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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board (the "**Board**") of directors (the "**Directors**") of Zall Group Ltd. (the "**Company**" or "**Zall**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2017 (the "**Period**"), together with comparative figures for the preceding period as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2017 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**2,323,518**	626,072
Cost of sales		**(2,209,969)**	(400,182)
Gross profit		**113,549**	225,890
Other net (loss)/income	*4*	**(344,612)**	930,744
Selling and distribution expenses		**(74,329)**	(59,621)
Administrative and other expenses		**(96,554)**	(66,846)
(Loss)/profit from operations before changes in fair value of investment properties		**(401,946)**	1,030,167
Increase in fair value of investment properties and non-current assets classified as held for sale		**141,782**	106,324
Fair value gain upon transfer of completed properties held for sale to investment properties		**1,984,811**	626,390

		Six months ended 30 June	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Profit from operations after changes in fair value of investment properties		**1,724,647**	1,762,881
Share of loss of joint ventures		**(165)**	(21)
Share of loss of associates	*8*	**(15,385)**	(4,994)
Gain on disposal of subsidiaries		–	95,561
Finance income	*5(a)*	**1,780**	3,120
Finance costs	*5(a)*	**(160,300)**	(64,670)
Profit before taxation	*5*	**1,550,577**	1,791,877
Income tax	*6*	**(483,648)**	(319,044)
Profit for the period		**1,066,929**	1,472,833
Attributable to:			
Equity shareholders of the Company		**1,074,614**	1,463,367
Non-controlling interests		**(7,685)**	9,466
Profit for the period		**1,066,929**	1,472,833
Earnings per share			
Basic (RMB)	*7*	**0.100**	0.136
Diluted (RMB)	*7*	**0.100**	0.136

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2017 – unaudited

(Expressed in Renminbi)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2017 – unaudited

(Expressed in Renminbi)

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 Basis of preparation

The interim financial information have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 31 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Zall Group Ltd. (the "Company") and its subsidiaries (together the "Group") since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The financial information relating to the financial year ended 31 December 2016 that is included in the interim financial report as comparative information does not constitute the company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

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

2 Changes in accounting policies

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

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

3 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are development and operating of large-scale consumer product-focused wholesale shopping malls and the related value-added business, such as warehousing, logistics, E-commerce and financial services. The Group has commenced to engage in supply chain management and trading business after acquisition of several subsidiaries in 2017 (note 15).

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

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

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

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

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

(b) Segment reporting

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

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

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

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

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

(i) Segment results, assets and liabilities

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

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

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

4 Other net (loss)/income

	Note	Six months ended 30 June 2017 RMB'000	2016 RMB'000
Fair value change on financial assets at fair value through profit or loss			
– Fair value change on listed equity securities	*9*	**(352,336)**	917,479
– Fair value change on derivative financial instrument	*9*	**(4,893)**	6,775
Dividend from financial asset at fair value through profit or loss		**10,207**	6,805
Gain on remeasurement of previously held interest upon step acquisition of a subsidiary	*15(b)*	**177**	–
Government grants		**–**	32
Loss on disposal of non-current assets classified as held for sale		**–**	(597)
Others		**2,233**	250
		(344,612)	930,744

5 Profit before taxation

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

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

6 Income tax

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

(i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in these jurisdictions.

No provision for Hong Kong Profits Tax was made as the Group did not earn any income subject to Hong Kong Profits Tax for the period (six months ended 30 June 2016: Nil).

(ii) PRC CIT

The provision for PRC CIT has been calculated at the applicable tax rates on the estimated assessable profits of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The PRC CIT rate applicable to the Group's subsidiaries located in the PRC is 25% (six months ended 30 June 2016: 25%) unless otherwise specified.

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

(iii) PRC LAT

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

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

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

(iv) Withholding tax

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

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

7. Earnings per share

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

8. Interests in associates

The movement of carrying amount of associates is as below:

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

(a) On 17 March 2016, Zall Cross-border E-commerce Investment Company Limited ("Zall Cross-border E-commerce", an indirect wholly-owned subsidiary of the Company) and LightInTheBox entered into the subscription agreement, pursuant to which LightInTheBox conditionally agreed to issue and Zall Cross-border E-commerce conditionally agreed to subscribe for the subscription securities which comprise, in aggregate, (i) 42,500,000 shares of LightInTheBox (to be issued pursuant to the Subscription Agreement) and (ii) the warrants to be issued by LightInTheBox pursuant to the Subscription Agreement entitling the holder thereof to subscribe up to 7,455,000 shares of LightInTheBox.

