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.

Zall Group Ltd.

卓 爾 集 團 股 份 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2098)

VERY SUBSTANTIAL ACQUISITION AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A letter from the Board is set out on pages 6 to 23 of this circular. A notice convening the EGM to be held at Suite 2101, 21/F, Two Exchange Square, Central, Hong Kong on Thursday, 18 January 2018 at 11:00 a.m. is set out on pages VI-1 to VI-2 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.

11 December 2017

CONTENTS

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

"Board"	the board of Directors;
"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;
"Completion"	the completion of the Second Acquisition in accordance with the terms and conditions of the Framework Agreement;
"Completion Date"	the fifth business day after entering into of the Share Purchase Agreement;
"Condition"	the condition(s) precedent to Completion of the Second Acquisition as agreed by the parties to be set forth in the Share Purchase Agreement;
"Consideration"	collectively, the Second Consideration and the Subsequent Consideration;
"Consultancy Agreement"	the consultancy agreement entered into between the Company and Vision Knight Capital Management Company Limited on 14 November 2016, details of which are disclosed in the Previous Circular;
"Director(s)"	director(s) 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 Framework Agreement and the transactions contemplated thereunder;
"Enlarged Group"	the Group after the Completion, together with the Project Group;
"First Acquisition"	the proposed acquisition of 60.49% equity interest of the Project Company, particulars of which are set out in the Previous Announcement and the Previous Circular;
"First Acquisition Agreement"	the agreement dated 28 October 2016 entered into by the Company in relation to the First Acquisition;

"First Completion"	the first completion of the First Acquisition in accordance with the terms and conditions of the First Acquisition Agreement;
"Framework Agreement"	the agreement dated 27 June 2017 entered into among the Purchaser, the Company, Zall Development Investment, Mr. Yan and the Vendors in relation to the Further Acquisition;
"Further Acquisition"	collectively, the Second Acquisition, the Subsequent Acquisition and the Put Option;
"Guangxi Kangchen"	廣西康宸世糖貿易有限公司 (Guangxi Kangchen Shitang Trading Co., Ltd.*), a non-wholly owned subsidiary of the Project Group;
"Group"	the Company and its subsidiaries from time to time;
"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;
"Latest Practicable Date"	4 December 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;
"Long Stop Date"	31 March 2018;
"Mr. Wei"	Mr. Wei Zhe, David, independent non-executive Director;
"Mr. Yan"	Mr. Yan Zhi, co-chairman of the Company and executive Director;
"Parties"	the parties to the Framework Agreement;
"PRC"	the People's Republic of China which for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;

"Previous Announcement"	the Company's announcement dated 13 November 2016 in relation to, among others, the Company's proposed acquisition of shares in certain target companies pursuant to the First Acquisition Agreement;
"Previous Circular"	the Company's circular dated 15 February 2017 in relation to, among others, the Company's proposed acquisition of shares in certain target companies pursuant to the First Acquisition Agreement;
"Project Company"	Shenzhen Sinoagri E-commerce Co., Ltd.* (深圳市中農網有限公司), a company established in the PRC with limited liability and which is indirectly held as to approximately 50.60% by the Company as at the Latest Practicable Date;
"Project Group"	Project Company and its subsidiaries;
"Purchaser"	Zall Commerce Supply Chain (Wuhan) Co. Ltd.* (卓爾雲商供應鏈(武漢)有限公司), a company established in the PRC with limited liability;
"Put Option"	has the meaning ascribed to it in sub-paragraph (c) of the section headed "Undertakings" in this circular;
"RMB"	Renminbi, the lawful currency of the PRC;
"Second Acquisition"	the proposed acquisition of the Second Target Equity Interest pursuant to the terms and conditions of the Framework Agreement;
"Second Completion"	the second completion of the First Acquisition in accordance with the terms and conditons of the First Acquisition Agreement;
"Second Consideration"	the consideration payable for the Second Target Equity Interest under the Framework Agreement;
"Second Target Equity Interest"	RMB42,552,400 in the registered capital of the Project Company, representing approximately 8.36% of the total equity interest of the Project Company as at the date of the Framework Agreement and as at the Latest Practicable Date;
"Service Agreement"	the service agreement entered into between Mr. Wei and the Company on 14 November 2016, details of which are disclosed in the Previous circular;

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Shareholders"	shareholders of the Company;
"Share Purchase Agreement"	the share purchase agreement to be entered into by the Purchaser and the Vendors upon the success of the Purchaser in bidding for the Second Target Equity Interest in the trading platform for transfer of shares by means of listing for sale in the PRC;
"Shares"	ordinary shares of HK$0.00333 each of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Subsequent Acquisition"	the Company's proposed acquisition in cash of such Subsequent Target Equity Interest from Vendor E and Vendor F in two equal tranches, each representing approximately 3% of the total equity interest of the Project Company on or before 31 December 2019 and 31 December 2020 respectively at a tentative price of RMB7.22 per each unit of RMB1 in the registered capital of the Project Company (or per share);
"Subsequent Consideration"	the consideration payable for such shares of the Project Company to be acquired under the Subsequent Acquisition;
"Subsequent Target Equity Interest"	RMB30,540,000 in the registered capital of the Project Company, representing approximately 6% of the total equity interest of the Project Company;
"Sugar Network Company"	廣西糖網食糖批發市場有限責任公司 (Guangxi Sugar Market Network Co., Ltd.*), a non-wholly owned subsidiary of the Project Group;
"Target Company A"	Superu Company Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company;
"Target Company B"	Perfect International Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company;
"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;

"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 First 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 First Acquisition;
"Target Equity Interest"	collectively, the Second Target Equity Interest and the Subsequent Target Equity Interest;
"Vendor E"	Shenzhen Agricultural Products Co., Ltd.* (深圳市農產品股份有限公司), a company established in the PRC with limited liability and whose shares are listed on the Shenzhen Stock Exchange under stock code 000061;
"Vendor F"	Shenzhen HiGreen Investment Management Co., Ltd.* (深圳市海吉星投資管理股份有限公司), a company established in the PRC with limited liability;
"Vendors"	collectively, Vendor E and Vendor F;
"Zall BVI"	Zall Development (BVI) Holding Company Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company;
"Zall Development Investment"	Zall Development Investment Company Limited, being a company incorporated in the British Virgin Islands with limited liability and the controlling shareholder of the Company; and
"%"	per cent.

For the purpose of this circular, unless otherwise indicated, the exchange rates at RMB1.00 = HK$1.165 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rate.

* *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. Wei Zhe, David
Mr. Cui Jinfeng
Mr. Peng Chi

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

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

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

11 December 2017

To the Shareholders

Dear Sir/Madam,

VERY SUBSTANTIAL ACQUISITION
AND
NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Reference is made to the announcement of the Company dated 27 June 2017 in relation to, among others, the Further Acquisition. On 27 June 2017 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, the Company, Zall Development Investment, Mr. Yan and the Vendors entered into the Framework Agreement in relation to a proposed acquisition of the Second Target Equity interest from Vendor E, representing approximately 8.36% of the total equity interest of the Project Company as at the date of the Framework Agreement and a proposed acquisition of the Subsequent Target Equity Interest, representing approximately 6% of the total equity interest of the Project Company as at the date of the Framework Agreement.

Reference is also made to the announcement of the Company dated 28 June 2017, in relation to the First Completion of the First Acquisition. Since 28 June 2017 and as at the Latest Practicable Date, the equity interest of the Project Company is indirectly held as to approximately 50.60% by the Company.

The Project Company, 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. Pursuant to a capital increase agreement dated 29 March 2017, Guangxi Kangchen and Sugar Network Company became subsidiaries of the Project Group.

As one of the applicable percentage ratios, the revenue ratio, under Rule 14.07 of the Listing Rules in respect of the Further Acquisition exceeds 100%, the Further Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules. As such, the Framework Agreement and the transactions contemplated thereunder are subject to the Shareholders' approval at the EGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Further Acquisition and no Shareholder and his associates are therefore required to abstain from voting at the EGM in respect of the resolutions approving the Further Acquisition.

The purpose of this circular is to provide you with, among other things, (i) further details about the Framework Agreement and the transactions contemplated thereunder; (ii) the financial information on the Group; (iii) the accountants' report of the Project Group; (iv) the accountants' report of the newly acquired subsidiaries of the Project Group, being Guangxi Kangchen and Sugar Network Company; (v) management discussion and analysis on the Project Group; (vi) the unaudited pro forma financial information of the Enlarged Group; and (vii) notice of the EGM.

THE FURTHER ACQUISITION

The Board is pleased to announce that after trading hours on 27 June 2017, the Purchaser, an indirect wholly-owned subsidiary of the Company, the Company, Zall Development Investment, Mr. Yan and the Vendors entered into the Framework Agreement in relation to a proposed acquisition of the Second Target Equity Interest from Vendor E, representing approximately 8.36% of the total equity interest of the Project Company as at the date of the Framework Agreement and a proposed acquisition of the Subsequent Target Equity Interest, representing approximately 6% of the total equity interest of the Project Company as at the date of the Framework Agreement.

Given that the First Completion took place on 28 June 2017, as at the Latest Practicable Date, the equity interest of the Project Company is indirectly held as to approximately 50.60% by the Company.

THE FRAMEWORK AGREEMENT

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

Date

27 June 2017 (after trading hours)

Parties

(1) Zall Commerce Supply Chain (Wuhan) Co. Ltd.*（卓爾雲商供應鏈(武漢)有限公司）(as the Purchaser);

(2) the Company;

(3) Zall Development Investment (as the guarantor of the Purchaser and the Company);

(4) Mr. Yan (as the guarantor of the Purchaser and the Company);

(5) Shenzhen Agricultural Products Co., Ltd.*（深圳市農產品股份有限公司）(as Vendor E); and

(6) Shenzhen HiGreen Investment Management Co., Ltd.*（深圳市海吉星投資管理股份有限公司）(as Vendor F).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors and their respective ultimate beneficial owner(s) are third parties independent of the Company and connection persons of the Company.

Subject matter

The Purchaser conditionally agreed to acquire, and Vendor E conditionally agreed to sell, the Second Target Equity Interest free from all encumbrances, representing approximately 8.36% of the total equity interest of the Project Company as at the date of the Framework Agreement.

Pursuant to the Framework Agreement, the Company also undertook to the Vendors that if the Second Acquisition materialises and subject to, among others, the approval of state-owned asset management, valuation, filing, listing for sale in the PRC and separate share purchase agreements to be further negotiated by the Parties, the Company should further acquire in cash the Subsequent Target Equity Interest from Vendor E and Vendor F in two equal tranches, each representing approximately 3% of the total equity interest of the Project Company on or before 31 December 2019 and 31 December 2020 respectively at a tentative price of RMB7.22 per each unit of RMB1 in the registered capital of the Project Company (or per Share). Subject to the success in bidding for the relevant Target Equity Interest by the Purchaser in the trading platform for transfer of shares by means of listing for sale in the PRC, the Parties will enter into the Share Purchase Agreement to give effect to the Second Acquisition and separate share purchase agreements to give effect to the Subsequent Acquisition.

Further information regarding the Project Group is set out in the paragraph headed "Information on the Project Group" of this circular.

Consideration

The Second Consideration for the Second Target Equity Interest is tentatively fixed at approximately RMB307 million, representing a price of RMB7.22 (equivalent to approximately HK$8.414) per each unit of RMB1 in the registered capital of the Project Company which will be settled by cash payable to Vendor E upon Completion.

The Subsequent Consideration for the Subsequent Target Equity Interest is tentatively fixed at RMB220.5 million in total, representing a price of RMB7.22 (equivalent to approximately HK$8.414) per each unit of RMB1 in the registered capital of the Project Company (or per Share) which will be settled by cash payable to the relevant Vendor(s) upon completion of the relevant Subsequent Acquisition.

Since Vendor E is a state-owned and A-share listed enterprise in the PRC, the proposed sale of the Second Target Equity Interest of the Project Company will be subject to, among others, the approval of state-owned asset management, valuation, filing and listing for sale in the PRC. In the event that the listed for sale transfer price (or the adjusted listed for sale transfer price, if applicable) of the Second Target Equity Interest is not higher than RMB7.22 per each unit of RMB1 in the registered capital of the Project Company, the Purchaser has undertaken to submit a bid of RMB7.22 per each unit of RMB1 in the registered capital of the Project Company in the bidding of the Second Target Equity Interest. The Purchaser is not obliged to submit a bid in the bidding of the Second Target Equity Interest if the listed for sale transfer price is higher than RMB7.22 per each unit of RMB1 in the registered capital of the Project Company.

The Company intends to finance its payment of the Consideration under the Framework Agreement by its internal resources and/or debt financing.

The Consideration was determined after arm's length negotiation among the Parties with reference to the consideration of the First Acquisition, being up to HK$2.591 billion, for the acquisition of the shares representing up to approximately 60.49% of the total equity interest of the Project Company, which accounted for approximately HK$8.414 per each unit of RMB1 in the registered capital of the Project Company. The Company, when assessing the Second Acquisition and the Subsequent Acquisition, has adopted the same pricing benchmark (i.e., HK$8.414 per each unit of RMB1 in the registered capital of the Project Company) and taken into account the following factors:

(a) as disclosed in the Previous Circular, the consideration of the First Acquisition was determined after the arm's length negotiation between the parties with reference to the business and growth prospects and the historical financial performance of the Project Group;

(b) a report from the independent financial adviser was issued on 15 February 2017 and was included in the Previous Circular, which had assessed the fairness and reasonableness of the consideration of the First Acquisition. The independent financial adviser had concluded that the terms of the First Acquisition Agreement were on normal commercial terms or better and were fair and reasonable so far as the independent shareholders of the Company are concerned and in the interests of the Company and its shareholders as a whole;

(c) the financial information of the Project Group for each of the years ended 31 December 2014, 2015 and 2016 and six months ended 30 June 2017 as disclosed in the accountants' report included in the Previous Circular;

(d) the First Acquisition was approved by the independent shareholders of the Company at the extraordinary general meeting held on 9 March 2017; and

(e) there is no material adverse change in the financial and business performance of the Project Group since 30 June 2017 nor in the business and growth prospects or circumstances of the Project Group and the industry from the date on which the independent shareholders of the Company approved the First Acquisition and to the Latest Practicable Date.

The First Acquisition Agreement in relation to the First Acquisition was entered into by the Company on 28 October 2016, and the Framework Agreement in relation to the Further Acquisition was entered into by the Company on 27 June 2017. Taking into account (i) that the Consideration is determined by reference to the consideration of the First Acquisition; (ii) the current market conditions; (iii) the rapid growth of the business of the Project Group in first half of 2017 compared to 2016; and (iv) the actual results of the Project Group for the six months ended 30 June 2017, whereby the Project Group has recognized revenue of approximately RMB15.4 billion and net profit of approximately RMB106.7 million for the first half of 2017, the Company is of the view that, albeit the Vendors did not provide a performance guarantee in the Framework Agreement, the consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Conditions precedent

The Parties agreed in principle that Completion will be conditional upon, among others, the satisfaction or waiver of the following conditions precedent to be set forth in the Share Purchase Agreement on or before the Long Stop Date:

(a) the Parties having obtained all necessary approvals and filings in respect of the transactions contemplated under the Framework Agreement in accordance with the relevant laws and regulations, the Listing Rules and their respective constitutional documents;

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

(c) each of the warranties made by the parties in the Share Purchase Agreement remaining true, accurate and not misleading;

(d) the parties to the Share Purchase Agreement having performed their respective obligations which should have been performed on or before the Completion Date;

(e) the Project Company not being subject to winding-up, bankruptcy or insolvency;

(f) 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 Share Purchase Agreement or the continuing operation of the Project Group; and

(g) the Share Purchase Agreement and all the other necessary legal documents having been duly signed by the parties thereto.

As at the Latest Practicable Date, condition precedent in paragraph (b) above has been satisfied. The First Completion took place on 28 June 2017. Further details in relation to the First Completion are set out in the announcement of the Company dated 28 June 2017.

Save for the conditions precedent referred to in paragraphs (b), (c) and (d) above which can be waived on or before the Long Stop Date, none of the other conditions precedent above is capable of being waived. As at the Latest Practicable Date, neither the Purchaser nor to the best knowledge of the Company, Vendor E and Vendor F has any intention to waive any of the conditions precedent above to be set forth in the Share Purchase Agreement.

Pursuant to the Framework Agreement, the Subsequent Acquisition is conditional upon, among others, the completion of the Second Acquisition and the entering into of separate share purchase agreements to give effect to the Subsequent Acquisition. Further, the Subsequent Acquisition is also subject to obtaining of separate government approvals and procedures as conditions precedent to its completion.

Completion

Completion should take place on the Completion Date (but no later than the Long Stop Date) on which the Second Consideration will be paid by the Purchaser to Vendor E in accordance with the Share Purchase Agreement.

Given that the First Completion of the First Acquisition took place on 28 June 2017, as at the Latest Practicable Date, the equity interest of the Project Company is indirectly held as to approximately 50.60% by the Company.

Assuming the First Acquisition has been completed in accordance with the First Acquisition Agreement, upon the Completion, the equity interest of the Project Company will be held up to approximately 68.85% by the Company, as to approximately 28.97% by Vendor E, as to approximately 1.96% by Vendor F and as to approximately 0.22% by an individual.

Assuming that the Second Acquisition is completed and upon completion of the Subsequent Acquisition (assuming all the Subsequent Target Equity Interest are sold by Vendor E), the equity interest of the Project Company will be held up to approximately 74.85% by the Company, as to approximately 22.97% by Vendor E, as to approximately 1.96% by Vendor F and as to approximately 0.22% by an individual.

Each of Vendor E, Vendor F and the aforementioned individual is independent of the Company and connected persons of the Company.

Deposit

The Purchaser should pay the deposit in the amount of RMB30 million (the "**Deposit**") to Vendor E on the date of entering into of the Framework Agreement. As at the Latest Practicable Date, the Deposit has been paid to Vendor E pursuant to the Framework Agreement. The Deposit should be refunded to the Purchaser after the Second Consideration is paid. If the First Completion of the First Acquisition does not take place on or before the First Long Stop Date (as defined in the First Acquisition Agreement) due to reasons other than the Company's default under the First Acquisition Agreement, the Deposit should be refunded to the Purchaser after the First Acquisition Agreement is terminated pursuant to its provisions. Save for the aforementioned circumstances, Vender E shall have the right not to refund the Deposit to the Purchaser.

Guarantee

Pursuant to the Framework Agreement, Zall Development Investment and Mr. Yan have jointly and severally undertaken to the Vendors to guarantee the full and punctual performance by each of the Purchaser and the Company of their respective obligations under the Framework Agreement.

Undertakings

Pursuant to the Framework Agreement, the Parties agreed that, if the Second Acquisition materialises:

(a) none of the Parties may transfer, directly or indirectly, the shares of the Project Company to any competitor of the other Party so long as such other Party holds, directly or indirectly, any share of the Project Company;

(b) if the Purchaser intends to dispose of its equity interest of the Project Company to any third party, the Vendors should have the right to sell the same portion of their respective equity interest of the Project Company to such third party on the same terms. If such third party fails to acquire such equity interest of the Project Company from the Vendors, the Purchaser should not dispose of any of its equity interest of the Project Company to such third party; and

(c) if the Company is no longer a controlling shareholder holding more than 50% of the equity interest of the Project Company, each of the Vendor E and Vendor F should have the right to sell to the Company all or any of their respective equity interest of the Project Company (the "**Put Option**").

In terms of the Put Option as described in sub-paragraph (c) above, the Directors understand that, considering the Company's reputation in the industry and possible synergies between the Company and the Project Group upon completion of the First Acquisition whereby the Company will become a controlling shareholder of the Project Company, the Vendors have confidence in the future business performance of the Project Group and intend to remain as investors in the Project Company as opposed to disposing all of their equity interest to the Company at the current stage. However, if the Company is no longer the controlling shareholder of the Project Company, it is the intention of the Vendors to secure an exit right in view of the uncertainty of the Project Group's business performance in case of any subsequent change of control.

Given that the First Completion took place on 28 June 2017 and assuming the First Acquisition has been completed in accordance with the First Acquisition Agreement, immediately after the Completion, the Company will hold up to approximately 68.85% equity interest of the Project Company. In the event that the Company ceases to be a controlling shareholder holding more than 50% of the equity interest of the Project Company, the Company shall take into account the aggregate impact of such disposal and the Put Option, and will comply with the Listing Rules as and when appropriate.

Other undertakings

Pursuant to the Framework Agreement, the Company undertook to the Vendors that:

(a) the Purchaser should, and the Company should procure the Purchaser to, participate in the bidding process with respect to the Target Equity Interest in the trading platform for transfer of shares by means of listing for sale in the PRC and submit the bid at a price of RMB7.22 per each unit of RMB1 in the registered capital of the Project Company, in the event that the listed for sale transfer price (or the adjusted listed for sale transfer price, if applicable) of each Target Equity Interest is not higher than RMB7.22 per each unit of RMB1 in the registered capital of the Project Company;

(b) if the Second Acquisition materialises, so long as the Vendors own 20% or more equity interest in the Project Company and save for the business activities being currently engaged in by the Company and its associates as at the date of the Framework Agreement, none of the Company, the Purchaser or their respective associates may engage in any competing business that is identical or similar to the businesses of the Project Company after Completion; and

(c) if the Second Acquisition materialises, the Company should procure the Project Company to consummate an application for initial public offering within three years after Completion in such terms and conditions to the reasonable satisfaction of the Vendors, and to complete such initial public offering within five years after Completion, in any jurisdiction which results in the shares of the Project Company trading publicly on a recognised securities exchange (not including National Equities Exchange and Quotations of the PRC).

If the Company fails to fulfill its undertaking set out in sub-paragraph (c) above, the Company agreed to acquire such remaining equity interest of the Project Company then held by the Vendors in such terms and conditions (at cash or by way of share swap) to be unanimously agreed upon the Parties' further negotiation.

INFORMATION ON THE PURCHASER, THE COMPANY AND THE GUARANTORS

The Purchaser is a company with limited liability established in the PRC principally engaged in supply chain management and an indirect wholly-owned subsidiary of the Company. 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.

Zall Development Investment is a company incorporated in the British Virgin Islands and the controlling shareholder of the Company. Zall Development Investment is wholly-owned by Mr. Yan.

Mr. Yan is the co-chairman of the Company and an executive Director.

