer of 90% of the equity interest in Zall Development (Shenyang) Co., Ltd.* (卓爾發展(瀋陽)有限公司), the details of which are set out in the Company's announcement dated 24 June 2015;

(n) the sale and purchase agreement dated 24 June 2015 entered into between Zall Development (HK) Holding Company Limited (卓爾發展(香港)控股有限公司) and Fullshare Holdings Limited in relation to the transfer of 90% of the equity interest in Zall Trading Development (Xiaogan) Co., Ltd.* (卓爾商貿發展(孝感)有限公司), the details of which are set out in the Company's announcement dated 24 June 2015; and

(o) the share transfer agreement dated 8 December 2015 between Xiben Shinkansen Co., Ltd.* (西本新幹線股份有限公司) as the transferor, the Project Company as the transferee and Mr. Yu Gang as the guarantor of the Project Company, in relation to transfer of 20% of the equity interest of Shenzhen Kunshang Yitang Supply Chain Co., Ltd.* (深圳市昆商易糖供應鏈有限公司), a company established in the PRC with limited liability in the consideration of RMB46,400,000 in cash.

12. MISCELLANEOUS

(a) The registered office of the Company is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(b) The principal place of business of the Company in Hong Kong is at Suite 2101, 21/F, Two Exchange Square, Central, Hong Kong.

(c) The principal share registrar and transfer office of the Company is Royal Bank of Canada Trust Company (Cayman) Limited, 4th Floor, Royal Bank House, 24 Shedden Road, George Town Grand Cayman KY1-1110, Cayman Islands.

(d) The Hong Kong share registrar and transfer office of the Company is Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) The company secretary of the Company is Mr. Lung Shei Kei, a member of the Hong Kong Institute of Certified Public Accountants.

(f) This circular is in both English and Chinese. In the event of inconsistency, the English text shall prevail over the Chinese text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at Suite 2101, 21/F, Two Exchange Square, Central, Hong Kong for a period of 14 days from the date of this circular:

(a) the memorandum and articles of association of the Company;

(b) each of the material contracts referred to in the section headed "Material Contracts" in this appendix;

(c) the annual reports of the Company for the years ended 31 December 2013 to 2015;

(d) the interim report of the Company for the six months ended 30 June 2016;

(e) the accountants' report of the Target Group, the text of which is set out in Appendix II to this circular;

(f) the management discussion and analysis on the Target Group, the text of which is set out in Appendix III to this circular;

(g) the report on unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(h) the written consent referred to in paragraph headed "Experts and Consents" of this appendix;

(i) this circular.

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

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of Zall Group Ltd. (the "**Company**") will be held at Suite 2101, 21/F, Two Exchange Square, Central, Hong Kong on 9 March 2017 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions of the Company:

Capitalized terms used in this notice shall have the same meaning as those defined in the Circular of the Company dated 15 February 2017 to the Shareholders (the "**Circular**") unless otherwise specified.

ORDINARY RESOLUTIONS

1. **"THAT**

(a) the Acquisition Agreement (a copy of which is tabled at the meeting and marked "A" and signed by the chairman of the meeting for identification purpose) entered into between the Purchaser, the Company, the Vendors and the Guarantors in relation to the acquisition of the entire equity interest of the Target Companies for the Consideration of up to HK$2.591 billion to be satisfied by way of allotment and issue of the Consideration Shares and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) subject to the listing committee of the Stock Exchange having granted the listing of, and permission to deal in, the Consideration Shares, the allotment and issue of the Consideration Shares in the principal amount of up to HK$2.591 billion at the issue price of HK$4.19 per Share to the Vendors or their designated parties to satisfy the Consideration be and is hereby approved;

(c) any one Director be and is hereby authorized to, on behalf of the Company, do all such acts and sign, seal, executive and deliver all such documents and take all such actions as he/she may consider necessary or desirable for the purpose of or in connection with or to give effect to the Acquisition Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares)."

2. "THAT

(a) the Service Agreement (a copy of which is tabled at the meeting and marked "B" and signed by the chairman of the meeting for identification purpose) entered into between Mr. Wei and the Company and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) subject to the listing committee of the Stock Exchange having granted the listing of, and permission to deal in, the Incentive Shares, the allotment and issue of the Incentive Shares in accordance with the terms and conditions of the Service Agreement be and is hereby approved;

(c) any one Director be and is hereby authorized to, on behalf of the Company, do all such acts and sign, seal, executive and deliver all such documents and take all such actions as he/she may consider necessary or desirable for the purpose of or in connection with or to give effect to the Service Agreement and the transactions contemplated thereunder (including the allotment and issue of the Incentive Shares).

3. "THAT

(a) the Consultancy Agreement (a copy of which is tabled at the meeting and marked "C" and signed by the chairman of the meeting for identification purpose) entered into between VKC and the Company and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) subject to the listing committee of the Stock Exchange having granted the listing of, and permission to deal in, the VKC Consultancy Service Consideration Shares, the allotment and issue of the VKC Consultancy Service Consideration Shares in accordance with the terms and conditions of the Consultancy Agreement be and is hereby approved;

(c) any one Director be and is hereby authorized to, on behalf of the Company, do all such acts and sign, seal, executive and deliver all such documents and take all such actions as he/she may consider necessary or desirable for the purpose of or in connection with or to give effect to the Consultancy Agreement and the transactions contemplated thereunder (including the allotment and issue of the VKC Consultancy Service Consideration Shares)."

4. "THAT

(a) the Directors be and hereby granted the specific mandate (the "**Specific Mandate**") which shall entitle the Directors to exercise all the powers of the Company to allot, issue and credited as fully paid, the Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares and the Management Shares, on and subject to the terms and conditions as set out in the Circular, providing that the Specific Mandate shall be in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution; and

(b) any one Director be and is hereby authorized to, on behalf of the Company, do all such acts and sign, seal, executive and deliver all such documents and take all such actions as he/she may consider necessary or desirable for the purpose of or in connection with or to give effect to the Specific Mandate."

SPECIAL RESOLUTION

5. "THAT

the Proposed Amendments to the Articles of Association as set out in the Circular be and are hereby approved and adopted and any Director is authorised to, on behalf of the Company, do all such acts and sign, seal, executive and deliver all such documents and take all such actions as he/she may consider necessary or desirable for the purpose of or in connection with or to give effect to the Proposed Amendments, including but not limited to dealing with all the procedural requirements such as applications, approvals, registrations and filings in relation to the Proposed Amendments."

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

Hong Kong, 15 February 2017

Notes:

(1) A member entitled to attend and vote at the above meeting may appoint one or, if he holds two or more shares, more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

(2) Where there are joint holders of any Share, any one of such joint holder may vote, either in person or by proxy, in respect of such Share as if he were solely entitled thereto, but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

(3) In order to be valid, a form of proxy together with the power of attorney (if any) or other authority (if any) under which it is signed or a certified copy thereof shall be deposited at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. The proxy form will be published on the website of the Stock Exchange. The completion and return of the form of proxy shall not preclude a member from attending and voting in person at the EGM (or any adjourned meeting thereof) if they so wish.

As at the date of this notice, the Board comprises eight members, of which Mr. Yan Zhi, Dr. Gang Yu, Mr. Cui Jinfeng, Mr. Wang Chuang and Mr. Peng Chi, as executive directors of the Company; Mr. Cheung Ka Fai, Mr. Wu Ying and Mr. Wei Zhe, David, as independent non-executive directors of the Company.