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

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

(c) The associate was acquired from business combination (note 15).

9. Financial assets/(liabilities) at fair value through profit or loss

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

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

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

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

(iv) The amount represents the contingent consideration of acquisition of Shenzhen Sinoagri. The amount is generated as a result of part of the consideration of the acquisition which depends on the post-acquisition financial performance of Shenzhen Sinoagri (note 15).

10. Trade and other receivables, prepayments

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

(a) Ageing analysis

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

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

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

(b) Impairment of trade and bills receivables

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

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

(c) Trade and bills receivables that are not impaired

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

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

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

(d) Bills discounted

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

11. Loans receivable

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

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

(a) Ageing analysis

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

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

(b) Impairment of loans receivable

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

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

(c) Loans receivable that are not impaired

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

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

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

12. Amounts due from/to related parties

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

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

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

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

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

13. Trade and other payables

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

(i) As of the end of the reporting period, the ageing analysis of trade creditors, which are included in trade and other payables, based on the invoice date, is as follows:

	At 30 June 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Due within 3 months	**1,192,985**	529,741
Due after 3 months but within 12 months	**6,394,562**	345,100
Due after 12 months	**837,573**	740,480
	8,425,120	1,615,321

Trade payables mainly include the amounts due to the suppliers generated from the supply chain management and trading business, amounts due to contractors generated from property development and the amounts due to the lenders generated from peer-to-peer lending business.

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

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

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

14. Dividends

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2017 and 2016.

15. Acquisition of subsidiaries

(a) Acquisition of Shenzhen Sinoagri

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

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

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

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

	Pre-acquisition carrying amount	**Fair value adjustment**	**Recognised value on acquisition**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	87,966	–	87,966
Interest in associates	1,547	(468)	1,079
Interest in a joint venture	24,233	–	24,233
Intangible assets	316,752	590,200	906,952
Deferred tax assets	32,002	–	32,002
Goodwill	87,330	–	87,330
Financial assets at fair value through profit or loss	2,776,900	–	2,776,900
Inventories	1,534,735	–	1,534,735
Trade and other receivables	756,566	–	756,566
Loans receivable	2,749,186	–	2,749,186
Amounts due from related parties	28,957	–	28,957
Restricted cash	2,240,389	–	2,240,389
Cash and cash equivalents	1,236,374	–	1,236,374
Current tax assets	558	–	558
Financial liabilities at fair value through profit or loss	(62,096)	–	(62,096)
Trade and other payables	(8,933,040)	–	(8,933,040)
Bank loans	(1,588,500)	–	(1,588,500)
Amounts due to related parties	(44,198)	–	(44,198)
Current tax liabilities	(10,043)	–	(10,043)
Deferred tax liabilities	(125,668)	(147,433)	(273,101)
Deferred income	(11,427)	–	(11,427)
Total identifiable net assets acquired	1,098,523	442,299	1,540,822
Non-controlling interests (49.4%)			761,165
Proportion of ownership (50.6%)			779,657
Consideration			
– Equity instruments (517,227,000 ordinary shares) (i)			2,220,148
– Contingent consideration (note 9)			(477,939)
Total fair value of the consideration			1,742,209
Goodwill arising on acquisition			962,552
Net cash flow arising from acquisition			
Cash acquired			1,236,374