INFORMATION ON THE VENDORS

Vendor E is a company with limited liability established in the PRC whose shares are listed on the Shenzhen Stock Exchange under stock code 000061. Vendor E is principally engaged in development, construction, operation and management of agricultural product wholesale market, and its business scope involves trade, supply chain management and e-commerce of agricultural product.

Vendor F is a company with limited liability established in the PRC and a wholly-owned subsidiary of Vendor E. Vendor F is mainly engaged in leasing business, asset and investment management.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors and their respective ultimate beneficial owner(s) are third parties independent of the Company and connected persons of the Company.

INFORMATION ON THE PROJECT GROUP

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 principally engages in the trading of agricultural products, provision of relevant value-added supply chain service, such as storage and logistics services, and the supply chain finance service. The Project Group uses its electronic trading system to establish contracts for agricultural products with the sellers and the buyers respectively. The Project Group utilises 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.

For the trading of agricultural products, the registered sellers and the buyers input their sales or purchase information on the trading platform operated by the Project Group, including quantity, unit price, transaction date and location of the agricultural products, for the purpose of matching sellers and buyers on the trading platform. As a result, buyers and sellers do not transact directly on the trading platform, instead all transactions on the trading platform are made via the Project Group, which will purchase goods directly from the sellers and sell goods onwards to the identified buyers. There was no mandatory requirement for head to head match, hence goods purchased from a seller can be sold to one or more buyer(s) as identified through the trading platform by the Project Group. Similarly, goods can be purchased from one or more seller(s) to sell to one buyer as identified through the trading platform by the Project Group. In any event, goods purchased from seller(s) will be fully matched with demands from identified buyer(s). For the transaction price, the base price is determined based on the market price of the goods. The Project Group used a "cost plus margin" mechanism to determine the final price which includes the premiums/discounts.

During the purchase stage, the Project Group purchases goods directly from the seller(s). The risks and rewards are transferred from the seller(s) to the Project Group after the acceptance of the goods. The Project Group would thereafter be responsible for any damage, deterioration or theft in relation to the respective goods. Certain payments for goods by the Project Group are settled by way of payment instruments issued by financial institutions such as bill payables and letters of credit. For such payment methods, the Project Group purchases wealth management products as an investment, and charges such wealth management products in favor of the banks in return for payment instruments (such as bill payables and letters of credit) which are then used to settle outstanding consideration for purchasing goods from the seller(s).

During the sales stage, the Project Group sells goods to the buyer(s) and the buyer(s) pay the Project Group the agreed price on the completion date. Upon the receipt of payment, the Project Group would deliver the goods to the designated places. The risks and rewards would then be transferred from the Project Group to the buyers after the acceptance of the goods by the buyer. The Project Group also deals with complaints and claims from the buyers regarding the ratings, quality, etc. of the goods in question.

Based on the business model of the Project Group as set out above, there will be a balance of inventory for the Project Group in the event that the Project Group purchases goods from the seller(s) and completion of the sale to the target buyer(s) is scheduled to occur later.

The supply chain finance services mainly include: (i) the provision of prepayments to the sellers, whereby the seller(s) receive consideration first pending the delivery of goods by the seller(s) to the Project Group. Such prepayments are accounted as loan receivables for the Project Group; and (ii) the provision of credit to the buyers whereby the buyers pay only part of the purchase consideration to the Project Group and the Project Group would deliver the goods first pending payment by the buyer(s) of the remaining consideration to the Project Group. The provision of the supply chain finance services can facilitate the development of the trading of agricultural products of the Project Group.

As a result of the business model of the Project Group as set out above, the provision of the supply chain finance services, along with the increasing sales volume of the agricultural products and the acquisition of subsidiaries in Guangxi by the Project Group, there is an increase in the balance of inventory, wealth management product and loan receivables of the Project Group as at 30 June 2017 as evident in the consolidated financial statements of the Project Group as at 30 June 2017.

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 2015 and 31 December 2016 respectively:

	As at 31 December 2015		As at 31 December 2016	
Business segment	**Revenue**	**Contribution to total revenue**	**Revenue**	**Contribution to total revenue**
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*
Income from trading				
Sugar	12,442,600	97.73	20,224,819	98.19
Cocoon & Silk	135,390	1.07	98,771	0.48
Kiwi	18,420	0.14	79,200	0.38
Others	–	–	22,617	0.11
Sub-total	12,596,410	98.94	20,425,407	99.16
Income from supply chain finance and other service charges				
Sugar	73,150	0.57	77,679	0.38
Cocoon & Silk	27,530	0.22	24,972	0.12
Apple	3,780	0.03	7,170	0.03
Timber	3,310	0.03	15,469	0.08
Others	3,120	0.02	15,864	0.08
Sub-total	110,890	0.87	141,154	0.69

	As at 31 December 2015		As at 31 December 2016	
Business segment	**Revenue**	**Contribution to total revenue**	**Revenue**	**Contribution to total revenue**
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*
Other income				
Information system	16,710	0.13	12,320	0.06
Others	7,200	0.06	19,660	0.09
Sub-total	23,910	0.19	31,980	0.15
Total	12,731,210	100	20,598,541	100
– Revenue from financial statements	12,731,210		20,598,541	

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 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 2015 and 2016 together with the net profits (both before and after taxation) attributable to the Second Target Equity Interest and the Subsequent Target Equity Interest, which were prepared in accordance with the China Accounting Standards for Business Enterprises provided by the Project company:

(a) Net profits (both before and after taxation) and net assets of the Project Company

	For the year ended 31 December 2015 *Approximately RMB'000*	**For the year ended 31 December 2016** *Approximately RMB'000*
Net profit before tax	53,864	63,737
Net profit after tax	44,356	53,047
Net assets	592,725	765,551

(b) ***Net profits (both before and after taxation) attributable to the Second Target Equity Interest***

	For the year ended 31 December 2015 *Approximately RMB'000*	**For the year ended 31 December 2016** *Approximately RMB'000*
Net profit before tax	4,503	5,328
Net profit after tax	3,708	4,435

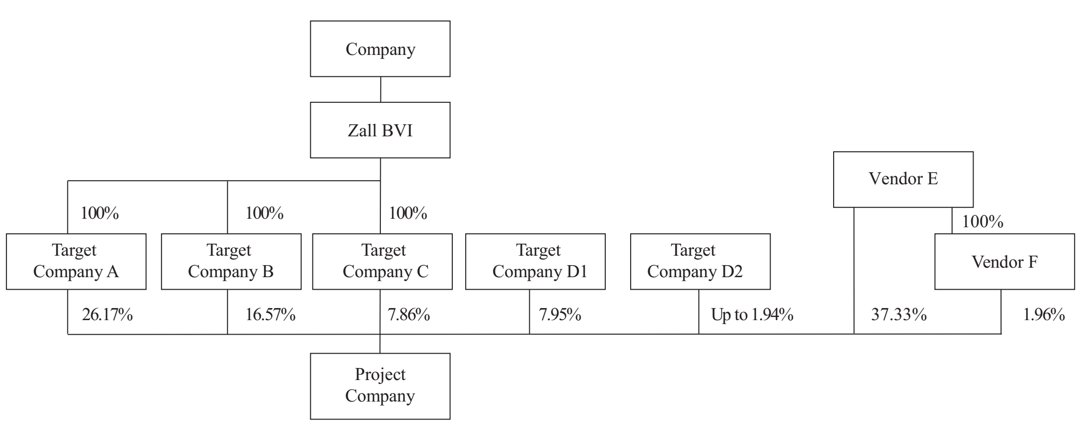
(c) ***Net profits (both before and after taxation) attributable to the Subsequent Target Equity Interest***

	For the year ended 31 December 2015 *Approximately RMB'000*	**For the year ended 31 December 2016** *Approximately RMB'000*
Net profit before tax	3,232	3,824
Net profit after tax	2,661	3,183

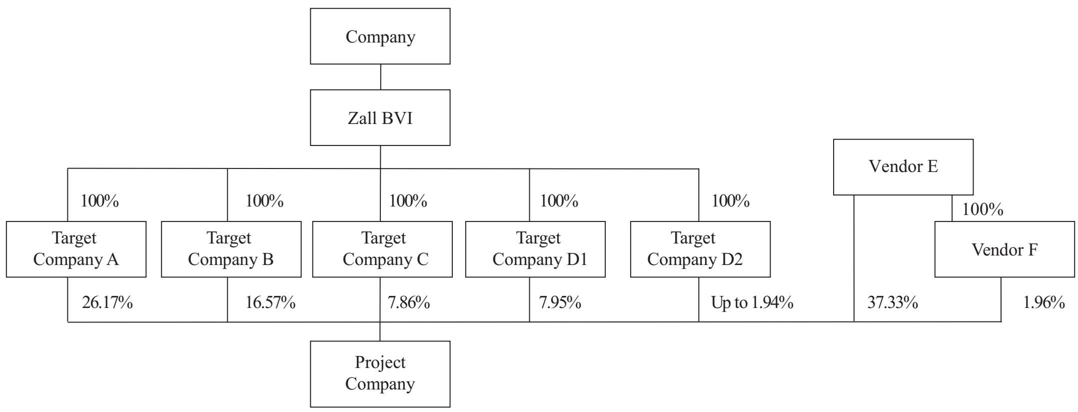
Please refer to the section headed "Appendix II – Accountants' Report of the Project Group" for detailed financial information of the Project Group.

Shareholding structure of the Project Group

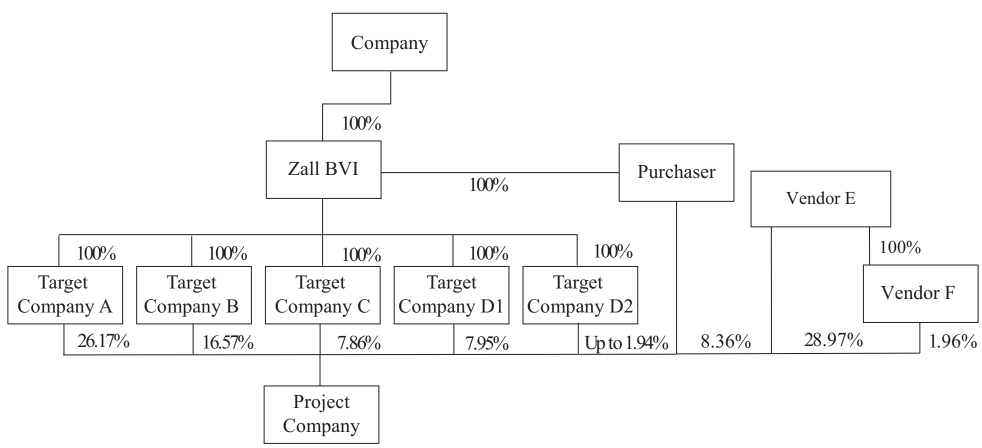
(a) Group structure of the Project Group as at the Latest Practicable Date:



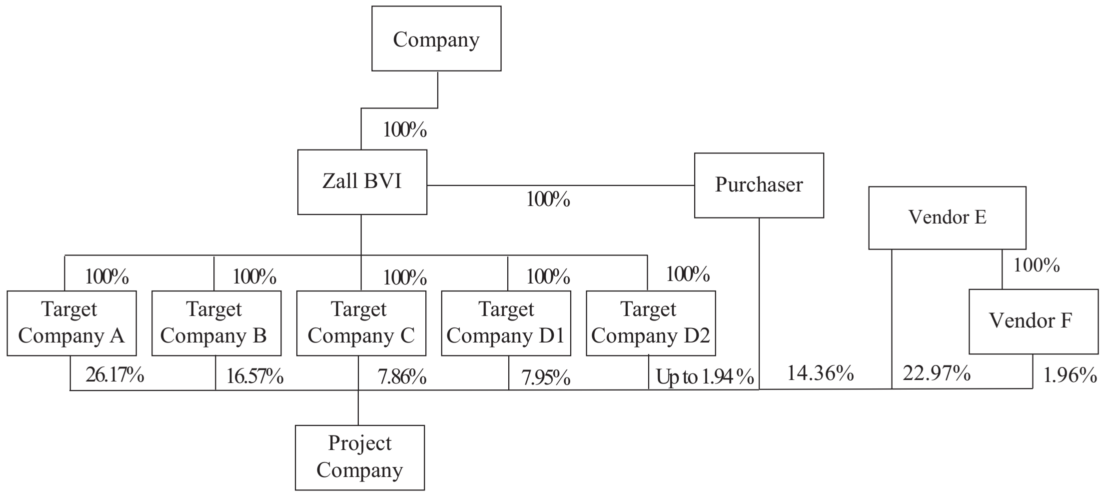
(b) Group structure of the Project Group immediately before Completion (assuming the First Acquisition has been completed in accordance with the First Acquisition Agreement):



(c) Group structure of the Project Group immediately after Completion:



(d) Group structure of the Project Group immediately after completion of the Subsequent Acquisition (assuming all the Subsequent Target Equity Interest are sold by Vendor E):



REASONS FOR THE FURTHER 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 First Acquisition and therefore abstained from voting at the relevant board meeting) are of the view that the Further Acquisition can strengthen the Group existing B2B e-commerce including supply chain management 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 Further Acquisition marks the further development of the Group's B2B e-commerce including supply chain management and supply chain finance businesses.

The Directors (save for Mr. Wei, who has material interest in the First Acquisition and therefore abstained from voting at the relevant board meeting) consider that the terms of the Further Acquisition and the Framework 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

Assuming that the First Acquisition has been completed in accordance with the First Acquisition Agreement and immediately after Completion, the equity interest of the Project Company will be held up to approximately 68.85% by the Company. Assuming that the Second Acquisition is completed and immediately after the completion of the Subsequent Acquisition, the equity interest of the Project Company will be held up to approximately 74.85% by the Company. As a result, the Project Company will become a non-wholly owned subsidiary of the Company and the Project 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 THE EARNINGS, ASSETS AND LIABILITIES OF THE ENLARGED GROUP

Assuming the First Acquisition has been completed in accordance with the First Acquisition Agreement, upon completion of the Second Acquisition and the Subsequent Acquisition, the Project Company will become a non wholly-owned subsidiary of the Company and the assets and liabilities and financial results of the Project Company 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 Project Company on the Company and the basis of preparation thereon.

On 28 June 2017, the acquisition of 50.60% equity interest of the Project Company under the First Acquisition has been completed. As at 30 June 2017, the Group had total assets of approximately RMB45,081,902,000 and total liabilities of approximately RMB27,536,648,000. Based on the total assets and liabilities of the Project Company as at 30 June 2017 and the Group as at 30 June 2017 and assuming the First Acquisition and Second Acquisition has been completed, the unaudited pro forma total assets will be approximately RMB44,792,408,000 and total liabilities will be approximately RMB27,536,648,000 as indicated in the unaudited pro forma consolidated statement of financial position of the Enlarged Group contained in Appendix IV to this circular.

Assuming the First Acquisition and Second Acquisition had taken place on 1 January 2016, the unaudited pro forma net profit attributable to equity shareholders of the Company for the year ended 31 December 2016 of the Enlarged Group will decrease from RMB2,048,951,000 to approximately RMB1,984,571,000 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 Further Acquisition exceeds 100%, the Further Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules. As such, the Framework Agreement and the transactions contemplated thereunder are subject to the Shareholders' approval at the EGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Further Acquisition and no Shareholder and his associates are therefore required to abstain from voting at the EGM in respect of the resolutions approving the Further Acquisition.

RECOMMENDATION

Taking into consideration the reasons set out in the paragraph headed "Reasons for the Further Acquisition" above, the Directors (excluding Mr. Wei, who has material interest in the First Acquisition and has therefore abstained from voting at the relevant board meeting) consider that the terms of the Further Acquisition and the Framework Agreement 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 (excluding Mr. Wei, who has material interest in the First Acquisition) recommend the Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM to approve, among other things, the Further Acquisition and the transactions contemplated thereunder.

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 Further Acquisition or the Framework Agreement. As such, no Shareholder is required to abstain from voting for the resolution to approve, among others, the Further Acquisition and the transactions contemplated thereunder at the EGM.

As Mr. Wei has a material interest in the First Acquisition, he has abstained from voting on the relevant board resolution to approve the Framework Agreement and the transactions contemplated thereunder. 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 Framework Agreement and the transactions contemplated thereunder. As such, no other Director is required to abstain from voting on the relevant board resolution to approve the Framework Agreement and the transactions contemplated thereunder.

EGM

The Company will convene the EGM at Suite 2101, 21/F, Two Exchange Square, Central, Hong Kong on Thurday, 18 January 2018 at 11:00 a.m. for the Shareholders to consider and approve, among other things, the Framework Agreement and the transactions contemplated thereunder.

The notice of the EGM is set out on pages VI-1 and VI-2 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 Shareholders. A form of proxy for use by the Shareholders at the EGM is enclosed with this circular.

A form of proxy for use 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

Shareholders and potential investors should note that completion of the Further Acquisition is subject to the fulfillment of the conditions under the Framework Agreement, the Share Purchase Agreement and the subsequent share purchase agreements to be further negotiated by the Parties. The Framework Agreement, the Share Purchase Agreement and such subsequent share purchase agreements may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the 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

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group (i) for the year ended 31 December 2016 is disclosed in the 2016 annual report of the Company published on 13 April 2017, from pages 67 to 166, (ii) 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, (iii) for 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 the unaudited condensed consolidated interim result for the six months ended 30 June 2017 is disclosed in the 2017 interim report of the Company published on 18 September 2017, from pages 24 to 60, 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 October 2017, 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, loans from other financial institutions and third parties	
Short-term loans	
– secured	4,482,925
– unsecured	3,220,283
Long-term loans	
– secured	5,185,969
– unsecured	-
Guarantees *(note)*:	976,852
Total:	13,866,029

Note: The amount mainly represents guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties.

Save as aforementioned and apart from intra-group liabilities, as at the close of business on 31 October 2017, 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 Further Acquisition, the internal resources available to the Enlarged Group, present facilities available and expected facilities to be obtained 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 adverse change in the financial or trading position or outlook of the Group since 31 December 2016, 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 years ended 31 December 2014, 2015 and 2016 and the interim report for the six months ended 30 June 2017. 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 2014, 2015 and 2016, and the unaudited condensed consolidated financial statements for the period ended 30 June 2017. Terms used below shall have the same meanings as defined in the aforesaid reports.

(a) For the six months ended 30 June 2017

Business Review and Prospects

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

Currently, the Group has constructed solid online and offline infrastructure. Mega trade and logistics centers, such as North Hankou International Trade Centre and Tianjin E-commerce Mall, is establishing the largest physical trading service system for e-commerce in China. Leveraged on the advantage of the ever-growing physical wholesale market as well as on properties, customers, logistics and data, and through online trade and service platforms such as Zallgo, Zallsoon（卓集送）and Zallfuhui（卓服滙）, the Group quickly achieved the online transformation of wholesale trading for merchants by the provision of logistics, warehousing and other comprehensive value-added services. Through cross-industry mergers and acquisitions, the Group has become the largest shareholder of LightInTheBox Holding Co., Ltd. ("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 6 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	**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

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

Sale of properties

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

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

Rental income

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

Revenue from construction contracts

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

Revenue from E-commerce and financial services business

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

Revenue from supply chain management and trading business

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

Cost of sales

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

Gross profit

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

Other net (loss)/income

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

Selling and distribution expenses

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

Administrative and other expenses

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

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

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

Share of loss of joint ventures

Share of loss of joint ventures of the Group increased by 685.7% from approximately RMB21 thousand for the six months ended 30 June 2016 to approximately RMB165 thousand for the six months ended 30 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 30 June 2016 to approximately RMB15.4 million for the six months ended 30 June 2017. The increase is primarily due to equity interest held in LightInTheBox increased from 30.8% to 33.7% and the Group's share of six-month loss of LightInTheBox for the six months ended 30 June 2017. The Group only share of three months loss of LightInTheBox for the six months ended 30 June 2016, as the Group acquired the equity interest of LightInTheBox since March 2016.

Gain on disposal of subsidiaries

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

Finance income and costs

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

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

Income tax

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

Profit for the period

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

Liquidity and capital resources

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

Cash position

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

Bank loans and loans from other financial institutions

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

Net gearing ratio

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

Foreign exchange risk

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

Charge on assets

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

Material acquisitions and disposals of subsidiaries or associated companies

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

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

Segment reporting

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

Contingent liabilities

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

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

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

Employees and Remuneration Policy

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

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

(b) For the year ended 31 December 2016

Business Review and prospectus

Strategic transformation from offline to online

In 2016, the Group continued to reinforce its competitive advantage of its core business, and intensified its effort in the internetisation of its core business and O2O integration, so that the Group will continue to transform to the "customer-orientation" and "internetisation". During the year, the Group accelerated its business expansion through organic growth and acquisitions, and established an intelligent collaborative business ecosphere. In respect of e-commerce business, the Group has become the largest shareholder of LightInTheBox, and has announced the acquisition of Shenzhen Sinoagri. In respect of financial services business, it established Zall Financial Services Group. In respect of logistics business, the online-offline integrated Intelligent Cloud Storage（智能雲倉）and Zallsoon（卓集送）have been established. The Group's "Wholesale Market + Internet" project known as Zall Cloud Market is supported by all the related business to link up e-commerce, finance, logistics, data, software and supply chain management services for mapping itself in the arenas of intelligent trading, internet of things and cross-border trading, aiming to form a business relationship that features synergetic interaction, mutual support and joint development.

At present, the Group has already established solid online-offline infrastructure. Mega trade and logistics centers, such as North Hankou International Trade Centre and Tianjin E-commerce Mall, have become China's largest physical trading service system. At the same time, Zall Cloud Market, leveraged on the foundation and competitive advantage in the existing trading, warehousing, logistics, and data of large trade and logistics centers, is now developing e-commerce, logistics information and data service businesses. Three major online trade and service platforms, Zallgo（卓爾購）, Zallsoon and Zallfuhui（卓服匯）were launched, supplying online wholesale, procurement management core functions and logistics information, trade matching and such other value-added services, which will lead to an integration of offline-online business. The Group strives to forge a unique position and vision as China's largest trading service system. Through Zallgo, LightInTheBox and such other domestic and overseas comprehensive trading platforms, vertical trading platforms such as Shenzhen Sinoagri, and the full convergence with logistics, finance and supply chain service platforms including Zallsoon, Zalljinfu（卓金服）, Jia16（嘉石榴）, Zhuoyitong（卓易通）to form an advanced intelligent trading ecosystem.

Offline businesses

North Hankou International Trade Centre is the flagship project of the Group leveraging on the advantages of Wuhan as the national integrated transportation hub, and 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 an area of more than 5 million square meters, covering 20 major specialised 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 around 28,000 wholesalers and approximately RMB60 billion transaction volume in 2016, it has become the largest commercial trade logistics centre across central and western China. By the end of 2016, about 12,000 merchants in Hanzheng Street had moved to North Hankou International Trade Centre. All merchants in the industries of hotel supplies, stationary and sporting goods, and most merchants in women's clothing and brand children's clothing had been relocated to North Hankou International Trade Centre. During the year of 2016, a warehousing and logistics centre with 2 million square meters was completed at North Hankou International Trade Centre, where more than 300 logistics and courier service companies are now stationed.

In terms of transportation facilities, North Hankou Transport Terminal was put into use during the year. It is a modern transportation hub complex built according to the nation's first-class standards. The position of the North Hankou International Trade Centre in Central China's trade logistic has been strengthened by the excellent and convenient transportation and logistics. Upon the formal approval of the eight national ministries in 2016, North Hankou International Trade Centre has been the third batch state-level pilot markets for market procurement trade, and it is also the only pilot market in the central and western provinces. North Hankou International Trade Centre has accelerated the infrastructure for the pilot market and actively consolidated premium resources, as well as enhanced service functions, in order to build an integrated foreign trade service system. Well-know domestic and overseas companies were introduced and stationed in North Hankou Foreign Trade Service Centre, which provide one-stop service for foreign trade enterprises, including registration, filing, customs clearance, tax rebates, foreign exchange, financing and logistics. In addition, a number of global procurement promotion activities were organised for aggressively attracting procurement and service agencies from around the world. More than 100 foreign trade enterprises and service agencies, around the country have contracted to station in North Hankou Foreign Trade Building. By leveraging on its inland market advantages, North Hankou International Trade Centre will achieve "Purchasing and Selling Globally through continuous improvement of foreign trade services. In 2017, owing to the domestic market demand potential brought by the internet transformation, and taking advantages of the global purchase opportunities arising from pilot market trade, North Hankou International Trade Centre will usher in a blowout in export, and become a new growth point in trade and export in the province.

The main construction works of Phase I of Tianjin E-commerce Mall has been completed with a gross floor area of 612,000 square meters, and part of the commercial and trade zones, with interior decorative works completed have commenced operation. Following the grand opening of Haining Leather City (A1 District) in 2015, Dongpi Clothing Wholesale New Market (動批服裝新城) (District B1) commenced business in April 2016, accommodating mainly the merchants from the traditional commerce markets including Beijing Zoo, Dahongmen and Tianjin Big Alley. In 2017, District A and District B of the market area and District C of the e-commerce industrial park will be completely put into operation. The Small Goods Mall project is planned to commence business in May 2017, the District C of the E-commerce Industrial Park is planned to be launched in June 2017, and two blocks of clothing markets are planned to commence business by the end of the year 2017.

Since the commencement of operation in early 2016, Jingzhou Zall City has gradually introduced the merchants of clothing, fur, hotel supplies, sugar, wines and non-staple food as well as daily necessities for business. Display areas have been successfully opened, including Chinese-style Brand Clothing Area (漢派品牌服飾區), North Hankou Imported Goods Display Centre (萬國優選海淘生活館), Brand Apparel Discount Area (名品服飾折扣區), Haining Fur and Leather Mall (海寧皮草皮革館), Hotel Supplies Wholesale Area (酒店用品批發區), Kitchen Supplies Supermarket (廚房用品超市). In 2017, the companies and merchants engaged in agricultural products production, processing and trading, e-commerce exhibition and sale, bedding and sheets, leisure and recreation will also be introduced. All these together will develop Jingzhou Zall City into a larger integrated market gradually.

No. 1 Enterprise Community – Wuhan has formed a gather of the headquarters for industries of culture media, electronic appliances, creative research and development, real estate investment, footwear and leather and clothing. At the end of 2016, a total of 139 companies had settled in the Single Block Office Buildings, with an occupancy rate of more than 70%. Out of which, there were 75 companies in Phase I and Phase II of the Single Block Office Buildings, with an occupancy rate of over 90%, and 64 companies in Phase III.

No. 1 Enterprise Community – Changsha, upon its completion and inspection approval towards the end of 2015, sales and marketing work for Phase I of the Changsha project has commenced. 11 enterprises have already moved in.

The North Hankou Industrial City has introduced a large number of well-known Chinese-style women's brands and other large and medium-sized manufacturers. North Hankou Industrial City, together with North Hankou Textile and Accessory City and Brand Clothing City, supporting 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. In 2016, the North Hankou Industrial City has introduced 71 merchants, with a contract sales area reaching 300,000 square meters.

Phase I of Wuhan Inland Port Centre was basically completed in the second half of 2016. The inland port centre will introduce a city pickup and delivery service platform focused on "cash on delivery" services, providing freight forwarding, special line, less-than-carload freight enterprises with ground distribution operations as well as offering storage and delivery integrated solutions.

Online businesses

Zallgo, as a cloud market trading platform in China with focus on servicing the offline markets, provides a full set of O2O industry solutions and services, a B2B trading platform, logistics warehousing supporting services and financial services.

The major services provided by Zallgo include "Lexiang"「樂享」 and "Jupianyi"「巨便宜」, "Group Purchasing"「團批」, major customer procurement, ordering, centralised warehouse distribution business and advertising platform. In particular, "Lexiang" business supplies quality goods and efficient distribution vehicles to students, who are also able to provide services for daily consumption in the campus by applying to be an agent via the platform, thus supporting college students' work-study programs and help them to start a business. "Jupianyi" platform, by planning, organizing and guiding a series of online promotional activities, enables the merchants to participate in such activities as they need for products exposure, discount promotions, and customer accumulation, so as to provide buyers with more benefits and choices. The "Group Purchasing" business aggregates retail orders into bulk ones so as to reduce the purchase cost and allow sellers to increase sales volume via "Group Purchasing" mode, thus organizing the supply chains and production plans in a more reasonable manner, reducing service costs and mitigating operational risk. Zallgo provides merchants with centralised warehousing and distribution services, which is able to provide more efficient and lower-cost services than their own warehousing and logistics services through the intelligent, large-scale and fine management. At present, services including "Warehouse Leasing at Nil Cost"「零元租倉」, "Delivery Next Day"「次日達」and "Free Postage"「免郵費」have been introduced, which not only enable merchants at the platform to reduce operating costs and management difficulties, but also contribute to sales and development by leveraging on big data and innovative business models. As of 31 December 2016, Zall's cloud market online wholesale trading platform has covered more than 20 cities across the nation, at which there have been nearly 796 major wholesale markets and more than 110,000 merchants with the transaction amount of RMB48.7 billion and 200,000 registered users. In 2016, Zallgo was recognised as the "2015 China E-commerce Demonstration Market"（2015年全國電子商務示範市場） and one of "Top 100 in the Mobile Internet Industry"（移動互聯網行業百強）. It was nominated in the shortlist of "Word of Mouth Top 10 in FMCG B2B Industry of China"（中國快消品B2B行業「口碑榜」十強） in the industry summit forum of "Internet + FMCG", being widely recognised by the industry and merchants.

In March 2016, the Group acquired LightInTheBox and became its largest shareholder, which represented a critical part for the Group to expand the cross-border e-commerce business. The acquisition is expected to greatly facilitate the integration of the domestic and foreign trade business, consolidate and link online and offline resources of both parties, in order to aggressively expand cross-border e-commerce business by taking the advantages of data, merchants and goods of Zallgo.

Supply chain management services

As the Group continues to strengthen and expand e-commerce, internet and intelligent trading businesses, it has accumulated a large number of customers in both upstream and downstream of the supply chain. With increased number of customers and product categories, diverse business models and trading patterns, the demands for order management, inventory management and capital management from different customers have become more evident. The operation of the e-commerce platform could meet the diverse needs of customers. In order to effectively enhance the comprehensive competitiveness of the e-commerce platform, the Group has established several subsidiaries and a joint venture in the second half of 2016 to exploit supply chain management and other value-added services. The business of supply chain management covers corn and rice products of different specifications in the field of grain and agricultural products. Since the inception of Wuhan Zall Agriculture in August 2016 up to 31 December 2016, a total sales revenue of approximately RMB90 million has been achieved, stable business partnerships were built with nearly 10 upstream and downstream customers. In the non-ferrous metals sector, the business covers a number of segments including electrolytic copper, aluminum ingots and electrolytic nickel. Since the establishment of the joint venture in September 2016 up to 31 December 2016, a total of sales revenue of approximately RMB2.7 billion has been achieved, and stable business partnerships with nearly 13 upstream and downstream customers were established. In 2017, the Group aims to expand its supply chain management business by deepening its product varieties, customers and service types, and seek to carry out and expand the business of supply chain management comprehensively in relation to nearly ten products varieties including non-ferrous metals, oil and foodstuffs.

On 28 October 2016, the Group acquired 60.49% of the equity interest of Shenzhen Sinoagri, at a consideration of approximately HKD2.591 billion. Shenzhen Sinoagri is engaged in e-commerce and supply chain management businesses for agricultural products in the PRC. Shenzhen Sinoagri is an industry leader which gives it a strong competitive advantage in the white sugar B2B market, with a customer base covering a substantial majority of the participants in the industry. Shenzhen Sinoagri constantly expands its market share and maintain its leadership in the white sugar industry and makes 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 centralised control, so as to engage in vertical integration of B2B transactions and expand to products with higher standard. The acquisition marks the further development of the Group's e-commerce and supply chain finance businesses. The Group will enlarge its client base and increase the Group's revenue in the long run, and strengthen the Group's existing e-commerce and supply chain finance businesses.

Supply chain finance services

In 2016, the Group sets up Zall Financial Services Group, which aims at providing one-stop financial services including comprehensive supply chain finance, finance leasing, factoring and guarantees and is a key milestone to improve the ecosphere of Zall's intelligent transactions and enhancing its supply chain financial services. Its principal businesses includes guarantees, finance leasing, commercial factoring and direct financing to e-commerce customers. Zall Financial Services Group actively develops a mutual supply chain finance service mode, which regards core merchants, and upstream suppliers and downstream distributors as a whole in respect of the entire supply chain management to provide merchants with customised capital solutions based on the chain relationship in the transactions and industry characteristics and make effective and reasonable match between idle funds of merchants, bank funds, public funds and borrowing needs of merchants to improve the efficiency of capital use and form a safe financial closed-loop effect. Taking advantage of differences in the market during peak and off seasons, the Group is able to adjust the demand and supply of funds effectively and satisfy the investment and financing needs of merchants in the wholesale market efficiently with lower costs. As at the end of 2016, the internet financial platform of Zall Financial Services Group had a total of 188,800 registered members with a total financing of approximately RMB4.32 billion.

Zalljinfu is the supply chain finance services platform on Zall's trading platform, which effectively integrates trading information, logistics and property information, storage information of online and offline wholesale market, forming a big-data risk-control model and credit rating system, to provide core merchants and their upstream suppliers and downstream customers at Zall's trading platform a convenient, fast and low-cost financing information service. In addition to the traditional mortgage business, Zalljinfu provides tailor-made financial services for its whole upstream and downstream supply chain according to the trading characteristics of the wholesale market. In particular, as merchants of Zallgo have financing needs in the trading process, Zalljinfu tailored credit loan services based on sellers and buyers, warehouse receipt pledge and stock right pledge financing services. Zalljinfu provides supply chain finance services based on logistics service process and logistic production process. Based on third-party logistics service carriers on the Zallsoon platform, Zalljinfu designed accounts receivable factoring and financing, order financing and credit loan services.

Harvest Financial Information Service (Hangzhou) Co., Ltd ("HFS") established and operates Jia16 (www.jia16. com). It is one of the first members of the China Internet Finance Association and took the lead in establishing a platform capital depository system in October 2016 to safeguard the security of funds in investment transactions. Leveraging on the comprehensive business resources, excellent information technology, abundant resources of financial projects and stringent risk control system of the Group, HFS strives to offer professional and reliable investment and financial services to its members.

Hangzhou Jiuyu Asset Management Co., Ltd. ("Jiuyu Asset Management") devotes to provide upstream and downstream customers of the Zall intelligent trading platform a safe and sound investment advisory and asset management services. For the year ended 31 December 2016, it has provided investment and asset management services amounting to an aggregate of approximately RMB140 million (in principal) and achieved safe collection for all due projects.

North Hankou Guarantee（漢口北擔保）provides support and services for healthy development of clients on each link of the supply chain of the professional market in North Hankou International Trade Centre and meet financial needs of merchants there. As of the year 2016, the Company was granted bank credit amounting to approximately RMB550 million in total, the balance of which reached approximately RMB140 million. Financing amounted to approximately RMB260 million, of which approximately RMB50 million was for corporate clients and RMB90 million was for individual customers.

Warehousing and logistics services

Zallfuhui 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 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. It expands profit margins by an unified warehousing and distribution system to reduce merchant warehouse management costs and improve efficiency. Through various professional management systems and by working with owners of cargo, Zallfuhui captures cargo supply to drive the growth in intra-city and, particularly, inter-city orders effectively and acquires big data about the flow of goods. Zallfuhui also develops supply chain products and offers professional supply chain services in accordance with the actual needs of enterprises and distributors to establish a closer relationship with them and participates in merchant sales so as to boost the number of orders and transactions of Zallgo. As at 31 December 2016, Zallfuhui's platform recorded a turnover of approximately RMB180 million and its logistics orders amounted to 186,000. The cloud warehouses under its management have covered 29 cities with an area of 7.8 million square meters.

Regarding the wholesale market with concentrated logistics demand as the starting point and adopting "professional transportation services for professional users" as the business philosophy, Zallsoon is attuned to the characteristics of logistics transactions. It created a logistics information and 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 real-time monitoring of order status makes the services more transparent and simple. Further, it creates a new "Internet Plus" logistics service model. In 2016, dedicated intra-city lines, intercity trunk lines, cargo insurance and quick delivery services were introduced. Zallsoon set a nationwide expansion goal with Wuhan as the center, it provided logistics information (for goods delivery) for the cargo owners and transaction services according to logistics needs through a new "Internet Plus" smart logistics service model, enhanced customer loyalty to the platform by identifying the characteristics of logistics transactions, and obtained basic downstream information by participating in merchant sales. As at 31 December 2016, Zallsoon has provided services to about 150,000 owners of cargo with over 30,000 active drivers on its platform. Total orders in aggregate amounted to nearly 3 million for the year with an average of over 30,000 orders per day, while cargo supply covered 12 cities including Wuhan, Changsha, Zhengzhou, Shanghai, Guangzhou and Tianjin.

Investment Portfolio

The major investment of the Group as at 31 December 2016 and 31 December 2015 is as follows:

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/ (loss) arising on revaluation for the year ended 31 December 2016	Realised holding gain arising on revaluation for the year ended 31 December 2016	Dividend received/ receivable for the year ended 31 December 2016
				RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
00607.HKEX	Fullshare	680,480,000	3.5%	734,920	2,203,480	1,120,304	–	6,805
Warrant	LightInTheBox	N/A	N/A	N/A	5,241	(2,287)	–	–
					2,208,721	1,118,017	–	6,805

As at 31 December 2015

Stock code	Name of investee company	Number of shares held	Effective shareholding interest	Acquisition cost	Carrying amount as at 31 December 2015	Unrealised holding gain arising on revaluation for the year ended 31 December 2015	Realised holding gain arising on revaluation for the year ended 31 December 2015	Dividend received/ receivable for the year ended 31 December 2015
				RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
00607.HKEX	Fullshare	680,480,000	4.4%	734,920	1,083,176	348,358	540	–
					1,083,176	348,358	540	–

The performance and prospects of the major investment during the year is as follows: The Group held approximately 680,480,000 shares in Fullshare, representing approximately 3.5% of its entire issued share capital as at 31 December 2016 and recognised an unrealised gain of approximately RMB1,120,304,000 for the year ended 31 December 2016. The carrying amount of investment in Fullshare accounts for 7.4% of the Group's total assets as at 31 December 2016. Fullshare is listed on the main board of the Stock Exchange. The principle activities are property development, tourism, investment, provision of healthcare products and services business and new energy business. The Group believes that the Fullshare Group's growth momentum remains strong and expects the Group's investment in Fullshare to continue to generate return for the Group.

Results of Operation

Revenue

Revenue of the Group increased by approximately 17.9% from RMB1,029.5 million for the year ended 31 December 2015 to RMB1,213.4 million for the year ended 31 December 2016. The increase was primarily due to the offsetting effect of (i) the increase in the sales of properties; (ii) the increase in rental income; (iii) the decrease in revenue from construction contracts; and (iv) the increase in revenue from E-commerce and financial service business; and (v) the revenue contribution from supply chain management and trading business.

Sales of properties

Revenue from sales of properties increased by approximately 4.5% from RMB696.0 million for the year ended 31 December 2015 to RMB727.1 million for the year ended 31 December 2016.

The Group's revenue from sales of properties was generated from sales of industrial plants units, auxiliary facilities units, office and retails units and residential apartments. The GFA and ASP of the respective projects sold during the year ended 31 December 2016, together with the comparative figures for the year 2015 are set forth below:

	For the year ended 31 December					
	2016			2015		
	GFA Sold	Average selling price (net of business tax)	Revenue from sales of properties	GFA Sold	Average selling price (net of business tax)	Revenue from sales of properties
	(sq.m.)	*RMB/ sq.m.*	*(RMB'000)*	*(sq.m.)*	*RMB/ sq.m.*	*(RMB'000)*
North Hankou International Trade centre	86,892	3,795	329,779	65,666	6,247	410,202
Zall Tianjin	48,850	5,563	271,772	–	–	–
No. 1 Enterprise Community – Wuhan	12,380	4,402	54,498	19,310	4,875	94,132
No. 1 Enterprise Community – Changsha	10,350	4,386	45,391	6944	4,500	31,249
Zall Life City – Hupan Haoting Residences	4,427	5,487	24,289	8,507	5,343	45,452
Jingzhou Zall City	440	3,064	1,348	14,806	4,107	60,806
Wuhan Salon	–	–	–	7,326	7,386	54,110
Total	163,339		727,077	122,559		695,951

During the year under review, the increase in the Group's revenue from sales of properties was mainly due to the offsetting effect of (i) the increase in the GFA delivered of certain properties; and (ii) the change in combination of properties sold in result of the lower average selling price during 2016.

Although the GFA sold in North Hankou International Trade Centre increased by approximately 32.3% from 65,666 sq.m. for the year ended 31 December 2015 to 86,892 sq.m. for the year ended 31 December 2016, its turnover decreased by approximately 19.6% from RMB410.2 million for the year ended 31 December 2015 to RMB 329.8 million for the year ended 31 December 2016. This is primarily due to the lower average selling price from the sales of the North Hankou Industrial City, which is the one of the newly completed properties during the current year, as a result the average selling price (net of business tax) has decreased significantly by approximately 39.3% from RMB6,247 per sq.m. for the year ended 31 December 2015 to RMB3,795 per sq.m. for the year ended 31 December 2016.

Zall Tianjin sold 48,850 sq.m. properties under development to the local government and generated revenue about RMB271.8 million for the year ended 31 December 2016.

The GFA sold in No.1 Enterprise Community – Wuhan decreased by approximately 35.9% from 19,310 sq.m. for the year ended 31 December 2015 to 12,380 sq.m. for the year ended 31 December 2016.

The GFA sold in No. 1 Enterprise Community – Changsha increased by approximately 49.0% from 6,944 sq.m. for the year ended 31 December 2015 to 10,350 sq.m. for the year ended 31 December 2016.

The GFA sold in Zall Life City – Hupan Haoting Residences decreased by approximately 48.0% from 8,507 sq.m. for the year ended 31 December 2015 to 4,427 sq.m. for the year ended 31 December 2016.

No sales of properties from Wuhan Salon for the year ended 31 December 2016 as the Group has disposed of its entire equity interest in the project during the year ended 31 December 2015.

Rental income

The Group's rental income increased significantly by approximately 76.0% from RMB103.5 million for the year ended 31 December 2015 to RMB182.1 million for the year ended 31 December 2016. The increase was primarily due to an increase in the number of wholesale shopping mall units in the North Hankou International Trade Centre retained for leasing and an increase in rent per square meter.

Revenue from construction contract

The Group's revenue from construction contract to build certain properties on behalf of a third party decreased by approximately 56.7% from RMB197.0 million for the year ended 31 December 2015 to RMB85.3 million for the year ended 31 December 2016. The revenue was recognised according to the actual cost incurred for the year ended 31 December 2016. The decrease for the year 2016 was primarily due to projects being at their completion stage in the year under review.

Revenue from E-commerce and financial services business

The Group's revenue from e-commerce and financial services business increased significantly by approximately 290.6% from RMB5.6 million for the year ended 31 December 2015 to RMB21.8 million for the year ended 31 December 2016. The increase was mainly due to acquisition of interest in Zhong Bong Financial Leasing, Hangzhou Jiuyu Asset Management and HFS during the year under review.

Revenue from supply chain management and trading business

The Group's revenue from supply chain management and trading business has first time contributed approximately 13.7% of the Group's total turnover for the year ended 31 December 2016. Owing to the Group's rapid development of e-commerce business, Zallgo and commodity market business which has led to a concentration of transaction parties, the need for supply chain management service develops rapidly with the demand for synchronisation of information along the supply chain. As a result, the Group has established various supply chain management and trading companies to commence such business which has contributed revenue of RMB166.8 million to the Group during the year ended 31 December 2016.

Cost of sales

Cost of sales of the Group increased by approximately 12.4% from RMB758.3 million for the year ended 31 December 2015 to RMB852.1 million for the year ended 31 December 2016, primarily due to the effect of recognition of cost of inventories of RMB165.2 million from the supply chain management and trading business during the year.

Gross profit

Gross profit of the Group increased by approximately 33.2% from RMB271.2 million for the year ended 31 December 2015 to RMB361.3 million for the year ended 31 December 2016. The Group's gross profit margin increased slightly from 26.3% in 2015 to 29.8% in 2016. The increase was mainly due to an increase in rent per square meter and an increase of profit from operating lease. With the increase in rent per square meter and in rental area, the gross profit from rental income increase from scale effect.