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

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

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

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

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

Consumer product-focused wholesale platform

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

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

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

Supply chain management and trading business

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

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

Supply chain finance, warehousing and logistics services

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

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

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

INVESTMENT PORTFOLIO

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

As at 30 June 2017

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

As at 31 December 2016

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

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

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

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

RESULTS OF OPERATION

Operating revenue

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

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

Sale of properties

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

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

Rental income

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

Revenue from construction contracts

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

Revenue from E-commerce and financial services business

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

Revenue from supply chain management and trading business

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

Cost of sales

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

Gross profit

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

Other net (loss)/income

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

Selling and distribution expenses

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

Administrative and other expenses

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

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

The Group holds a portion of properties developed for rental income and/or capital appreciation purposes. The Group's investment properties are revaluated at the end of the respective review period on an open market value or existing use basis by independent property valuers. For the six months ended 30 June 2017, the Group recorded fair value change of investment properties and non-current assets classified as held for sale of approximately RMB141.8 million (for six months ended 30 June 2016: approximately RMB106.3 million) and fair value gain upon transfer of completed properties held for sale to investment properties of approximately RMB1,984.8 million (for six months ended 30 June 2016: approximately RMB626.4 million). The increase fair value gain of approximately RMB1,393.9 million in total was mainly attributable from the increased number of wholesale shopping mall units and auxiliary facilities units retained for rental purpose.

Share of loss of joint ventures

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

Share of loss of associates

Share of loss of associates increased by 208.1% from approximately RMB5.0 million for the six months ended June 2016 to approximately RMB15.4 million for the six months ended July 2017. The increase is primarily due to equity interest held in LightInTheBox increased from 30.8% to 33.7% and the Group's share of six-month loss of LightInTheBox for the six months ended 30 June 2017. The Group only share of three months loss of LightInTheBox for the six months ended 30 June 2016, as the Group acquired the equity interest of LightInTheBox since March 2016.

Gain on disposal of subsidiaries

For the six months ended 30 June 2016, the Group disposed its subsidiary, namely Wuhan Panlong Zall Properties Co., Ltd, and recognised an gain of approximately RMB95.6 million. For the six months ended 30 June 2017, the Group did not dispose any of its subsidiaries.

Finance income and costs

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

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

Income tax

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

Profit for the period

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

Liquidity and capital resources

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

Cash position

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

Bank loans and loans from other financial institutions

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

Net gearing ratio

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

Foreign exchange risk

The Group's sales were primarily denominated in RMB, being the functional currency of the Group's major operating subsidiaries. Accordingly, the Board expects any future exchange rate fluctuation will not have any material effect on the Group's business. As at 30 June 2017, the Group did not use any financial instruments for hedging purpose. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

Charge on assets

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

Material acquisitions and disposals of subsidiaries or associated companies

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

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

Segment reporting

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

Contingent liabilities

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

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

As at 30 June 2017, the guarantees provided to lenders in relation to personal loans and banks in relation to mortgage facilities granted to purchasers of the Group's properties amounted to approximately RMB46.1 million (31 December 2016: approximately RMB148.8 million) and approximately RMB1,170.0 million (31 December 2016: approximately RMB1,881.8 million), respectively.

EMPLOYEES AND REMUNERATION POLICY

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

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICE

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

Code Provision A.2.1

Under code provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual.

During the six months ended 30 June 2017, the Company did not separate the roles of chairman and chief executive officer of the Company and Mr. Yan Zhi acted as the co-chairman and also acts as the chief executive officer of the Company. The Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies currently and in the foreseeable future. The Group will nevertheless review the structure from time to time in light of the prevailing circumstances.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Group's unaudited condensed consolidated interim results and financial report for the six months ended 30 June 2017 and has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters. The Audit Committee consists of three independent non-executive Directors: Mr. Cheung Ka Fai, Mr. Wu Ying and Mr. Zhu Zhengfu. Mr. Cheung Ka Fai serves as the chairman of the Audit Committee.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and on the website of the Company at http://www.zallcn.com. The interim report for the six months ended 30 June 2017 of the Group containing all the information required by the Listing Rules will also be published on the same websites and dispatched to the shareholders of the Company in due course.

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

Hong Kong, 31 August 2017

As at the date of this announcement, the Board comprises eight members, of which Mr. Yan Zhi, Dr. Gang Yu, Mr. Wei Zhe, David, Mr. Cui Jinfeng and Mr. Peng Chi, as executive directors of the Company; Mr. Cheung Ka Fai, Mr. Wu Ying and Mr. Zhu Zhengfu are independent non-executive directors of the Company.