Other income

Other income of the Group increased from RMB972.2 million for the year ended 31 December 2015 to RMB1,130.5 million for the year ended 31 December 2016. The increase was mainly due to the offsetting effect of (i) the increase in fair value change on financial assets at fair value through profit or loss of RMB769.7 million; (ii) the decrease in gain on early redemption of convertible bonds of RMB123.8 million; and (iii) the decrease in gain arising from bargain purchase and remeasurement of interests in of subsidiaries of RMB362.6 million.

Selling and distribution expenses

Selling and distribution expenses increased slightly by approximately 0.1% from RMB141.3 million for the year ended 31 December 2015 to RMB141.5 million for the year ended 31 December 2016. The increase was primarily due to the offsetting effect of (i) an increase of RMB12.6 million and RMB6.9 million in staff related cost and office expenses respectively; and (ii) a decrease of RMB19.9 million in promotion expenses and other expenses related to Zall Football Club, which was disposed during the year of 2015.

Administrative and other expenses

Administrative and other expenses of the Group increased slightly by approximately 4.3% from RMB153.5 million for the year ended 31 December 2015 to RMB160.1 million for the year ended 31 December 2016. The increase was primarily due to an increase of RMB4.2 million in office 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 2016, the Group recorded fair value change of investment properties and non-current assets classified as held for sale of RMB111.3 million (2015: RMB439.6 million) and fair value gain upon transfer of completed properties held for sale to investment properties of RMB1,164.4 million (2015: RMB798.2 million). The increase of RMB37.9 million in fair value of the Group's investment properties during the year ended 31 December 2016 reflected the increased number of auxiliary facilities units retained for rental purposes.

Share of loss of joint ventures

Share of loss of joint ventures consisted primarily of share of loss from Wuhan Zall Shengtang Properties Co., Ltd. and Wuhan Zall Heng, which reflected the Group's 60% equity interest share of loss of these entities. No share of profit or loss from Wuhan Big World Investment and Development Co., Ltd ("Wuhan Big World Investment") and Wuhan Big World Marketing Management Co., Ltd. ("Wuhan Big World Management") respectively, as these entities became a subsidiary of the Group after business combination during the year of 2015. The Group further acquired the remaining equity interest of Wuhan Big World Investment and Wuhan Big World Management during the year of 2016 and became wholly-owned subsidiaries of the Group.

Share of loss of associates

Share of loss of associates consisted primarily of share of loss from LightInTheBox, which reflected the Group's 32.6% equity interest share of loss of this entity.

Gain on disposal of subsidiaries

The Group disposed its subsidiary Panlong Zall and recognised a gain of RMB95.6 million during the year of 2016.

Finance income and costs

For the year ended 31 December 2016, interest income of RMB3.6 million (2015: RMB5.7 million) was credited to the consolidated statement of profit or loss.

For the year ended 31 December 2016, a net finance cost of RMB192.3 million (2015: RMB264.9 million) was charged to the consolidated statement of profit or loss. The decrease was mainly attributable to the decrease in interest on the convertible bonds which was fully redempted in second half of 2015.

Income tax

Income tax increased by approximately 27.8% from RMB228.2 million for the year ended 31 December 2015 to RMB291.6 million for the year ended 31 December 2016. The increase was mainly due to the effect of (i) the increase in PRC corporate income tax of RMB26.8 million as the taxable profit increase; (ii) the increase of PRC LAT of RMB14.0 million as the Group generates a higher profit from disposal of properties under development from Zall Tianjin; and (iii) the increase in deferred tax of RMB22.6 million as result of a slight increase of fair value gain from investment properties in 2016 and the reversal of deferred LAT relating to Tianjin E-Commerce Mall on 2015. The Group's effective tax rate increased from approximately 10.0% for the year ended 31 December 2015 to approximately 12.4% for the year ended 31 December 2016.

Profit for the year

For the year ended 31 December 2016, the Group recorded a net profit of RMB2,056.6 million. Profit attributable to equity shareholders of the Company was RMB2,049 million, representing an increase of approximately 0.8% over the amount of RMB2,037.7 million for the year ended 31 December 2015.

Liquidity and capital resources

The Group has consistently maintained sufficient working capital. As at 31 December 2016, the Group had net current assets of RMB5,658 million (2015: RMB4,974 million) and net assets of RMB12,139 million (2015: RMB10,311 million).

As at 31 December 2016, the Group's equity attributable to equity shareholders of the Company amounted to RMB12,105 million (2015: RMB9,468 million), comprising issued capital of RMB30 million (2015: RMB30 million) and reserves of RMB12,075 million (2015: RMB9,438 million).

Cash position

As at 31 December 2016, cash and cash equivalents of the Group was RMB273.3 million (2015: RMB243.5 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.

Bank loans and loans from other financial institutions

As at 31 December 2016, the Group's total long-term and short-term loans was RMB8,393.9 million, representing an increase of RMB1,999.1 million over the amount of RMB6,394.8 million as at 31 December 2015. Majority of loans were denominated in the functional currency of the Group.

Net gearing ratio

As at 31 December 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 62.5% (2015: 60.2%).

Capital expenditure

For the year ended 31 December 2016, the Group's total expenditure in respect of property, plant and equipment and investment properties under development amounted to RMB10.6 million and RMB95.6 million (2015: RMB115.1 million and RMB548.6 million), respectively.

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 2016, the Group did not use any financial instruments for hedging purpose. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

Charge on assets

As at 31 December 2016, the Group had pledged certain of its assets with a total book value of RMB16,253.1 million (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 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 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 RMB148.8 million (2015: RMB103.4 million) and RMB1,881.8 million (2015: RMB1,455.9 million), respectively.

Employees and Remuneration Policy

As at 31 December 2016, the Group employed a total of 1,422 full time employees (2015: 979). The increase of headcount during the year under review was mainly due to new business development such as e-commerce and supply chain services. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2016, the employees benefit expenses were RMB86.1 million (2015: RMB56.2 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. As at 31 December 2016, there was no outstanding share options under the Share Option Scheme and Pre-IPO Share Option Scheme. Further information in relation to the Share Option Scheme and Pre-IPO Share Option Scheme will be set out in the annual report of the Company for the year ended 31 December 2016.

(c) 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 Zallfuhu (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 Zallfuhu (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 big data 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 Zallbangda（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 recognition 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.

(d) 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 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 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.

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. 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（卓爾購）, 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.

The Group's transformation program, based on the advantages of the properties, clients, logistics, data basis, etc. took 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. Three online trading and service platforms, namely Zallgo, Zall Financial Services Group Limited ("Zall Financial Services") and Zallfuhui, serve online transactions of wholesale trading, financing support and smart logistics respectively to form a closed loop of big data integration services. As at 30 June 2017, (1) Zallgo 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; (2) 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; and (3) 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.

The Board expects that the customer base and long-term income of the Enlarged Group will enlarge and increase through further acquisition, which further enhanced the existing e-commence and supply chain financial business of the Enlarged Group. By virtue of the experience of Shenzhen Sinoagri in B2B vertical B2B e-commence business, its mature B2B trading platform and its rich experience in supply chain management and financial service, there will be a new driver for the Group's development in agricultural product e-commence business. Enlarged Group will continue to dedicate resources to its core business segment, i.e. development and operating of large-scale consumer product-focused wholesale shopping malls and the related value added business such as e-commence, financial service, warehousing and logistics to establish the largest B2B trading platform and consumer product database in the world.

7. MATERIAL ACQUISITION SINCE LATEST PUBLISHED AUDITED ACCOUNTS

As at the Latest Practicable Date, save for the First Acquisition, the Second Acquisition and the Subsequent Acquisition, no member of the Group had acquired or agreed to acquire or proposed 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 2016, being the date to which the latest published audited accounts of the Company have been made up.

Details of the First Acquisition are set out in the Previous Announcement and the Previous Circular.

The Directors do not expect material variation to the aggregate of the remuneration payable to and benefits in kind receivable by the directors of the acquiring company in consequence of the First Acquisition, the Second Acquisition and the Subsequent Acquisition.

The following is the text of a report on the Project Group set out on pages IIA-1 to IIA-72, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ZALL GROUP LTD.

Introduction

We report on the historical financial information of Shenzhen Sinoagri E-commerce Co., Ltd. (the "Project Company") and its subsidiaries (together, the " Project Group") set out on pages IIA-4 to IIA-72, which comprises the consolidated statements of financial position of the Project Group as at 31 December 2014, 2015 and 2016 and 30 June 2017 and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IIA-4 to IIA-72 forms an integral part of this report, which has been prepared for inclusion in the circular of Zall Group Ltd. (the "Company") dated 11 December 2017 (the "Circular") in connection with the proposed acquisition of the Project Company by Zall Commerce Supply Chain (Wuhan) Co., Ltd., a wholly-owned subsidiary of the Company (the "Proposed Acquisition").

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1(a) to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1(a) to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Project Group's financial position as at 31 December 2014, 2015 and 2016 and 30 June 2017 and of the Project Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1(a) to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Project Group which comprises the consolidated statements of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 30 June 2016 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1(a) to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review 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. 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 on 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. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1(a) to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IIA-4 have been made.

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

11 December 2017

A Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Project Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

Consolidated statements of profit or loss

		Year ended 31 December			Six months ended 30 June	
		2014	**2015**	**2016**	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	*3*	7,313,316	12,862,301	20,471,740	8,814,769	15,429,363
Cost of sales		(7,189,453)	(12,713,780)	(20,306,290)	(8,754,421)	(15,297,335)
Gross profit		**123,863**	**148,521**	**165,450**	**60,348**	**132,028**
Other income	*4*	1,993	14,432	44,890	18,460	103,360
Selling and distribution expenses		(13,949)	(25,202)	(48,571)	(14,375)	(27,153)
Administrative expenses		(62,699)	(77,241)	(84,606)	(32,254)	(47,661)
Profit from operations		**49,208**	**60,510**	**77,163**	**32,179**	**160,574**
Finance income	*5(a)*	4,346	7,923	7,554	3,790	6,154
Finance costs	*5(b)*	(16,356)	(29,921)	(38,407)	(18,310)	(44,578)
Net finance costs		**(12,010)**	**(21,998)**	**(30,853)**	**(14,520)**	**(38,424)**
Share of profits less losses of associates	*13*	11,330	13,893	15,637	7,769	2,924
Share of losses of a joint venture	*14*	–	–	–	–	(525)
Profit before taxation	*5*	**48,528**	**52,405**	**61,947**	**25,428**	**124,549**
Income tax	*6(a)*	(9,678)	(10,301)	(11,853)	(4,912)	(17,596)
Profit for the year/period		**38,850**	**42,104**	**50,094**	**20,516**	**106,953**

		Year ended 31 December			Six months ended 30 June	
		2014	**2015**	**2016**	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Attributable to:						
Equity shareholders of the Project Company		36,387	42,335	47,484	20,261	99,466
Non-controlling interests		2,463	(231)	2,610	255	7,487
Profit for the year/period		**38,850**	**42,104**	**50,094**	**20,516**	**106,953**

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of profit or loss and other comprehensive income

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit for the year/period	**38,850**	**42,104**	**50,094**	**20,516**	**106,953**
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year/period	**38,850**	**42,104**	**50,094**	**20,516**	**106,953**
Attributable to:					
Equity shareholders of the Project Company	36,387	42,335	47,484	20,261	99,466
Non-controlling interests	2,463	(231)	2,610	255	7,487
Total comprehensive income for the year/period	**38,850**	**42,104**	**50,094**	**20,516**	**106,953**

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of financial position

	Note	As at 31 December			As at 30 June
		2014	**2015**	**2016**	**2017**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*9*	34,068	28,832	25,740	87,966
Intangible assets	*10*	8,095	6,885	7,636	316,752
Interest in associates	*13*	53,766	67,527	58,455	1,547
Interest in a joint venture	*14*	–	–	–	24,233
Goodwill	*15*	–	–	–	87,330
Deferred tax assets	*26(b)*	14,904	17,855	16,372	32,002
Other non-current assets	*11*	6,143	3,626	729	–
		116,976	124,725	108,932	549,830
Current assets					
Financial assets at fair value through profit or loss	*16*	9,214	1,404,244	3,807,803	2,776,900
Inventories	*17*	33	130,350	371,649	608,615
Trade and other receivables	*18*	553,586	355,603	391,377	779,308
Loans receivable	*19*	657,632	917,214	1,279,460	2,749,186
Amounts due from related parties	*20(a)*	3,522	6,069	38,449	6,215
Restricted cash		–	135,630	195,000	2,240,389
Cash and cash equivalents	*21*	230,864	277,326	865,786	1,236,374
Current tax assets	*26(a)*	–	265	–	558
		1,454,851	3,226,701	6,949,524	10,397,545
Current liabilities					
Financial liabilities at fair value through profit or loss	*16*	9,214	12,162	20,295	62,096
Trade and other payables	*22*	516,006	2,349,844	5,472,107	8,004,682
Bank loans	*23*	380,000	370,000	600,000	1,588,500
Amounts due to related parties	*20(b)*	892	47	180,235	44,198
Current taxation	*26(a)*	8,594	7,135	6,939	10,043
		914,706	2,739,188	6,279,576	9,709,519
Net current assets		**540,145**	**487,513**	**669,948**	**688,026**
Total assets less current liabilities		**657,121**	**612,238**	**778,880**	**1,237,856**

	Note	As at 31 December			As at 30 June
		2014	**2015**	**2016**	**2017**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities					
Deferred tax liabilities	*26(b)*	–	–	–	125,668
Deferred income	*4(i)*	24,717	18,863	13,739	11,427
		24,717	18,863	13,739	137,095
NET ASSETS		**632,404**	**593,375**	**765,141**	**1,100,761**
CAPITAL AND RESERVES					
Share capital	*27*	444,000	444,000	500,027	509,000
Reserves	*27*	156,826	132,956	244,776	426,622
Total equity attributable to equity shareholders of the Project Company		**600,826**	**576,956**	**744,803**	**935,622**
Non-controlling interests		**31,578**	**16,419**	**20,338**	**165,139**
TOTAL EQUITY		**632,404**	**593,375**	**765,141**	**1,100,761**

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of changes in equity

		Attributable to equity shareholders of the Project Company							
	Note	Share capital *RMB'000*	Capital reserve *RMB'000*	Equity-settled share-based payment reserve *RMB'000*	Statutory reserves *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *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	*27(f)*	–	–	–	4,922	(4,922)	–	–	–
Dividends to shareholders	*27(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
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	*27(f)*	–	–	–	5,261	(5,261)	–	–	–
Dividends to shareholders	*27(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

	Note	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 2016		444,000	75,925	196	31,570	25,265	576,956	16,419	593,375
Changes in equity for 2016:									
Profit for the year		–	–	–	–	47,484	47,484	2,610	50,094
Other comprehensive income		–	–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	47,484	47,484	2,610	50,094
Capital injection from non-controlling interests		–	–	–	–	–	–	3,600	3,600
Equity-settled share-based transactions		–	–	1,892	–	–	1,892	–	1,892
Appropriations to statuary reserve	*27(f)*	–	–	–	9,032	(9,032)	–	–	–
Dividends to shareholders	*27(c)*	–	–	–	–	(36,723)	(36,723)	(2,291)	(39,014)
Issuance of new shares	*27(b)*	56,027	99,167	–	–	–	155,194	–	155,194
As at 31 December 2016		500,027	175,092	2,088	40,602	26,994	744,803	20,338	765,141
As at 1 January 2017		500,027	175,092	2,088	40,602	26,994	744,803	20,338	765,141
Changes in equity for 2017:									
Profit for the period		–	–	–	–	99,466	99,466	7,487	106,953
Other comprehensive income		–	–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	99,466	99,466	7,487	106,953
Arising from disposal shares of a subsidiary without losing control		–	109,039	–	–	–	109,039	23,226	132,265
Acquisition of subsidiaries		–	–	–	–	–	–	107,814	107,814
Dividends to shareholders	*27(c)*	–	–	–	–	(43,470)	(43,470)	(1,897)	(45,367)
Capital injection from non-controlling interests		–	–	–	–	–	–	8,171	8,171
Equity settled share-based transactions	*27(b)*	8,973	18,899	(2,088)	–	–	25,784	–	25,784
As at 30 June 2017		509,000	303,030	–	40,602	82,990	935,622	165,139	1,100,761
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		–	–	–	–	20,261	20,261	255	20,516
Other comprehensive income		–	–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	20,261	20,261	255	20,516
Equity-settled share-based transactions		–	–	962	–	–	962	–	962
Issuance of new shares	*27(b)*	56,027	99,167	–	–	–	155,194	–	155,194
As at 30 June 2016		500,027	175,092	1,158	31,570	45,526	753,373	16,674	770,047

The accompanying notes form part of the Historical Financial Information.

Consolidated cash flow statements

		Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Operating activities						
Cash (used in)/generated from operations		(155,932)	187,670	294,398	129,964	(565,342)
Income tax paid	*26(a)*	(4,255)	(14,976)	(10,301)	(5,345)	(12,000)
Net cash (used in)/ generated from operating activities	*21(b)*	(160,187)	172,694	284,097	124,619	(577,342)
Investing activities						
Payment for the purchase of property, plant and equipment		(6,420)	(9,532)	(5,122)	(1,431)	(897)
Payment for the purchase of intangible assets		(1,796)	(3,119)	(3,984)	(1,333)	(780)
Cash receipt from disposal of property, plant and equipment		412	2,385	1,457	742	–
Cash receipt from disposal of intangible assets		40	586	–	–	–
Payment for investments in associates		–	–	(1,680)	–	(3,002)
Payment for investments in a joint venture		–	–	–	–	(24,758)
Cash receipt from disposal of an associate		–	–	–	–	4,263
Cash receipt from acquisition of subsidiaries		–	–	–	–	568,291
Interest received		4,346	4,292	2,319	1,601	46,941
Dividend received		15,200	132	–	–	44,868
Net cash generated from/(used in) investing activities		11,782	(5,256)	(7,010)	(421)	634,926

		Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Financing activities						
Net proceeds from bank loans		400,000	570,000	650,000	230,000	670,000
Repayment of bank and other loans		(120,000)	(580,000)	(420,000)	(100,000)	(320,000)
Interest paid		(15,911)	(29,439)	(37,075)	(18,204)	(41,546)
Other borrowing cost paid		(521)	(484)	(1,058)	(106)	(2,019)
Dividend paid		(16,933)	(35,331)	(39,014)	–	(26,455)
Proceeds from non-controlling shareholders		500	400	3,600	–	8,171
Proceeds from capital injection from shareholders		–	–	155,194	155,194	24,855
Payment to acquisition of non-controlling interest in a subsidiary		(21,337)	(46,398)	–	–	–
Net cash generated from/(used in) financing activities		225,798	(121,252)	311,647	266,884	313,006
Net increase in cash and cash equivalents		77,393	46,186	588,734	391,082	370,590
Cash and cash equivalents at the beginning of the year/period		153,521	230,864	277,326	277,326	865,786
Effect of foreign exchange rate changes		(50)	276	(274)	7	(2)
Cash and cash equivalents at the end of the year/period	*21*	230,864	277,326	865,786	668,415	1,236,374

The accompanying notes form part of the Historical Financial Information.

B Notes to the Historical Financial Information

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies

(a) Basis of preparation and presentation of the Historical Financial Information

Shenzhen Sinoagri E-commerce Co., Ltd. (the "Project Company") was established in the People's Republic of China (the "PRC") on 11 January 2011 with limited liability under Company Law of the People's Republic of China (2013 revision).

The Project Company and its subsidiaries (together, the "Project Group") are principally engaged in B2B e-commerce for the trading of agricultural products, services including supply chain management and supply chain finance.

The financial statements of the subsidiaries of the Project Group for which there are statutory requirements 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 the year ended 31 December 2014 were audited by Dahua Certified Public Accountants Shenzhen Branch and the statutory financial statements of the Project Group for the years ended 31 December 2015 and 2016 were audited by Pan-China Certified Public Accountants Shenzhen Branch in accordance with China Standards on Auditing.

As at the date of this report, the Project Company has direct and indirect interests in the subsidiaries as set out in Section B Note 12 below.

All companies comprising the Project Group have adopted 31 December as their financial year end date.

The Historical Financial Information 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 IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Project Group has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2017. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning or after 1 January 2017 are set out in Note 33.

The Historical Financial Information also complies with 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 Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

(b) Basis of measurement

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 note1(g).

(c) Use of estimates and judgements

The preparation of Historical 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 Historical Financial Information and major sources of estimation uncertainty are discussed in note 2.

(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 Historical 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 Historical 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 statements 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(o) or (p) 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 adjustments are made to goodwill and 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(g)) 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(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates and joint ventures

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.

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

An investment in an associate or a joint venture is accounted for in the Historical 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(l)). 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 or the joint venture, 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 or the joint venture.

Unrealised profits and losses resulting from transactions between the Project Group and its associates and joint venture 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.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Project Group ceases to have significant influence over an associate or the joint venture, 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(g)).

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

(f) Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date when control is transferred to the Project Group.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Project Group incurs in connection with a business combination are expensed as incurred.

Goodwill represents the excess of

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

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

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

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

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

(g) Other investments in 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(u)(iv) and 1(u)(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(l)).

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(l)). 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(u)(iv) and 1(u)(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(l)), 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.

(h) Derivative financial instruments

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

(i) Property, plant and equipment

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

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(w)).

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	30 years
– Machineries	10 years
– Motor vehicles	5 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.

(j) Intangible assets (other than goodwill)

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(l)). 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(l)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

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
– Customer relationships	20 years

Both the period and method of amortisation are reviewed annually.

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

The useful life of trademark is assessed to be indefinite.

(k) 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.

(l) 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(l)(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(l)(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 investments, 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;

– goodwill; and

– investments in subsidiaries, associates and a joint venture in the Project Company's statement of financial position.

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

– Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of 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

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

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

(m) Inventories

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

Cost is calculated using the weighted average cost method 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.

(n) 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(l)), 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(l)).

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) 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.

(t) 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.

(u) 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(u)(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 initially recognized as deferred income and consequently are effectively recognised in profit or loss over the useful life of the asset.

(v) 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 Historical Financial Information are presented in Renminbi.

(w) 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.

(x) 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.

(y) 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 2014, 2015 and 2016 and six months ended 30 June 2017 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 Historical 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 15 and 30 contain information about the assumptions and their risk factors relating to goodwill impairment, 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 of goodwill is estimated annually whether or not there is any indication of impairment. When such a decline has occurred, the carry amount is reduced to the 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 Revenue

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			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Trading of sugar	6,852,766	12,579,242	20,108,315	8,688,181	15,184,626
Trading of other agricultural products	348,820	150,947	203,651	71,550	100,242
Supply chain financing related income	80,405	112,023	113,920	46,584	104,158
Others	31,325	20,089	45,854	8,454	40,337
	7,313,316	12,862,301	20,471,740	8,814,769	15,429,363

For the year ended 31 December 2014, 2016 and the six months ended 30 June 2017 there was no single customer with whom transactions have exceeded 10% of the Project Group's revenue. For the year ended 31 December 2015 and the six months ended 30 June 2016 there were 2 and 1 customers with whom transactions have exceeded 10% of the Project Group's revenue amounted to RMB2,203,085,000 and RMB1,387,023,000 (unaudited) respectively.

4 Other income

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Government grants (i)	2,941	6,658	18,880	7,892	3,013
Loss on disposal of property, plant and equipment	(51)	(487)	(29)	(1)	–
Net realised and unrealised gain on financial assets at fair value change through profit or loss	–	8,132	25,369	10,618	2,728
Forfeited deposits and compensation to customers	(1,003)	(286)	150	152	(69)
Gain on remeasurement of previously held interest upon step acquisition of subsidiaries *(Note 15)*	–	–	–	–	97,650
Others	106	415	520	(201)	38
	1,993	14,432	44,890	18,460	103,360

Note:

(i) 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 assets used in 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:

	As at 31 December			As at 30
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January	25,452	24,717	18,863	13,739
Changes for the year/period:				
Additions	1,400	401	–	–
Amortisation	(2,135)	(6,255)	(5,124)	(2,312)
Balance at 31 December/30 June	24,717	18,863	13,739	11,427

5 Profit before taxation

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

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
(a) Finance income					
Interest income	4,346	7,647	7,554	3,783	6,154
Net foreign exchange gain	–	276	–	7	–
	4,346	7,923	7,554	3,790	6,154
(b) Finance costs					
Interest expenses on bank loans	15,785	29,439	37,075	18,204	42,557
Net foreign exchange loss	50	–	274	–	2
Bank charge and others	521	482	1,058	106	2,019
	16,356	29,921	38,407	18,310	44,578
(c) Staff costs					
Contributions to defined contribution retirement plan (note 24)	3,256	4,919	3,028	1,360	2,263
Salaries, wages and other benefits	17,823	30,328	46,450	18,552	32,070
Equity-settled share-based payments expenses (note 25)	–	196	1,892	962	929
	21,079	35,443	51,370	20,874	35,262
(d) Other items					
Amortisation of intangible assets	2,584	3,743	3,233	1,883	4,633
Depreciation of property, plant and equipment	9,024	11,896	6,728	2,952	3,539
Auditors' remuneration	743	422	478	–	173
Cost of inventories (note 17(b))	7,199,516	12,692,149	20,281,641	8,745,603	15,262,928
Impairment loss on trade and other receivables and loans receivable	7,531	1,609	(2,480)	(379)	314
Impairment loss on inventories	–	(972)	–	–	–
Operating lease charges in respect of property rentals	4,713	6,503	8,679	3,164	3,487

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			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current tax – PRC Corporate Income Tax					
Provision for the year/period	7,682	13,252	10,370	3,813	11,845
Deferred tax					
Origination and reversal of temporary differences	1,996	(2,951)	1,483	1,099	5,751
	9,678	10,301	11,853	4,912	17,596

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

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before taxation	48,528	52,405	61,947	25,428	124,549
Notional tax on profit before taxation, calculated at PRC statutory income tax rate of 25% (i)	12,132	13,101	15,487	6,357	31,137
Tax effect of PRC preferential tax treatments (ii)	–	–	–	–	(1,796)
Tax effect of non-taxable share of profits of associates	(2,832)	(3,473)	(3,909)	(1,942)	(731)
Tax effect of non-deductible share of losses of a joint venture	–	–	–	–	131
Tax effect of non-deductible expenses	655	541	590	468	1,949
Tax effect of tax losses not recognised	145	150	99	29	102
Tax effect of using of previously unrecognised tax losses	(37)	–	–	–	–
Tax effect of recognising previously unrecognised tax losses	(385)	(18)	(414)	–	–
Tax effect of disposal of shares of a PRC subsidiary without losing control	–	–	–	–	(5,365)
Tax effect of non-taxable gain on remeasurement of previously held interest upon step acquisition of subsidiaries	–	–	–	–	(7,831)
Actual tax expense	9,678	10,301	11,853	4,912	17,596

(i) The Project Company and its subsidiaries are subject to PRC Corporate Income Tax ("CIT") at statutory rate of 25%, unless otherwise specified.

(ii) Pursuant to the rules and regulations applicable to encouraged industries in the PRC western development strategy, one subsidiary of the Project Group named Guangxi Sugar Market Network Co., Ltd., which is principally engaged in modern logistics, trading service and information in the western of China, are subject to PRC corporate income tax at a preferential tax rate of 9% for the year ending 31 December 2017.

One subsidiary of the Project Group named GSMN Logistics Co., Ltd., 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 15% for the year ending 31 December 2017.

Pursuant to the rules and regulations applicable to encouraged industries in the PRC western development strategy, one of the subsidiary of the Project Group named Guangxi Kangchen Shitang Trading Co., Ltd. (the "Guangxi Kangchen") which is principally engaged in modern logistics, trading service and information in the western of China, is subject to PRC corporate income tax at a preferential tax rate of 15% for the year ending 31 December 2017.

The application of preferential tax rate will be reviewed by the tax authority annually.

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 2014						
	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	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**	**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	–	745	312	46	1,103	3	1,106
Sun Wei	–	745	270	46	1,061	2	1,063
Wei Zhe	–	–	–	–	–	–	–
Jiang Jinzhi	–	–	–	–	–	–	–
Chen Shaoqun	–	–	–	–	–	–	–
	–	1,490	582	92	2,164	5	2,169

	Year ended 31 December 2016						
	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	–	1,033	–	87	1,120	64	1,184
Sun Wei	–	1,033	–	87	1,120	63	1,183
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)	–	–	–	–	–	–	–
	–	2,066	–	174	2,240	127	2,367

	Period ended 30 June 2016 (unaudited)						
	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	–	304	–	41	345	32	377
Sun Wei	–	304	–	41	345	31	376
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)	–	–	–	–	–	–	–
	–	608	–	82	690	63	753

	Period ended 30 June 2017						
	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	–	513	–	46	559	607	1,166
Sun Wei	–	513	–	46	559	525	1,084
Wei Zhe	–	–	–	–	–	–	–
Yu Hao	–	–	–	–	–	–	–
Chen Lei	–	–	–	–	–	–	–
Xiao Tong	–	–	–	–	–	–	–
Pan Di	–	–	–	–	–	–	–
	–	1,026	–	92	1,118	1,132	2,250

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(r)(ii), and the details are disclosed in note 25.

During the year ended 31 December 2014, 2015 and 2016 and six months ended 30 June 2017, 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 2014, 2015 and 2016 and six months ended 30 June 2017.

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			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries and other emoluments	1,470	1,850	2,275	932	1,131
Discretionary bonuses	292	498	–	–	–
Retirement scheme contributions	133	139	255	124	130
	1,895	2,487	2,530	1,056	1,261

The emoluments of the three individuals with the highest emoluments are within the following band:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	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 *RMB'000*	Motor vehicles *RMB'000*	Machineries *RMB'000*	Furniture, office equipment and others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:						
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)	–
Disposals	–	(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	1,934	514	2,544	130	–	5,122
Disposals	–	(434)	(1,694)	(314)	–	(2,442)
At 31 December 2016	30,094	3,945	34,253	3,555	–	71,847
At 1 January 2017	30,094	3,945	34,253	3,555	–	71,847
Additions	–	277	481	139	–	897
Additions through acquisition of subsidiaries	45,442	2,454	40,241	435	–	88,572
At 30 June 2017	75,536	6,676	74,975	4,129	–	161,316
Accumulated depreciation:						
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 year	(1,661)	(534)	(4,004)	(529)	–	(6,728)
Written back on disposals	–	354	474	128	–	956
At 31 December 2016	(16,173)	(2,929)	(24,572)	(2,433)	–	(46,107)
At 1 January 2017	(16,173)	(2,929)	(24,572)	(2,433)	–	(46,107)
Charge for the period	(1,197)	(340)	(1,724)	(278)	–	(3,539)
Additions through acquisition of subsidiaries	(7,375)	(1,698)	(14,463)	(168)	–	(23,704)
At 30 June 2017	(24,745)	(4,967)	(40,759)	(2,879)	–	(73,350)
Net book value:						
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 31 December 2016	13,921	1,016	9,681	1,122	–	25,740
At 30 June 2017	50,791	1,709	34,216	1,250	–	87,966

10 Intangible assets

	Software	Capitalised development costs	Trademark	Customer relationships	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
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
At 1 January 2016	23,641	–	–	–	23,641
Additions	3,984	–	–	–	3,984
Disposals	(1,880)	–	–	–	(1,880)
At 31 December 2016	25,745	–	–	–	25,745
At 1 January 2017	25,745	–	–	–	25,745
Additions	780	–	–	–	780
Additions through acquisition of subsidiaries	9,537	–	80,000	230,000	319,537
At 30 June 2017	36,062	–	80,000	230,000	346,062
Accumulated amortisation:					
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 year	(3,233)	–	–	–	(3,233)
Disposals	1,880	–	–	–	1,880
At 31 December 2016	(18,109)	–	–	–	(18,109)

	Software	Capitalised development costs	Trademark	Customer relationships	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	(18,109)	–	–	–	(18,109)
Charge for the period	(1,758)	–	–	(2,875)	(4,633)
Additions through acquisition of subsidiaries	(6,568)	–	–	–	(6,568)
At 30 June 2017	(26,435)	–	–	(2,875)	(29,310)
Net book value:					
At 31 December 2014	6,514	1,581	–	–	8,095
At 31 December 2015	6,885	–	–	–	6,885
At 31 December 2016	7,636	–	–	–	7,636
At 30 June 2017	9,627	–	80,000	227,125	316,752

The amortisation charge for the year/period 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
	2014	2015	2016	June 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments for acquisition of long-term assets	6,143	3,626	729	–

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") *(Note: iii)*	The PRC	RMB80,000,000	66.4678%	–	66.4678%	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

Name of company	Place of incorporation/ establishment	Registered capital	Proportion of ownership interest: Project Group's effective interest	Held by the Project Company	Held by a subsidiary	Principal activities
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 Electron 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	66.4678%	–	66.4678%	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") *(Note: ii)*	The PRC	RMB10,000,000	40%	40%	–	Trading of cotton
Guangxi Msweet Technology Co., Ltd. 廣西沐甜科技股份公司 ("Guangxi Msweet")	The PRC	RMB90,000,000	66.4678%	66.4678%	–	Investment holding
Yunnan International Sugar Trading Center Co., Ltd. 雲南國際食糖交易中心有限公司 ("Yunnan Sugar Trading") *(Note: v)*	The PRC	RMB50,000,000	36.56%	–	36.56%	B2B platform for trading of sugar and provision of logistic service
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") *(Note: iv)*	The PRC	RMB50,000,000	66.4678%	–	66.4678%	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") *(Note: iv)*	The PRC	RMB10,000,000	66.4678%	–	66.4678%	B2B platform for trading of sugar
Guangxi Pintang Trading Co., Ltd. 廣西品糖貿易有限公司 ("Guangxi Pintang") *(Note: iv)*	The PRC	RMB36,000,000	66.4678%	–	66.4678%	Trading of sugar
GSMN Logistics Co., Ltd. 廣西糖網物流有限公司 ("GSMN Logistics") *(Note: iv)*	The PRC	RMB2,000,000	66.4678%	–	66.4678%	Provision of logistic service

Notes:

(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.

(iii) The Project Group's effective interest in Shenzhen Kun Shang Yi Tang and Yunnan Kun Peng decreased from 93.33% to 66.4678% since 1 April 2017 (Note 15).

(iv) Guangxi Sugar Market, Guangxi Kangchen, Guangxi Pintang and GSMN Logistics became subsidiaries of the Project Group since 1 April 2017 (Note 15).

(v) Yunnan Kun Peng holds 55% shares of Yunnan Sugar Trading.

(vi) The statutory financial statements of all of the above subsidiaries for the year ended 31 December 2014 were audited by Dahua Certified Public Accountants Shenzhen Branch and the statutory financial statements of all of the above subsidiaries for the years ended 31 December 2015 and 2016 were audited by Pan-China Certified Public Accountants Shenzhen Branch in accordance with China Standards on Auditing.

The following table lists out the information relating to Guangxi Sugar Market, the only subsidiary of the Group which has a material non-controlling interest (NCI) during the period of 2017. The summarised financial information presented below represents the amounts before any inter-company elimination.

	As at 30 June 2017
	RMB'000
NCI percentage	33.53%
Current assets	1,535,548
Non-current assets	391,722
Current liabilities	(1,523,945)
Non-current liabilities	(76,781)
Net assets	326,544
Carrying amount of NCI	109,490
Revenue	23,886
Profit for the period	7,563
Total comprehensive income	7,563
Profit allocated to NCI	2,536
Dividend paid to NCI	–
Cash flows from operating activities	(140,025)
Cash flows from investing activities	1,221
Cash flows from financing activities	(42,283)

13 Interest in associates

The following list contains only the particulars of material associates as at 31 December 2014, 2015 and 2016, all of which are unlisted corporate entities whose quoted market price is not available. As at 30 June 2017, there is no associate considered to be material.

				Proportion of ownership interest		
Name of associate	**Form of business structure**	**Place of incorporation and business**	**Paid-up capital**	**Project Group's effective 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	42%	42% *(Note: ii)* *(Note: iii)*	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	42%	42% *(Note: ii)* *(Note: iii)*	B2B platform for trading of sugar

All of the above associates are accounted for using the equity method in the financial information.

Notes:

(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 and increased from 40.8% to 42% since February 2017.

(iii) Guangxi Sugar Market and Guangxi Kangchen have became subsidiaries of the Project Group since 1 April 2017.

Summarised Historical Financial Statement 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 31 December		
	2014	2015	2016	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Gross amounts of the associates						
Current assets	1,383,377	1,275,939	1,561,102	652,569	2,144,768	2,845,467
Non-current assets	87,143	80,739	73,160	1,655	1,483	2,385
Current liabilities	(1,358,887)	(1,211,984)	(1,511,112)	(646,703)	(2,137,720)	(2,846,156)
Non-current liabilities	(2,912)	(1,000)	–	–	–	–
Equity	108,721	143,694	123,150	7,521	8,531	1,696
Turnover	1,405,396	1,142,161	1,549,825	3,894,002	14,493,548	13,442,942
Profit for the year	29,364	34,973	44,134	(2,477)	1,011	(6,835)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	29,364	34,973	44,134	(2,477)	1,011	(6,835)
Dividend received from the associate	15,200	–	–	–	–	–
Reconciled to the Project Group's interests in the associates						
Gross amounts of net assets of the associate	108,721	143,694	123,150	7,521	8,531	1,696
Project Group's effective interest	40.0%	40.0%	40.8%	40.0%	40.0%	40.8%
Project Group's share of net assets of the associate	43,488	57,477	50,245	3,008	3,412	692
Goodwill	630	630	630	–	–	–
Carrying amount in the Historical Financial Information	44,118	58,107	50,875	3,008	3,412	692

Aggregate information of associates that are not individually material:

	As at 31 December			As at 30 June 2017
	2014	2015	2016	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Aggregate carrying amount of individually immaterial associates in the Historical Financial Information	6,640	6,008	6,888	1,547
Aggregate amounts of the Project Group's share of those associates' profit or loss	(360)	502	(970)	401
Other comprehensive income	–	–	–	–
Total comprehensive income	(360)	502	(970)	401

14 Interest in a joint venture

The following list contains the particulars of the joint venture, which is an unlisted corporate entity whose quoted market price is not available:

Name of joint venture	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
AP V-Best Supply Chain (Shanghai) Ltd. 中農微倍供應鏈（上海）有限公司 ("AP V-Best")	Incorporated	The PRC	RMB50,000,000	49%	49% *(Note: ii)*	Trading of edible oil and nonferrous metals

The joint venture is accounted for using the equity method in the Historical Financial Statement.

Notes:

(i) The English translation of the entity name is for reference only. The official name of the entity is in Chinese.

(ii) On 16 February 2017, the Project Group acquired 49% shares of AP V-Best. AP V-Best became a joint venture of the Project Group since then.

Summarised Historical Financial Statement of the joint venture, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	AP V-Best As at 30 June 2017 *RMB'000*
Gross amounts of the joint venture's	
Current assets	649,302
Non-current assets	324,659
Current liabilities	(925,313)
Non-current liabilities	–
Equity	48,648
Turnover	2,284,389
Loss for the period	(2,234)
Other comprehensive income	–
Total comprehensive income	(2,234)
Dividend received from the joint venture	–
Reconciled to the Project Group's interests in the joint venture	
Gross amounts of net assets of the joint venture	48,648
Project Group's effective interest	49%
Project Group's share of net assets of the joint venture	23,838
Goodwill	395
Carrying amount in the Historical Financial Information	24,233

15 Acquisition of subsidiaries and goodwill

(i) Acquisition of subsidiaries

Guangxi Sugar Market was established as an enterprise with limited liability in the PRC on 4 June 2003 with a registered capital of RMB50 million. Guangxi Sugar market has two wholly-owned subsidiaries namely Guangxi Pintang Trading Co., Ltd. and GSMN Logistics Co. Ltd.. Guangxi Kangchen was established as an enterprise with limited liability in the PRC on 18 November 2013 with a registered capital of RMB10 million. The Project Group owned Guangxi Sugar Market and Guangxi Kangchen 42% shares, and Guangxi Sugar Market and Guangxi Kangchen were associates of the Project Group before the acquisition set out below. Guangxi Sugar market is principally engaged in B2B platform for trading of sugar, provision of logistic and supply chain management service. Guangxi Kangchen is principally engaged in B2B platform for trading of sugar.

On 21 February 2017, the Project Group and other shareholders of Shenzhen Kun Shang Yi Tang, Guangxi Sugar Market and Guangxi Kangchen set up an enterprise with limited liability named Guangxi Msweet with a registered capital of RMB2 million. At the time of its establishment, Guangxi Msweet was owned as to 66.4678% by the Project Group.

Pursuant to a capital increase agreement dated 29 March 2017, all shareholders of Guangxi Msweet agreed to increase the registered capital of Guangxi Msweet proportionately from RMB2 million to RMB90 million by using their equity interest in the Shenzhen Kun Shang Yi Tang, Guangxi Sugar Market and Guangxi Kangchen ("Equity Interest"). After the increase of capital, Shenzhen Kun Shang Yi Tang, Guangxi Sugar Market and Guangxi Kangchen became wholly-owned subsidiaries of Guangxi Msweet. As a result, the Project Group's effective interest in Guangxi Sugar Market and Guangxi Kangchen increased from 42% to 66.4678%, Guangxi Sugar Market and Guangxi Kangchen became indirectly subsidiaries of the Project Group. The Project Group's effective interest of Shenzhen Kun Shang Yi Tang decreased from 93.33% to 66.4678%.

In the post acquisition date to 30 June 2017, Guangxi Sugar Market and Guangxi Kangchen contributed revenue of RMB4,819,191,000 and profit of RMB11,986,000 to the Project Group's result.

	Guangxi Sugar Market			Guangxi Kangchen		
	Pre-acquisition carrying amount	Fair value adjustment	Recognised value on acquisition	Pre-acquisition carrying amount	Fair value adjustment	Recognised value on acquisition
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	64,860	–	64,860	8	–	8
Intangible assets	2,112	310,000	312,112	857	–	857
Deferred tax assets	4,029	–	4,029	1,489	–	1,489
Inventories	239,567	–	239,567	271,037	–	271,037
Trade and other receivables	532,121	–	532,121	1,025,329	–	1,025,329
Loans receivable	404,535	–	404,535	800,441	–	800,441
Cash and cash equivalents	378,832	–	378,832	189,459	–	189,459
Restricted cash	390,000	–	390,000	1,750,779	–	1,750,779
Trade and other payables	(1,774,548)	–	(1,774,548)	(3,450,683)	–	(3,450,683)
Bank loans	(150,000)	–	(150,000)	(588,500)	–	(588,500)
Current taxation	(2,701)	–	(2,701)	–	–	–
Deferred tax liabilities	–	(77,500)	(77,500)	–	–	–
Total identifiable net assets acquired	88,807	232,500	321,307	216	–	216
Proportion of ownership (66.4678%)			213,566			144
Deemed disposal of previously held interest (42%)			(134,949)			(91)
Consideration			(165,888)			(112)
Goodwill			(87,271)			(59)
Fair value of previously held interest (42%)			134,949			91
Book value of previously held interest (42%)			(37,299)			(91)
Gain on remeasurement of previously held interest upon step acquisition of subsidiaries (note 4)			97,650			–
Net cash flow arising from acquisition						
Cash consideration paid			–			–
Cash acquired			378,832			189,459
Net cash inflow			378,832			189,459

Goodwill was arisen from the acquisition of Guangxi Sugar Market and Guangxi Kangchen as the aggregate of the fair value of the consideration transferred exceeds the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

The consideration was the Project Group's 26.863% shares in Shenzhen Kun Shang Yi Tang, of which the fair value is RMB166,000,000. The consideration is allocated to Guangxi Sugar Market and Guangxi Kangchen proportionately. No contingent consideration arrangements or contingent liabilities were identified upon step acquisition.

The Project Group recognised a gain of RMB97,650,000 as a result of the remeasurement of previously held interest, being the amount of interest in Guangxi Sugar Market and Guangxi Kangchen immediately before the acquisition and the value of Guangxi Sugar Market and Guangxi Kangchen attributable to the Project Group as implies by the acquisition consideration. The gain is included in other income in the Project Group's consolidated statement of profit or loss for the six months ended 30 June 2017. The fair value of Shenzhen Kun Shang Yi Tang, Guangxi Sugar Market and Guangxi Kangchen, which are unlisted companies, were estimated by management of the Group. The fair value estimates are based on prices at which properties of similar companies are trading in a public market. The companies that are comparable to Shenzhen Kun Shang Yi Tang, Guangxi Sugar Market and Guangxi Kangchen in terms of business nature and associated risks are selected based on the following relevant criteria: (a) properties, (b) markets, (c) earnings and growth, (d) capital structure, (e) nature of competition and (f) the characteristics of driving underlying investment risk and expected rate of return.

(ii) Goodwill

	RMB'000
Cost and carrying amount:	
At January 1, 2017	–
Additions through business combination	87,330
At June 30, 2017	87,330

Impairment tests for cash-generating unit ("CGU") containing goodwill

For the purpose of goodwill impairment testing, goodwill arising from the business combinations was allocated to the CGU of the Project Group, which is the Project Group's sale of sugar.

The recoverable amount of the CGU is determined based on value in use calculation, which uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated weighted average growth rate of 3% for the CGU.

The estimated weighted average growth rates are consistent with the forecast included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates.

The cash flows are discounted using pre-tax discount rate of 14.47%. Key assumptions used for the value in use calculations are the revenue, gross margins and growth rates. Management determined the budgeted revenue, gross margins and growth rates based on past performance and its expectation for market development.

The recoverable amount of the CGU based on the value-in-use calculations is higher than its carrying amount as of June 30, 2017. The Project Group performs annual impairment test on goodwill at the end of the reporting period. Accordingly, no impairment loss for goodwill has been recognised in the consolidated statement of profit or loss.

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

	As at 31 December			As at 30
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss				
Wealth management products (i)	–	1,392,082	3,787,508	2,714,804
Forward contracts (ii)	9,214	12,162	20,295	62,096
	9,214	1,404,244	3,807,803	2,776,900
Financial liabilities at fair value through profit or loss				
Forward contracts (ii)	(9,214)	(12,162)	(20,295)	(62,096)

Notes:

(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.

17 Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	As at 31 December			As at 30
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Finished goods	33	130,350	371,649	608,615

(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
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	7,199,516	12,692,149	20,281,641	15,262,928
Written down of inventories	–	972	–	–
	7,199,516	12,693,121	20,281,641	15,262,928

18 Trade and other receivables

	As at 31 December			As at 30
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	113,249	243,521	109,674	150,794
Bills receivable	–	6,500	5,050	5,050
Trade and bills receivables	113,249	250,021	114,724	155,844
Less: Allowance for doubtful debts	(10,267)	(11,525)	(11,087)	(11,446)
	102,982	238,496	103,637	144,398
Deposits and prepayments	423,195	66,829	114,957	206,965
Other receivables	27,409	50,278	172,783	427,945
	553,586	355,603	391,377	779,308

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
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	75,549	149,261	55,231	86,816
3 to 12 months	27,184	59,710	19,873	41,772
Over 12 months	249	29,525	28,533	15,810
	102,982	238,496	103,637	144,398

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 30(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(l)(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
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	5,214	10,267	11,525	11,087
Impairment loss (reversed)/recognised individually	–	(17)	1,416	186
Impairment loss recognised/(reversed) collectively	5,053	1,275	(1,854)	173
At 31 December/30 June	10,267	11,525	11,087	11,446

At 31 December 2014, 2015 and 2016 and 30 June 2017, trade debtors and bills receivable of RMB50,738,000, RMB40,248,000, RMB44,276,000 and RMB25,400,000 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, RMB6,526,000, RMB7,942,000 and RMB8,128,000 were recognised.

(c) Trade and bills receivables that are not impaired

As at 31 December 2014, 2015 and 2016 and 30 June 2017, 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
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	46,284	154,875	44,680	109,427

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

19 Loans receivable

	As at 31 December			As at 30
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured loans	657,632	919,224	1,282,794	2,786,599
Less: Allowance for doubtful debts – individually assessed	–	(2,010)	(3,334)	(37,413)
	657,632	917,214	1,279,460	2,749,186

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

	As at 31 December			As at 30
	2014	2015	2016	June 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	368,430	513,857	707,783	1,179,246
3 to 12 months	289,202	403,357	555,580	1,529,634
Over 12 months	–	–	16,097	40,306
	657,632	917,214	1,279,460	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 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(l)(i)).

As at 31 December 2015 and 2016 and 30 June 2017, loans receivable of RMB8,798,000, RMB27,925,000 and RMB189,524,000 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 RMB2,010,000, RMB3,334,000 and RMB37,413,000 were recognised. As at 30 June 2017, specific allowance for doubtful loans of RMB34,079,000 was arising from acquisition of subsidiaries.

(c) Loans receivable that are not impaired

As at 31 December 2014, 2015 and 2016, loans receivable that is not individually considered to be impaired was not past due. 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 not individually considered to be impaired are as follows:

	As at 31 December			As at 30
	2014	2015	2016	June 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	657,632	910,426	1,254,869	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.

(d) Bill discounted

The Project Group entered into discounted bill agreements with various reputable banks in the PRC. According to these discounted bill agreements, The Project Group discounted the bills receivables to these banks in return for the early settlement. As at 30 June 2017, bills receivables amounted to RMB53,206,000 were discounted to these banks with the maturity date yet to reach.

20 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
		2014	2015	2016	June 2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties	*(i)*	3,522	6,069	38,449	6,215

Note:

(i) 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
		2014	**2015**	**2016**	**June 2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to related parties	*(i)*	892	47	180,235	44,198

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.

21 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	As at 31 December			As at 30
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and on hand	230,864	277,326	865,786	1,236,374

(b) Reconciliation of profit before taxation to cash generated from/(used in) operations:

		Year ended 31 December			Six months ended 30 June	
	Note	**2014**	**2015**	**2016**	**2016**	**2017**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Operating activities						
Profit before taxation		48,528	52,405	61,947	25,428	124,549
Adjustments for:						
Depreciation	*5(d)*	9,024	11,896	6,728	2,952	3,539
Amortisation of intangible assets	*5(d)*	2,584	3,743	3,233	1,883	4,633
Finance income	*5(a)*	(4,346)	(7,923)	(7,554)	(3,790)	(6,154)
Finance costs	*5(b)*	16,356	29,921	38,407	18,310	44,578
Loss on sale of property, plant and equipment	*4*	51	487	29	1	–
Gain on financial assets at fair value change through profit or loss		–	(8,132)	(25,369)	(10,618)	(2,728)
Share of profits of associates		(11,330)	(13,893)	(15,637)	(7,769)	(2,924)
Share of loss of a joint venture		–	–	–	–	525
Amortisation of deferred income	*4*	(2,135)	(6,255)	(5,124)	(2,312)	(2,312)
Impairment loss on trade and other receivables	*5(d)*	7,531	1,609	(2,480)	(379)	314
Impairment loss on inventories	*5(d)*	–	972	–	–	–
Equity-settled share-base payment expenses		–	196	1,892	962	929
Gain on remeasurement of previously held interest upon step acquisition of subsidiaries	*15*	–	–	–	–	(97,650)
		66,263	65,026	56,072	24,668	67,299

	Note	Year ended 31 December 2014	2015	2016	Six months ended 30 June 2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Changes in working capital, net of effect of acquisitions						
Decrease/(increase) in inventory		12,569	(131,289)	(241,299)	(24,515)	273,638
(Increase)/decrease in trade and other receivables		(76,007)	200,081	(28,059)	(51,085)	(1,139,639)
Increase in loans receivable		(303,396)	(261,592)	(362,246)	(181,123)	(264,750)
(Increase)/decrease in amounts due from related parties		(1,164)	(888)	(5,991)	(9,978)	19,809
(Increase)/decrease in restricted cash		–	(135,630)	(59,370)	135,630	95,390
Decrease/(increase) in financial assets at fair value through profit or loss		8,590	(1,386,898)	(2,378,190)	(2,210,913)	1,033,631
(Decrease)/increase in financial liabilities at fair value through profit or loss		(8,590)	2,948	8,133	21,870	41,801
Additions in deferred income		1,400	401	–	–	–
(Decrease)/increase in amounts due to related parties		(2,694)	(845)	180,188	90,094	(136,037)
Increase/(decrease) in trade and other payables		147,097	1,836,356	3,125,160	2,335,316	(556,484)
Cash (used in)/generated from operations		**(155,932)**	**187,670**	**294,398**	**129,964**	**(565,342)**
Income tax paid	*26(a)*	(4,255)	(14,976)	(10,301)	(5,345)	(12,000)
Net cash (used in)/generated from operating activities		**(160,187)**	**172,694**	**284,097**	**124,619**	**(577,342)**

22 Trade and other payables

	As at 31 December 2014	2015	2016	As at 30 June 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payable	6,775	1,942,448	4,905,799	5,968,953
Receipts in advance	258,332	114,796	204,150	636,824
Accrued staff costs	10,659	15,506	14,095	11,078
Deposits from trading	221,794	274,525	344,373	1,342,644
Others	18,446	2,569	3,690	45,183
	516,006	2,349,844	5,472,107	8,004,682

Bills payable were secured by assets of the Project Group as set out below:

	As at 31 December			As at 30
	2014	2015	2016	June 2017
	RMB'000	*RMB'000*	*RMB'000*	
Restricted cash	–	135,630	195,000	2,240,335
Financial assets at fair value through profit or loss	–	1,392,082	3,787,508	2,714,804
	–	1,527,712	3,982,508	4,955,139

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
	2014	2015	2016	June 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	1,462	549,707	1,389,086	340,487
3 to 12 months	3,699	1,390,227	3,513,041	5,621,844
Over 12 months	1,614	2,514	3,672	6,622
	6,775	1,942,448	4,905,799	5,968,953

23 Bank loans

	As at 31 December			As at 30
	2014	2015	2016	June 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured bank loans	80,000	170,000	470,000	1,228,500
Unsecured bank loans	300,000	200,000	130,000	360,000
	380,000	370,000	600,000	1,588,500

All of the bank loans were repayable within one year.

As at 31 December 2014, 2015 and 2016 and 30 June 2017, 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.

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 30(b). As 31 December 2014, 2015 and 2016 and 30 June 2017, none of the covenants relating to drawn down facilities had been breached.

24 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.

25 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 year (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 year (1 January 2016)	2.77	8,973,329
Granted during the year	–	–
Exercised during the year	–	–
Outstanding at 31 December 2016	2.77	8,973,329
Exercisable at 31 December 2016	2.77	8,973,329
Outstanding at the beginning of the period (1 January 2017)	2.77	8,973,329
Granted during the period	–	–
Exercised during the period	2.77	(8,973,329)
Outstanding at 30 June 2017	–	–
Exercisable at 30 June 2017	–	–

At 31 December 2016, the weighted average remaining expected life of Share Option is 1.28 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.

26 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
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current taxation as of 1 January	5,594	8,594	7,135	6,939
Current tax assets as of 1 January	(427)	–	(265)	–
Provision for PRC Corporate Income Tax	7,682	13,252	10,370	11,845
Additions through acquisition of subsidiaries	–	–	–	2,701
Provisional Profits Tax paid	(4,255)	(14,976)	(10,301)	(12,000)
Current taxation as of 31 December/30 June	8,594	7,135	6,939	10,043
Current tax assets as of 31 December/30 June	–	(265)	–	(558)

(b) Deferred tax assets/(liabilities) recognised

(i) 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	Gain from disposal shares of a PRC subsidiary without losing control	Gain on remeasurement of previously held interest upon step acquisition of subsidiaries	Fair value adjustment of intangible assets through business combination	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*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
Charged to profit or loss	(272)	–	–	–	(1,211)	(1,483)
At 31 December 2016	8,195	–	–	–	8,177	16,372
At 1 January 2017	8,195	–	–	–	8,177	16,372
Credited/(charged) to profit or loss	4,435	5,365	(16,582)	719	312	(5,751)
Charged to equity	–	(32,305)	–	–	–	(32,305)
Increase due to acquisition of subsidiaries	2,359	–	–	(77,500)	3,159	(71,982)
At 30 June 2017	14,989	(26,940)	(16,582)	(76,781)	11,648	(93,666)

(ii) Reconciliation to the consolidated statement of financial position

	As at 31 December			As at 30
	2014	2015	2016	June 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated of financial position	14,904	17,855	16,372	32,002
Net deferred tax liabilities recognised in the consolidated of financial position	–	–	–	(125,668)
	14,904	17,855	16,372	(93,666)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(s), the Project Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB1,403,720, RMB1,931,169, RMB3,581,000 and RMB3,990,000 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 RMB3,612,000, RMB11,025,000 and RMB23,471,000 will expire in 2020, 2021 and 2022 respectively.

27 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/period are set out below:

The Project Company

	Share capital	**Capital reserve**	**Equity-settled share-based payment reserve**	**Statutory reserves**	**Retained profits**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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	**Capital reserve**	**Equity-settled share-based payment reserve**	**Statutory reserves**	**Retained profits**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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-settled 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	–	–	–	–	42,223	42,223
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	42,223	42,223
Equity-settled share-based transactions	–	–	1,892	–	–	1,892
Issuance of shares	56,027	99,167	–	–	–	155,194
Appropriations to statuary reserve	–	–	–	4,564	(4,564)	–
Dividends to shareholders	–	–	–	–	(36,723)	(36,723)
At 31 December 2016	500,027	216,020	2,088	15,924	11,467	745,526

	Share capital *RMB'000*	Capital reserve *RMB'000*	Equity-settled share-based payment reserve *RMB'000*	Statutory reserves *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2017	500,027	216,020	2,088	15,924	11,467	745,526
Changes in equity for 2017:						
Profit for the period	–	–	–	–	147,454	147,454
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	147,454	147,454
Issuance of shares	8,973	18,899	(2,088)	–	–	25,784
Dividends to shareholders	–	–	–	–	(43,470)	(43,470)
At 30 June 2017	509,000	234,919	–	15,924	115,451	875,294

(b) Share capital

	Year ended 31 December						Six months ended 30 June	
	2014		2015		2016		2017	
	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 RMB1 each	444,000,000	444,000	444,000,000	444,000	509,000,000	509,000	509,000,000	509,000
Ordinary shares, issued and fully paid:								
At the beginning of the year/period	444,000,000	444,000	444,000,000	444,000	444,000,000	444,000	500,027,000	500,027
Issue of new shares under Share - Option scheme *(note (i))*	–	–	–	–	907,000	907	8,973,000	8,973
Issuance of new shares *(note (ii) and (iii))*	–	–	–	–	55,120,000	55,120	–	–
At the end of the year/period	444,000,000	444,000	444,000,000	444,000	500,027,000	500,027	509,000,000	509,000

Notes:

(i) On 16 December 2015, 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. And the consideration was paid on 20 January 2016.

On 8 March 2017, options under the share option scheme were exercised for 8,973,000 ordinary shares after the fulfilment of the service condition for the employee of the Project company at a consideration of RMB24,855,000 in total, of which RMB8,973,000 were credited to share capital and RMB15,882,000 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			Six months ended 30
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Final dividend in respect of the previous financial year, approved during the year/period	14,691	35,331	36,723	43,470
Final dividend in respect of the previous financial year, paid during the year/period	14,691	35,331	36,723	24,558

The board of directors does not recommend the distribution of an interim dividend for the six months ended 30 June 2017.

(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(r)(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 2014, 2015 and 2016 and 30 June 2017 was as follows:

	Year ended 31 December			Six months ended 30 June 2017
	2014	**2015**	**2016**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	380,000	370,000	600,000	1,588,500
Less: Cash and cash equivalents	(230,864)	(277,326)	(865,786)	(1,236,374)
Restricted cash)	–	(135,630)	(195,000)	(2,240,389)
Net cash	149,136	(42,956)	(460,786)	(1,888,263)
Total equity	632,404	593,375	765,141	1,100,761
Net debt-to-capital ratio *(note)*	24%	–	–	–

Note: No net debt-to-capital ratio at 31 December 2015 and 2016 and 30 June 2017 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 23, neither the Project Company nor any of the subsidiaries are subject to externally imposed capital requirements.

28 Operating lease commitments

At 31 December 2014, 2015 and 2016 and 30 June 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Year ended 31 December			Six months ended 30 June 2017
	2014	2015	2016	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	684	2,546	5,674	4,685
After one year but within five years	6,275	3,729	211	7,019
	6,959	6,275	5,885	11,704

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.

29 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			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Short-term employee benefits	2,458	3,340	4,341	1,540	2,157
Post-employment benefits	1,117	1,311	429	206	222
Equity compensation benefits	–	5	127	63	1,132
	3,575	4,656	4,897	1,809	3,511

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/period:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales to related companies	11,142	14,738	25,051	13,852	3,601
Purchase from related companies	1,181	472	88	88	–

30 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 18 and 19.

(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 2014		
	Contractual undiscounted cash outflow		Carrying amount at 31 December 2014
	Within 1 year or on demand	Total	
	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 2015
	Within 1 year or on demand	Total	
	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 31 December 2016		
	Contractual undiscounted cash outflow		Carrying amount at 31 December 2016
	Within 1 year or on demand	Total	
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables	5,472,107	5,472,107	5,472,107
Bank loans	610,787	610,787	600,000
Amounts due to related parties	180,235	180,235	180,235
	6,263,129	6,263,129	6,252,342

	At 30 June 2017		
	Contractual undiscounted cash outflow		Carrying amount at 30 June 2017
	Within 1 year or on demand	Total	
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables	8,004,682	8,004,682	8,004,682
Bank loans	1,624,489	1,624,489	1,588,500
Amounts due to related parties	44,198	44,198	44,198
	9,673,369	9,673,369	9,637,380

(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						Six months ended 30 June	
	2014		2015		2016		2017	
	Effective interest rate	Principal amount	Effective interest rate	Principal amount	Effective interest rate	Principal amount	Effective interest rate	Principal amount
		RMB'000		*RMB'000*		*RMB'000*		*RMB'000*
Net fixed rate borrowing:								
Bank loans	6.75%	380,000	5.94%	370,000	5.02%	600,000	4.61%	1,588,500
Less: loans receivable	8.64-15.00%	(657,632)	6.96-14.00%	(917,214)	4.35-14.00%	(1,279,460)	7.14-9.60%	(2,749,186)
		(277,632)		(547,214)		(679,460)		(1,160,686)

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 2014, 2015 and 2016 and 30 June 2017, 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 2014, 2015 and 2016 and 30 June 2017, 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 June 2017	**Fair value measurements as at 30 June 2017 categorised into**		
		Level 1	**Level 2**	**Level 3**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Assets:				
Wealth management products *(i)*	2,714,804	2,714,804	–	–
Forward contracts *(ii)*	62,096	–	62,096	–
	2,776,900	2,714,804	62,096	–
Liability:				
Forward contracts *(ii)*	(62,096)	–	(62,096)	–

	Fair value at 31 December 2016	**Fair value measurements as at 31 December 2016 categorised into**		
		Level 1	**Level 2**	**Level 3**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Assets:				
Wealth management products *(i)*	3,787,508	3,787,508	–	–
Forward contracts *(ii)*	20,295	–	20,295	–
	3,807,803	3,787,508	20,295	–
Liability:				
Forward contracts *(ii)*	(20,295)	–	(20,295)	–

	Fair value at 31 December 2015	Fair value measurements as at 31 December 2015 categorised into		
		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	–
Liability:				
Forward contracts *(ii)*	(12,162)	–	(12,162)	–

	Fair value at 31 December 2014	Fair value measurements as at 31 December 2014 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Asset:				
Forward contracts *(ii)*	9,214	–	9,214	–
Liability:				
Forward contracts *(ii)*	(9,214)	–	(9,214)	–

Notes:

(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.

(iii) During the year ended 31 December 2014, 2015 and 2016 and six months ended 30 June 2017, 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 2014, 2015 and 2016 and 30 June 2017.

31 Company-level statement of financial position

		As at 31 December			As at 30
		2014	**2015**	**2016**	**June 2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment		3,401	6,422	7,291	7,815
Intangible assets		2,797	5,728	7,665	6,592
Interest in associates		53,165	66,780	57,513	1,080
Interest in a joint venture		–	–	–	24,233
Investment in subsidiaries	*12*	96,676	153,676	159,076	373,308
Deferred tax assets		7,358	5,784	6,522	10,236
Other non-current assets		6,143	3,626	562	–
		169,540	242,016	238,629	423,264
Current assets					
Financial assets at fair value through profit or loss		–	1,392,082	3,332,330	1,754,842
Inventories		–	79,671	183,897	123,135
Trade and other receivables		50,443	192,259	159,279	153,406
Loans receivable		625,537	535,536	556,332	916,528
Restricted cash		–	135,630	100,000	20,100
Cash and cash equivalents		73,441	157,177	751,467	762,298
Amounts due from related parties		76,197	169,050	446,248	704,265
		825,618	2,661,405	5,529,553	4,434,574
Current liabilities					
Trade and other payables		9,489	1,917,877	4,235,827	2,753,596
Bank loans		350,000	370,000	600,000	950,000
Amounts due to related parties		25,940	24,508	180,345	229,484
Current taxation		529	529	–	–
		385,958	2,312,914	5,016,172	3,933,080
Net current assets		439,660	348,491	513,381	501,494
Total assets less current liabilities		609,200	590,507	752,010	924,758
Non-current liabilities					
Deferred tax liabilities		–	–	–	43,521
Deferred income		8,813	7,567	6,484	5,943
		8,813	7,567	6,484	49,464
NET ASSETS		600,387	582,940	745,526	875,294
CAPITAL AND RESERVES					
Share capital	*27*	444,000	444,000	500,027	509,000
Reserves	*27*	156,387	138,940	245,499	366,294
TOTAL EQUITY		600,387	582,940	745,526	875,294

32 Non-adjusting events after the reporting period

Subsequent to the end of the reporting period, no non-adjusting events has been noted by the Project Group.

33 Possible impact of amendments, new standards and interpretations issued but not yet effective for the period beginning 1 January 2017

Up to the date of issue of the Historical Financial Information, the ISAB has issued a few amendments and new standards which are not yet effective for the six-month ended 30 June 2017 and which have not been adopted in the Historical Financial Information. These include the following which may be relevant to the Project Group.

	Effective for accounting periods beginning on or after
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to IFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
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 Group 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(u). 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(k), 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 28, at 30 June 2017 the Project Group's future minimum lease payments under non cancellable operating leases amount to RMB11,704,000 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 June 2017.

The following is the text of a report on Guangxi Kangchen Company set out on pages IIB-1 to IIB-44, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF GUANGXI KANGCHEN COMPANY TO THE DIRECTORS OF ZALL GROUP LTD.

Introduction

We report on the historical financial information of Guangxi Kangchen Shitang Trading Co., Ltd. (the "Guangxi Kangchen Company") set out on pages IIB-4 to IIB-44, which comprises the statements of financial position of Guangxi Kangchen Company as at 31 December 2014, 2015 and 2016 and 30 June 2017 and the statements of profit or loss, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the cash flow statements for each of the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IIB-4 to IIB-44 forms an integral part of this report, which has been prepared for inclusion in the circular of Zall Group Ltd. (the "Company") dated 11 December 2017 (the "Circular") in connection with the proposed acquisition of the Shenzhen Sinoagri E-commerce Co., Ltd. (the "Project Company") by Zall Commerce Supply Chain (Wuhan) Co., Ltd., a wholly-owned subsidiary of the Company (the "Proposed Acquisition").

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1(a) to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 1(a) to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of Guangxi Kangchen Company's financial position as at 31 December 2014, 2015 and 2016 and 30 June 2017 and of Guangxi Kangchen Company's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 1(a) to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of Guangxi Kangchen Company which comprises the statements of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement for the six months ended 30 June 2016 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in note 1(a) to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review 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. 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 on 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. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 1(a) to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IIB-4 have been made.

KPMG
Certified Public Accountants

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

11 December 2017

A HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of Guangxi Kangchen Company for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

Statements of profit or loss
(Expressed in RMB)

		Year ended 31 December			Six months ended 30 June	
		2014	**2015**	**2016**	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	*3*	3,894,002	14,493,548	13,442,942	6,088,098	8,605,506
Cost of sales		(3,892,830)	(14,476,201)	(13,444,734)	(6,082,642)	(8,593,595)
Gross profit/(loss)		1,172	17,347	(1,792)	5,456	11,911
Other income	*4*	–	8,751	8,851	15,946	2,631
Selling and distribution expenses		(2)	(83)	(362)	(174)	(171)
Administrative expenses		(1,317)	(7,717)	(4,461)	(3,296)	(1,135)
(Loss)/profit from operations		(147)	18,298	2,236	17,932	13,236
Finance income	*5(a)*	91	871	481	81	728
Finance costs	*5(b)*	(3,247)	(17,598)	(10,733)	(2,611)	(13,379)
Net finance costs		(3,156)	(16,727)	(10,252)	(2,530)	(12,651)
(Loss)/profit before taxation	*5*	(3,303)	1,571	(8,016)	15,402	585
Income tax	*6(a)*	826	(561)	1,181	(2,310)	(68)
(Loss)/profit for the year/period		(2,477)	1,010	(6,835)	13,092	517
Attributable to:						
Equity shareholders of Guangxi Kangchen Company		(2,477)	1,010	(6,835)	13,092	517
(Loss)/profit for the year/period		(2,477)	1,010	(6,835)	13,092	517

The accompanying notes form part of the Historical Financial Information.

Statements of profit or loss and other comprehensive income
(Expressed in RMB)

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(Loss)/profit for the year/period	(2,477)	1,010	(6,835)	13,092	517
Total comprehensive income for the year/period	(2,477)	1,010	(6,835)	13,092	517
Attributable to:					
Equity shareholders of Guangxi Kangchen Company	(2,477)	1,010	(6,835)	13,092	517
Total comprehensive income for the year/period	(2,477)	1,010	(6,835)	13,092	517

The accompanying notes form part of the Historical Financial Information.

Statements of financial position
(Expressed in RMB)

		As at 31 December			As at 30 June
		2014	2015	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	7	4	6	11	7
Intangible assets	8	825	1,212	928	786
Deferred tax assets	18(b)	826	265	1,446	1,378
		1,655	1,483	2,385	2,171
Current assets					
Financial assets at fair value through profit or loss	9	–	594,003	161,812	640,223
Inventories	10	141,720	158,677	140,477	93,467
Trade and other receivables	11	86,851	44,009	141,060	74,118
Loans receivable	12	–	321,980	650,876	789,046
Amounts due from related parties	13(a)	383,124	404,769	526,679	403,087
Restricted cash	15(ii)	–	500,010	1,102,678	1,740,236
Cash and cash equivalents	14	40,783	121,229	119,369	199,052
Current tax assets	18(a)	91	91	2,516	2,516
		652,569	2,144,768	2,845,467	3,941,745
Current liabilities					
Financial liabilities at fair value through profit or loss	9	–	–	–	50,124
Trade and other payables	15	599,755	1,561,630	2,118,164	3,265,401
Bank loans	16	–	–	398,500	588,500
Amounts due to related parties	13(b)	46,948	576,090	329,492	37,678
		646,703	2,137,720	2,846,156	3,941,703
Net current assets/(liabilities)		5,866	7,048	(689)	42
Total assets less current liabilities		7,521	8,531	1,696	2,213
NET ASSETS		7,521	8,531	1,696	2,213

		As at 31 December			As at 30 June
		2014	2015	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
CAPITAL AND RESERVES					
Paid-in capital	*19*	10,000	10,000	10,000	10,000
Reserves	*19*	(2,479)	(1,469)	(8,304)	(7,787)
Total equity attributable to equity shareholders of Guangxi Kangchen Company		7,521	8,531	1,696	2,213
TOTAL EQUITY		7,521	8,531	1,696	2,213

The accompanying notes form part of the Historical Financial Information.

Statements of changes in equity
(Expressed in RMB)

	Paid-in capital *(note 19(c))* *RMB'000*	**(Accumulated losses)/ retained profits** *RMB'000*	**Total** *RMB'000*
As at 1 January 2014	10,000	(2)	9,998
Changes in equity for 2014:			
Loss for the year	–	(2,477)	(2,477)
Total comprehensive income	–	(2,477)	(2,477)
As at 31 December 2014	10,000	(2,479)	7,521
As at 1 January 2015	10,000	(2,479)	7,521
Changes in equity for 2015:			
Profit for the year	–	1,010	1,010
Total comprehensive income	–	1,010	1,010
As at 31 December 2015	10,000	(1,469)	8,531

	Paid-in capital *(note 19(c))* *RMB'000*	(Accumulated losses)/ retained profits *RMB'000*	Total *RMB'000*
As at 1 January 2016	10,000	(1,469)	8,531
Changes in equity for 2016:			
Loss for the year	–	(6,835)	(6,835)
Total comprehensive income	–	(6,835)	(6,835)
As at 31 December 2016	10,000	(8,304)	1,696
As at 1 January 2017	10,000	(8,304)	1,696
Changes in equity for 2017:			
Profit for the period	–	517	517
Total comprehensive income	–	517	517
As at 30 June 2017	10,000	(7,787)	2,213
As at 1 January 2016	10,000	(1,469)	8,531
Changes in equity for 2016:			
Profit for the period	–	13,092	13,092
Total comprehensive income	–	13,092	13,092
As at 30 June 2016	10,000	11,623	21,623

The accompanying notes form part of the Historical Financial Information.

Cash flow statements
(Expressed in RMB)

		Year ended 31 December			Six months ended 30 June	
		2014	**2015**	**2016**	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Operating activities						
Cash generated from/ (used in) operations	*14(b)*	172,299	(204,300)	(398,405)	(70,983)	489,282
Income tax paid	*18(a)*	(91)	–	(2,425)	(2,425)	–
Net cash generated from/(used in) operating activities	*14(b)*	172,208	(204,300)	(400,830)	(73,408)	489,282
Investing activities						
Payment for the purchase of property, plant and equipment		–	(3)	(36)	–	–
Payment for the purchase of intangible assets		(872)	(569)	–	–	–
Interest received		91	871	481	81	728
Net cash (used in)/ generated from investing activities		(781)	299	445	81	728

The accompanying notes form part of the Historical Financial Information.

		Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Financing activities						
Net proceeds from/ payment to loans from related parties		–	230,521	37,697	18,849	(268,218)
Net proceeds from/ payment to loans to related parties		(128,387)	71,524	(27,203)	(13,602)	(319,021)
Net proceeds from bank loans		–	–	398,500	–	388,500
Repayment of bank and other loans		–	–	–	–	(198,500)
Interest paid		(1,398)	(16,701)	(10,219)	(2,497)	(12,763)
Other borrowing cost paid		(1,849)	(897)	(250)	(114)	(325)
Net cash (used in)/ generated from financing activities		(131,634)	284,447	398,525	2,636	(410,327)
Net increase/(decrease) in cash and cash equivalents		39,793	80,446	(1,860)	(70,691)	79,683
Cash and cash equivalents at the beginning of the year/period		990	40,783	121,229	121,229	119,369
Cash and cash equivalents at the end of the year/period	*14*	40,783	121,229	119,369	50,538	199,052

The accompanying notes form part of the Historical Financial Information.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies

(a) Basis of preparation and presentation of the Historical Financial Information

Guangxi Kangchen Shitang Trading Co., Ltd. (the "Guangxi Kangchen Company") was established in the People's Republic of China (the "PRC") on 18 November 2013 with limited liability under Company Law of the People's Republic of China (2013 revision).

Guangxi Kangchen Company is principally engaged in B2B e-commerce for the trading of agricultural products, services including supply chain finance.

The financial statements of Guangxi Kangchen Company for which there are statutory requirements were prepared in accordance with the requirements of Accounting Standards for Business Enterprises or referred to as China Accounting Standards ("CAS"). The statutory financial statements of Guangxi Kangchen Company for the year ended 31 December 2014 were audited by Dahua Certified Public Accountants Shenzhen Branch and the statutory financial statements of Guangxi Kangchen Company for the year ended 31 December 2015 and 2016 were audited by Pan-China Certified Public Accountants Shenzhen Branch in accordance with China Standards on Auditing.

Guangxi Kangchen Company has adopted 31 December as its financial year end date.

The Historical Financial Information 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 note 1 of this Section B.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, Guangxi Kangchen Company has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2017. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 January 2017 are set out in note 24.

The Historical Financial Information also complies with 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 Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

(b) Basis of measurement

These 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(d).

(c) Use of estimates and judgements

The preparation of Historical 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 Historical Financial Information and major sources of estimation uncertainty are discussed in note 2.

(d) Other investments in debt and equity securities

Guangxi Kangchen Company's policies for investments in debt and equity securities 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(q)(iii) and 1(q)(iv).

Dated debt securities that Guangxi Kangchen Company and/or Guangxi Kangchen 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(h)).

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 note 1(h)). 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(q)(iii) and 1(q)(iv), 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(h)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date Guangxi Kangchen Company commits to purchase/sell the investments or they expire.

(e) 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.

(f) Property, plant and equipment

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

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(s)).

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:

– 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.

(g) Intangible assets (other than goodwill)

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 Guangxi Kangchen Company 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(h)). Other development expenditure is recognised as an expense in the period in which it is incurred.

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

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

Both the period and method of amortisation are reviewed annually.

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

The useful life of trademark is assessed to be indefinite.

(h) 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 Guangxi Kangchen Company 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 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.

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 Guangxi Kangchen Company 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;

– intangible assets;

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

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

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

(i) Inventories

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

Cost is calculated using the weighted average cost method 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 realizable 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.

(j) 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(h)), 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(h)).

(k) 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.

(l) 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.

(m) 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.

(n) 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) Termination benefits

Termination benefits are recognised at the earlier of when Guangxi Kangchen Company can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(o) 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 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, Guangxi Kangchen Company 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.

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 Guangxi Kangchen Company 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, Guangxi Kangchen Company 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.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when Guangxi Kangchen 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.

(q) 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 Guangxi Kangchen Company 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) 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, Guangxi Kangchen Company 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.

(iii) 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.

(iv) 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(q)(ii)).

(v) 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 Guangxi Kangchen Company will comply with the conditions attaching to them. Grants that compensate Guangxi Kangchen Company 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 for the cost of an asset are initially recognized as deferred income and consequently are effectively recognised in profit or loss over the useful life of the asset.

(r) 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 Guangxi Kangchen Company is Renminbi and the Historical Financial Information are presented in Renminbi.

(s) ***Borrowing costs***

Borrowing costs are expensed in the period in which they are incurred.

(t) ***Related parties***

(a) A person, or a close member of that person's family, is related to Guangxi Kangchen Company if that person:

(i) has control or joint control over Guangxi Kangchen Company;

(ii) has significant influence over Guangxi Kangchen Company; or

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

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

(i) The entity and Guangxi Kangchen Company 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 Guangxi Kangchen Company or an entity related to Guangxi Kangchen Company.

(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 Guangxi Kangchen Company or to Guangxi Kangchen Company'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.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to Guangxi Kangchen Company's most senior executive management for the purposes of allocating resources to, and assessing the performance of, Guangxi Kangchen Company'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.

Guangxi Kangchen Company is principally engaged in B2B e-commerce for the trading of agricultural products 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 2014, 2015 and 2016 and six months ended 30 June 2017 and financial information regularly provided to Guangxi Kangchen Company's most senior executive management for the purposes of allocating resources to, and assessing the performance of, Guangxi Kangchen Company'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 Historical Financial Information.

Substantially all of Guangxi Kangchen Company's operations are in the PRC. Consequently, no geographic information is presented.

2 Accounting judgements and estimates

Note 21 contains information about the assumptions and their risk factors relating to 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. Guangxi Kangchen Company 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 Guangxi Kangchen Company's net assets value.

(c) Impairment of financial assets

Guangxi Kangchen Company estimates the impairment allowances for financial assets, including trade and other receivables and loans and receivables, 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. Guangxi Kangchen Company reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation/amortization expenses to be recorded during any reporting period. The useful lives are based on Guangxi Kangchen Company'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

Guangxi Kangchen Company is principally engaged in B2B e-commerce for the trading of agricultural products and supply chain finance service. 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			**Six months ended 30 June**	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Trading of sugar	3,894,002	14,492,341	13,442,942	6,088,098	8,595,248
Supply chain financing related income	–	1,207	–	–	10,258
	3,894,002	14,493,548	13,442,942	6,088,098	8,605,506

For the year ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 there was no single customer with whom transactions have exceeded 10% of Guangxi Kangchen Company's revenue.

4 Other income

	Year ended 31 December			**Six months ended 30 June**	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Government grants	–	–	50	–	–
Net realised and unrealised gain on financial assets at fair value change through profit or loss	–	8,751	8,801	15,946	2,631
	–	8,751	8,851	15,946	2,631

5 (Loss)/profit before taxation

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

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(a) Finance income					
Interest income	(91)	(871)	(481)	(81)	(728)
(b) Finance costs					
Interest expenses on bank loans	1,398	16,701	10,483	2,497	13,054
Bank charge and others	1,849	897	250	114	325
	3,247	17,598	10,733	2,611	13,379
(c) Staff costs					
Contributions to defined contribution retirement plan *(note 17)*	–	27	126	58	67
Salaries, wages and other benefits	–	107	471	227	229
	–	134	597	285	296
(d) Other items					
Amortisation of intangible assets	47	182	284	142	142
Depreciation of property, plant and equipment	2	1	31	2	4
Cost of inventories *(note 10(b))*	3,892,830	14,476,201	13,444,734	6,082,642	8,593,595
Impairment loss on trade and other receivables	160	(106)	(54)	–	–

6 Income tax in the statement of profit or loss

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

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current tax – PRC Corporate Income Tax					
Provision for the year/period	–	–	–	2,059	–
Deferred tax					
Origination and reversal of temporary differences	(826)	561	(1,181)	251	68
	(826)	561	(1,181)	2,310	68

(b) Reconciliation between tax (credit)/expense and accounting (loss)/profit at applicable tax rates:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(Loss)/profit before taxation	(3,303)	1,571	(8,016)	15,402	585
Notional tax on (loss)/profit before taxation, calculated at PRC statutory income tax rate of 25% (i)	(826)	393	(2,004)	3,851	146
Tax effect of PRC preferential tax treatments (ii)	–	(157)	802	(1,541)	(59)
Tax effect of non-deductible expenses	–	–	21	–	–
Effect on deferred tax balances at 1 January resulting from a change in tax rate	–	330	–	–	–
Tax effect of others	–	(5)	–	–	(19)
Actual tax (credit)/expense	(826)	561	(1,181)	2,310	68

(i) Guangxi Kangchen Company is subject to PRC Corporate Income Tax ("CIT") at stationary rate of 25%, unless otherwise specified.

(ii) Pursuant to the rules and regulations applicable to encouraged industries in the PRC western development strategy, Guangxi Kangchen Company which is principally engaged in modern logistics, trading service and information in the western of China, is subject to PRC corporate income tax at a preferential tax rate of 15% from 2015. The application of preferential tax rate will be reviewed by the tax authority annually.

7 Property, plant and equipment

	Furniture, office equipment and others
	RMB'000
Cost:	
At 1 January and 31 December 2014	6
At 1 January 2015	6
Additions	3
At 31 December 2015	9
At 1 January 2016	9
Additions	36
At 31 December 2016	45
At 1 January and 30 June 2017	45
Accumulated depreciation:	
At 1 January 2014	–
Charge for the year	(2)
At 31 December 2014	(2)
At 1 January 2015	(2)
Charge for the year	(1)
At 31 December 2015	(3)
At 1 January 2016	(3)
Charge for the year	(31)
At 31 December 2016	(34)
At 1 January 2017	(34)
Charge for the period	(4)
At 30 June 2017	(38)
Net book value:	
At 31 December 2014	4
At 31 December 2015	6
At 31 December 2016	11
At 30 June 2017	7

8 Intangible assets

	Software
	RMB'000
Cost:	
At 1 January 2014	–
Additions	872
At 31 December 2014	872
At 1 January 2015	872
Additions	569
At 31 December 2015	1,441
At 1 January and 31 December 2016	1,441
At 1 January and 30 June 2017	1,441
Accumulated amortisation:	
At 1 January 2014	–
Charge for the year	(47)
At 31 December 2014	(47)
At 1 January 2015	(47)
Charge for the year	(182)
Disposals	–
At 31 December 2015	(229)
At 1 January 2016	(229)
Charge for the year	(284)
At 31 December 2016	(513)
At 1 January 2017	(513)
Charge for the period	(142)
At 30 June 2017	(655)
Net book value:	
At 31 December 2014	825
At 31 December 2015	1,212
At 31 December 2016	928
At 30 June 2017	786

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

	As at 31 December			As at 30
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss				
– Wealth management products (i)	–	594,003	161,812	590,099
– Forward contracts (ii)	–	–	–	50,124
	–	594,003	161,812	640,223
Financial liabilities at fair value through profit or loss				
– Forward contracts (ii)	–	–	–	(50,124)

Notes:

(i) The balance represents short-term investment in wealth management products. The wealth management products were all pledged for bill payables granted to Guangxi Kangchen Company.

(ii) Guangxi Kangchen Company 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.

10 Inventories

(a) Inventories in the statement of financial position comprise:

	As at 31 December			As at 30
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Finished goods	141,720	158,677	140,477	93,467

(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
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	3,892,830	14,476,201	13,444,734	8,593,595

11 Trade and other receivables

	As at 31 December			As at 30
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	21,106	–	–	–
Bills receivables	–	600	30,000	–
Trade and bills receivables	21,106	600	30,000	–
Less: Allowance for doubtful debts	(106)	–	–	–
	21,000	600	30,000	–
Deposits and prepayments	19,349	737	733	14,393
Prepaid input value-add tax	22,559	13,355	51,936	19,107
Other receivables	23,943	29,317	58,391	40,618
	86,851	44,009	141,060	74,118

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
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	9,986	600	–	–
3 to 12 months	11,014	–	30,000	–
	21,000	600	30,000	–

Trade and bills receivables are normally due within one year from the date of billing. Further details on Guangxi Kangchen Company's credit policy are set out in note 21(a).

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless Guangxi Kangchen Company 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(h)(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
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	–	106	–	–
Impairment loss recognised/(reversed) collectively	106	(106)	–	–
At 31 December/30 June	106	–	–	–

(c) Trade and bills receivables that are not impaired

As at 31 December 2014, 2015 and 2016 and 30 June 2017, 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
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	–	600	30,000	–

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

(d) Bill discounted

The Kangchen Company entered into discounted bill agreements with various reputable banks in the PRC. According to these discounted bill agreements, the Kangchen Company discounted the bills receivables to these banks in return for the early settlement. As at 31 December 2014, 2015 and 2016 and 30 June 2017, bills receivables amounted to RMB76,000,000, RMB270,000,000, RMB628,665,000 and RMB48,000,000 were discounted to these banks with the maturity date yet to reach.

12 Loans receivable

	As at 31 December			As at 30
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured loans	–	321,980	650,876	789,046

Loans receivable represent secured loans secured by the third-party borrowers' inventories or unlisted shares.

(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:

	As at 31 December			As at 30
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	–	321,980	600,867	332,728
3 to 12 months	–	–	50,009	456,318
	–	321,980	650,876	789,046

(b) Impairment of loans receivable

Impairment losses in respect of loans receivable to third parties are recorded using an allowance account unless Guangxi Kangchen Company 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(h)(i)).

As at 31 December 2015 and 2016 and 30 June 2017, none of loans receivable was individually or collectively determined to be impaired.

(c) Loans receivable that are not impaired

As at 31 December 2015 and 2016 and as at 30 June 2017, loans receivable that is not individually or collectively considered to be impaired was not past due. The ageing analysis of loans receivable that are not individually or collectively considered to be impaired are as follows:

	As at 31 December			As at 30
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	–	321,980	650,876	789,046

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

13 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
		2014	**2015**	**2016**	**June 2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties					
– Trading deposits collected by a related party	*(i)*	221,790	347,906	442,613	–
– Trade receivables	*(ii)*	32,947	–	–	–
– Loans to related parties	*(iii)*	128,387	56,863	84,066	403,087
		383,124	404,769	526,679	403,087

Notes:

(i) The principal activities of Guangxi Kangchen Company is trading of the agricultural products in an online platform named Sugar Market Network, which is owned by a related party of Guangxi Kangchen Company named Guangxi Sugar Market Network Co., Ltd. (the "Guangxi Sugar Market"). The amount represent the trading deposits collected by Guangxi Sugar Market on behalf of Guangxi Kangchen Company.

(ii) The amounts represented the balances from related party transaction on trading of the agricultural products.

(iii) Loans to related parties are unsecured and repayable on demand. The interest rates of loans to related parties are ranging from 3.2%-7.8%.

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

		As at 31 December			As at 30
		2014	**2015**	**2016**	**June 2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to related parties					
– Prepayment by a related party	*(i)*	37,189	341,626	10,392	19,336
– Trade payables	*(ii)*	9,759	3,943	50,882	18,342
– Loans from related parties	*(iii)*	–	230,521	268,218	–
		46,948	576,090	329,492	37,678

Notes:

(i) The principal activities of Guangxi Kangchen Company is trading of the agricultural products in an online platform named Sugar Market Network, which is owned by Guangxi Sugar Market. The amount represents the prepayment paid by Guangxi Sugar Market on behalf of Guangxi Kangchen Company.

(ii) The amounts represented the balance from related party transaction on trading of the agricultural products.

(iii) The amounts mainly represented loans received from related parties of Guangxi Kangchen Company. All loans payable to related parties are unsecured and repayable on demand. Loans payable to related parties bear interest ranging from 3.2% – 7.8%.

14 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	As at 31 December			As at 30
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and on hand	40,783	121,229	119,369	199,052

14 Cash and cash equivalents (continued)

(b) Reconciliation of (loss)/profit before taxation to cash generated from/(used in) operations:

		Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Operating activities						
(Loss)/profit before taxation		(3,303)	1,571	(8,016)	15,402	585
Adjustments for:						
Depreciation	*5(d)*	2	1	31	2	4
Amortisation of intangible assets	*5(d)*	47	182	284	142	142
Finance income	*5(a)*	(91)	(871)	(481)	(81)	(728)
Finance costs	*5(b)*	3,247	17,598	10,733	2,611	13,379
Gain on financial assets at fair value change through profit or loss		–	(8,751)	(8,801)	(15,946)	(2,631)
Impairment loss on trade and other receivables	*5(d)*	160	(106)	(54)	–	–
		62	9,624	(6,304)	2,130	10,751
Changes in working capital						
(Increase)/decrease in inventories		(141,720)	(16,957)	18,200	65,831	47,010
(Increase)/decrease in trade and other receivables		(87,010)	42,947	(96,997)	(498,115)	66,942
Increase in loans receivable		–	(321,980)	(328,896)	(164,448)	(138,170)
(Increase)/decrease in amounts due from related parties		(245,737)	(93,169)	(94,707)	(47,354)	442,613
Increase in restricted cash		–	(500,010)	(602,668)	(99,990)	(637,558)
(Increase)/decrease in financial assets at fair value through profit or loss		–	(585,252)	440,992	589,862	(475,779)
Increase in financial liabilities at fair value through profit or loss		–	–	–	–	50,124
Increase/(decrease) in amounts due to related parties		46,948	298,621	(284,295)	(165,617)	(23,596)
Increase in trade and other payables		599,756	961,876	556,270	246,718	1,146,945
Cash generated from/(used in) operations		172,299	(204,300)	(398,405)	(70,983)	489,282
Income tax paid	*18(a)*	(91)	–	(2,425)	(2,425)	–
Net cash generated from/(used in) operating activities		172,208	(204,300)	(400,830)	(73,408)	489,282

15 Trade and other payables

	As at 31 December			As at 30
	2014	2015	2016	June 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bill payables	171,274	1,180,775	1,488,129	2,506,902
Receipts in advance	68,533	2,509	13,259	151,480
Accrued staff costs	–	–	19	17
Deposits from trading	359,948	378,346	616,493	606,447
Others	–	–	264	555
	599,755	1,561,630	2,118,164	3,265,401

Bill payables were secured by assets of Guangxi Kangchen Company as set out below:

	As at 31 December			As at 30
	2014	2015	2016	June 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Restricted cash (ii)	–	500,010	1,102,678	1,740,236
Financial assets at fair value through profit or loss	–	594,003	161,812	590,099
	–	1,094,013	1,264,490	2,330,335

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

(ii) All restricted cash are guaranteed deposits pledged for bill payables.

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
	2014	2015	2016	June 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	171,274	111,936	264,906	114,363
3 to 12 months	–	1,068,839	1,222,831	2,392,030
Over 12 months	–	–	392	509
	171,274	1,180,775	1,488,129	2,506,902

16 Bank loans

	As at 31 December			As at 30
	2014	2015	2016	June 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured bank loans	–	–	398,500	588,500

All of the bank loans were repayable within one year.

As at 31 December 2016 and 30 June 2017, all secured bank loans was guaranteed by Guangxi Sugar Market, a related party of Guangxi Kangchen Company.

17 Employee retirement benefits

Defined contribution retirement plans

Pursuant to the relevant labour rules and regulations in the PRC, Guangxi Kangchen Company 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 Guangxi Kangchen Company has no further obligations beyond the annual contributions.

18 Income tax in the statement of financial position

(a) Current taxation in the statement of financial position represents:

	As at 31 December			As at 30
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current tax assets as of 1 January	–	91	91	2,516
Provisional Profits Tax paid	(91)	–	(2,425)	–
Current tax assets as of 31 December/ 30 June	91	91	2,516	2,516

(b) Deferred tax assets/(liabilities) recognised

The components of deferred tax assets/(liabilities) recognised in the 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 2014	–	–	–
Credited to profit or loss	786	40	826
At 31 December 2014	786	40	826
At 1 January 2015	786	40	826
Charged to profit or loss	(534)	(27)	(561)
At 31 December 2015	252	13	265
At 1 January 2016	252	13	265
Credited to profit or loss	1,160	21	1,181
At 31 December 2016	1,412	34	1,446
At 1 January 2017	1,412	34	1,446
(Charged)/credited to profit or loss	(79)	11	(68)
At 30 June 2017	1,333	45	1,378

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(o), Guangxi Kangchen Company has no deferred tax assets in respect of cumulative tax losses not recognised.

19 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of Guangxi Kangchen Company's equity is set out in the statement of changes in equity.

(b) Dividend

No dividends was declared during the year of 2014, 2015 and 2016 and the six months ended 30 June 2017.

(c) Paid-in capital

The registered capital and paid-in capital structure of the Guangxi Kangchen Company is as follows:

	As at 31 December			As at 30
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered and paid-in capital	10,000	10,000	10,000	1,000

The above paid-in capital was contributed by the parents on 28 October 2013.

(d) Statutory reserves

According to the Articles of Association of Project Company, Guangxi Kangchen Company is required to appropriate part of its net profits as determined in accordance with the PRC Generally Accepted Accounting Principles ("PRC GAAP") to various reserves. These include general reserve and statutory surplus reserve.

For general reserve, appropriation to general reserve is at the discretion of the directors of Guangxi Kangchen Company. 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 Guangxi Kangchen Company, 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.

(e) Capital management

Guangxi Kangchen Company's primary objectives when managing capital are to safeguard Guangxi Kangchen Company'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.

Guangxi Kangchen Company 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.

Guangxi Kangchen Company monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose Guangxi Kangchen Company defines net debt as total interest-bearing loans less cash and cash equivalents. Guangxi Kangchen Company defines "capital" as all components of equity.

The net debt-to-capital ratio at 31 December 2014, 2015 and 2016 and 30 June 2017 was as follows:

	Year ended 31 December			Six months ended 30 June 2017
	2014	**2015**	**2016**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings:				
– Bank loans	–	–	398,500	588,500
– Loans from related parties	–	230,521	268,218	–
Less: Cash and cash equivalents	(40,783)	(121,229)	(119,369)	(199,052)
Restricted cash	–	(500,010)	(1,102,678)	(1,740,236)
Net cash	(40,783)	(390,718)	(555,329)	(1,350,788)
Total equity	7,521	8,531	1,696	2,213
Net debt-to-capital ratio *(note)*	–	–	–	–

Note:

No net debt-to-capital ratio at 31 December 2014, 2015 and 2016 and 30 June 2017 is presented as Guangxi Kangchen Company were at net cash position as of that date.

Guangxi Kangchen Company isn't subject to externally imposed capital requirements.

20 Material related party transactions

(a) Directors' emoluments and key management personnel remuneration

The directors' emoluments and key management personnel remuneration for the year ended 31 December 2014, 2015 and 2016 and six months ended 30 June 2016 and 2017 are borne by Guangxi Sugar Market, no expense is recorded by Guangxi Kangchen Company in this regard. There's no material transaction between the Guangxi Kangchen Company and its key management personnel.

(b) Guangxi Kangchen Company entered into the following significant related party transactions during the year/period:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales to related companies	251,045	703,882	957,429	396,451	400,483
Purchase from related companies	16,856	792,090	932,373	376,955	450,532
Loans guaranteed by a related party	–	–	398,500	–	588,500
Loans guaranteed to a related party	–	–	50,000	50,000	50,000

21 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of Guangxi Kangchen Company's business.

Guangxi Kangchen Company's exposure to these risks and the financial risk management policies and practices used by Guangxi Kangchen Company to manage these risks are described below.

(a) Credit risk

Guangxi Kangchen Company'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, Guangxi Kangchen Company does not obtain collateral from customers.

Guangxi Kangchen Company'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. Guangxi Kangchen Company manages and analyses the credit risk for each of their new and existing clients before payment terms and conditions are offered. Guangxi Kangchen Company 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 Guangxi Kangchen Company's credit policies and oversees the credit quality of Guangxi Kangchen Company'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 Guangxi Kangchen Company'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 statement of financial position.

Further quantitative disclosures in respect of Guangxi Kangchen Company's exposure to credit risk arising from trade and bills receivables and loans receivable are set out in notes 11 and 12.

(b) Liquidity risk

Guangxi Kangchen Company is responsible for its 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. Guangxi Kangchen Company'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 Guangxi Kangchen Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date Guangxi Kangchen Company can be required to pay.

	At 31 December 2014		
	Contractual undiscounted cash outflow		Carrying amount at 31 December 2014
	Within 1 year or on demand	Total	
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables	599,755	599,755	599,755
Amounts due to related parties	46,948	46,948	46,948
	646,703	646,703	646,703

	At 31 December 2015		
	Contractual undiscounted cash outflow		Carrying amount at 31 December 2015
	Within 1 year or on demand	Total	
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables	1,561,630	1,561,630	1,561,630
Amounts due to related parties	588,769	588,769	576,090
	2,150,399	2,150,399	2,137,720

	At 31 December 2016		
	Contractual undiscounted cash outflow		Carrying amount at 31 December 20146
	Within 1 year or on demand	Total	
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables	2,118,164	2,118,164	2,118,164
Bank loans	405,573	405,573	398,500
Amounts due to related parties	344,244	344,244	329,492
	2,867,981	2,867,981	2,846,156

	At 30 June 2017		
	Contractual undiscounted cash outflow		
	Within 1 year or on demand	Total	Carrying amount at 30 June 2017
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables	3,265,401	3,265,401	3,265,401
Bank loans	601,457	601,457	588,500
Amounts due to related parties	37,678	37,678	37,678
	3,904,536	3,904,536	3,891,579

(c) Interest rate risk

Guangxi Kangchen Company's interest rate risk arises primarily from fixed rate borrowings that expose Guangxi Kangchen Company to fair value interest rate risk. Guangxi Kangchen Company defines "net borrowings" as being interest-bearing financial liabilities less interest-bearing receivables (excluding cash held for short-term working capital purposes). Guangxi Kangchen Company'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 Guangxi Kangchen Company's interest-bearing borrowings at the end of the reporting period:

	Year ended 31 December						Six months ended 30 June 2017	
	2014		2015		2016			
	Effective interest rate	Principal amount	Effective interest rate	Principal amount	Effective interest rate	Principal amount	Effective interest rate	Principal Amount
		RMB'000		*RMB'000*		*RMB'000*		*RMB'000*
Net fixed rate borrowing:								
Bank loans	–	–	–	–	4.62%	398,500	4.53%	588,500
Loans from related parties	–	–	3.2%-7.8%	230,521	3.2%-7.8%	268,218	–	–
Less: loans receivable	–	–	4.5%-7%	(321,980)	4.5%-7%	(650,876)	4.35%	(789,046)
Loans to related parties	3.2%-7.8%	(128,387)	3.2%-7.8%	(56,863)	3.2%-7.8%	(84,066)	3.2%-7.8%	(403,087)
		(128,387)		(148,322)		(68,224)		(603,633)

Guangxi Kangchen Company's future interest expense and income will fluctuate in line with any change in borrowing rates. Management considers Guangxi Kangchen Company's exposure to interest rate risk is minimal as all lendings and borrowings are at fixed rate.

(ii) Sensitivity analysis

At 31 December 2014, 2015 and 2016 and 30 June 2017, all of Guangxi Kangchen Company's interest-bearing borrowings are fixed rate borrowings, no sensitivity analysis on interest rate risk is presented.

(d) Currency risk

At 31 December 2014, 2015 and 2016 and 30 June 2017, 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***

(i) *Financial assets measured at fair value*

Fair value hierarchy

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

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 30 June 2017	**Fair value measurements as at 30 June 2017 categorised into**		
		Level 1	**Level 2**	**Level 3**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Assets:				
Wealth management products *(i)*	590,099	590,099	–	–
Forward contracts *(ii)*	50,124	–	50,124	–
	640,223	590,099	50,124	–
Liabilities:				
Forward contracts *(ii)*	(50,124)	–	(50,124)	–

	Fair value at 31 December 2016	**Fair value measurements as at 31 December 2016 categorised into**		
		Level 1	**Level 2**	**Level 3**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Assets:				
Wealth management products *(i)*	161,812	161,812	–	–

	Fair value at 31 December 2015	Fair value measurements as at 31 December 2015 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Assets:				
Wealth management products *(i)*	594,003	594,003	–	–

Notes:

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

(iii) During the year ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. Guangxi Kangchen Company's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2014, 2015 and 2016 and 30 June 2017.

22 Non-adjusting events after the reporting period

Subsequent to the end of the reporting period, no non-adjusting events has been noted by the Guangxi Kangchen Company.

23 Immediate and ultimate controlling party

At 30 June 2017, the directors consider the immediate parent and ultimate controlling party of the Guangxi Kangchen Company to be Guangxi Msweet Technology ("Guangxi Msweet") and Mr. Yanzhi respectively.

24 Impact of amendments, new standards and interpretations issued but not yet effective for the period beginning 1 January 2017

Up to the date of issue of the Historical Financial Information, the ISAB has issued a few amendments and new standards which are not yet effective for the period beginning 1 January 2017 and which have not been adopted in the Historical Financial Information. These include the following which may be relevant to Guangxi Kangchen Company.

	Effective for accounting periods beginning on or after
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018

Guangxi Kangchen Company 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 Guangxi Kangchen Company has identified some aspects of the new standards which may have a significant impact on the financial statements. Further details of the expected impacts are discussed below. As Guangxi Kangchen Company 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 Guangxi Kangchen Company'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, Guangxi Kangchen Company 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). Guangxi Kangchen Company currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on Guangxi Kangchen Company 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 Guangxi Kangchen Company'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. Guangxi Kangchen Company is currently assessing the impacts of adopting IFRS 15 on its financial statements. Based on the preliminary assessment, the Project Group has identified the following areas which are likely to be affected:

(c) Timing of revenue recognition

Guangxi Kangchen Company's revenue recognition policies are disclosed in note 1(q). 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 Guangxi Kangchen Company adopts IFRS 15 some of Guangxi Kangchen Company'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.

(d) 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, Guangxi Kangchen Company would only apply such a policy when payments are significantly deferred, which is currently not common in Guangxi Kangchen Company's arrangements with its customers. Currently, Guangxi Kangchen Company does not apply such a policy when payments are received in advance.

Guangxi Kangchen Company is in the process of assessing whether this component in Guangxi Kangchen Company'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.

(e) Sales with a right of return

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

Guangxi Kangchen Company expects that the adoption of IFRS 15 will not materially affect how Guangxi Kangchen Company 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 statement of financial position as Guangxi Kangchen Company currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

C SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Guangxi Kangchen Company in respect of any period subsequent to 30 June 2017.

The following is the text of a report on Guangxi Sugar Market Group set out on pages IIC-1 to IIC-53, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF GUANGXI SUGAR MARKET GROUP TO THE DIRECTORS OF ZALL GROUP LTD

Introduction

We report on the historical financial information of Guangxi Sugar Market Network Co., Ltd. (the "Guangxi Sugar Market Company") and its subsidiaries (together, the "Guangxi Sugar Market Group") set out on pages IIC-4 to IIC-54, which comprises the consolidated statements of financial position of the Guangxi Sugar Market Group as at 31 December 2014, 2015 and 2016 and 30 June 2017 and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IIC-4 to IIC-54 forms an integral part of this report, which has been prepared for inclusion in the circular of Zall Group Ltd. (the "Company") dated 11 December 2017 (the "Circular") in connection with the proposed acquisition of Shenzhen Sinoagri E-commerce Co., Ltd (the "Project Company") by Zall Commerce Supply Chain (Wuhan) Co., Ltd., a wholly-owned subsidiary of the Company (the "Proposed Acquisition").

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1(a) to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1(a) to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Guangxi Sugar Market Group 's financial position as at 31 December 2014, 2015 and 2016 and 30 June 2017 and of the Guangxi Sugar Market Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1(a) to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Guangxi Sugar Market Group which comprises the consolidated statements of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 30 June 2016 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1(a) to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review 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. 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 on 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. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1(a) to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IIC-4 have been made.

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

11 December 2017

A HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Guangxi Sugar Market Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements")

Consolidated statements of profit or loss
(Expressed in RMB)

		Year ended 31 December			Six months ended 30 June	
	Note	**2014**	**2015**	**2016**	**2016**	**2017**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*3*	1,405,396	1,142,161	1,549,825	544,375	775,553
Cost of sales		(1,315,574)	(1,057,410)	(1,464,662)	(502,401)	(727,428)
Gross profit		89,822	84,751	85,163	41,974	48,125
Other income	*4*	2,522	26,736	30,403	4,098	39
Selling and distribution expenses		(9,326)	(16,667)	(13,908)	(6,898)	(6,008)
Administrative expenses		(54,613)	(39,310)	(29,925)	(13,702)	(10,183)
Profit from operations		28,405	55,510	71,733	25,472	31,973
Finance income	*5(a)*	10,499	16,504	14,171	5,301	6,847
Finance costs	*5(b)*	(4,669)	(32,888)	(37,240)	(28,078)	(14,667)
Net finance income/(costs)		5,830	(16,384)	(23,069)	(22,777)	(7,820)
Profit before taxation	*5*	34,235	39,126	48,664	2,695	24,153
Income tax	*6(a)*	(4,871)	(4,153)	(4,530)	2,048	(3,174)
Profit for the year/period		29,364	34,973	44,134	4,743	20,979
Attributable to:						
Equity shareholders of the Guangxi Sugar Market Company		29,364	34,973	44,134	4,743	20,979
Profit for the year/period		29,364	34,973	44,134	4,743	20,979

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of profit or loss and other comprehensive income
(Expressed in RMB)

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit for the year/period	29,364	34,973	44,134	4,743	20,979
Total comprehensive income for the year/ period	29,364	34,973	44,134	4,743	20,979
Attributable to:					
Equity shareholders of the Guangxi Sugar Market Company	29,364	34,973	44,134	4,743	20,979
Total comprehensive income for the year/ period	29,364	34,973	44,134	4,743	20,979

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of financial position
(Expressed in RMB)

	Note	As at 31 December 2014 RMB'000	2015 RMB'000	2016 RMB'000	As at 30 June 2017 RMB'000
Non-current assets					
Property, plant and equipment	9	80,692	73,800	66,377	63,454
Intangible assets	10	2,272	2,419	2,337	2,130
Deferred tax assets	22(b)	4,179	4,520	4,446	3,157
		87,143	80,739	73,160	68,741
Current assets					
Financial assets at fair value through profit or loss	12	–	49,000	115,830	–
Inventories	13	214,093	86,583	26,991	134,479
Trade and other receivables	14	262,285	82,286	186,226	206,600
Loans receivable	15	410,293	42,011	141,150	141,150
Amounts due from related parties	16(a)	46,948	576,090	509,639	190,532
Restricted cash	17	126,477	20,802	422,000	400,000
Cash and cash equivalents	18	323,281	418,642	158,741	199,607
Current tax assets	22(a)	–	525	525	558
		1,383,377	1,275,939	1,561,102	1,272,926
Current liabilities					
Trade and other payables	19	632,394	365,201	863,654	787,368
Bank loans	20	337,993	440,000	119,000	50,000
Amounts due to related parties	16(b)	383,124	404,769	526,679	403,087
Current taxation	22(a)	5,376	2,014	1,779	1,081
		1,358,887	1,211,984	1,511,112	1,241,536
Net current assets		24,490	63,955	49,990	31,390
Total assets less current liabilities		111,633	144,694	123,150	100,131
Non-current liability					
Deferred income	4	2,912	1,000	–	–
		2,912	1,000	–	–
NET ASSETS		108,721	143,694	123,150	100,131
CAPITAL AND RESERVES					
Paid-in capital	23	50,000	50,000	50,000	50,000
Reserves	23	58,721	93,694	73,150	50,131
Total equity attributable to equity shareholders of the Guangxi Sugar Market Company		108,721	143,694	123,150	100,131
TOTAL EQUITY		108,721	143,694	123,150	100,131

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of changes in equity

(Expressed in RMB)

		Attributable to equity shareholders of the Guangxi Sugar Market Company					
	Note	**Paid-in capital** *(Note 23(c))*	**Capital reserve**	**Statutory reserves**	**Retained profits**	**Total**	**Total equity**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2014		50,000	3,031	23,794	40,532	117,357	117,357
Changes in equity for 2014:							
Profit for the year		–	–	–	29,364	29,364	29,364
Total comprehensive income		–	–	–	29,364	29,364	29,364
Appropriations to statuary reserve	*23(e)*	–	–	1,963	(1,963)	–	–
Dividends to shareholders	*23(b)*	–	–	–	(38,000)	(38,000)	(38,000)
As at 31 December 2014		50,000	3,031	25,757	29,933	108,721	108,721
As at 1 January 2015		50,000	3,031	25,757	29,933	108,721	108,721
Changes in equity for 2015: Profit for the year		–	–	–	34,973	34,973	34,973
Total comprehensive income		–	–	–	34,973	34,973	34,973
Appropriations to statuary reserve	*23(e)*	–	–	214	(214)	–	–
As at 31 December 2015		50,000	3,031	25,971	64,692	143,694	143,694
As at 1 January 2016		50,000	3,031	25,971	64,692	143,694	143,694
Changes in equity for 2016: Profit for the year		–	–	–	44,134	44,134	44,134
Total comprehensive income		–	–	–	44,134	44,134	44,134
Appropriations to statuary reserve	*23(e)*	–	–	149	(149)	–	–
Dividends to shareholders	*23(b)*	–	–	–	(64,678)	(64,678)	(64,678)
As at 31 December 2016		50,000	3,031	26,120	43,999	123,150	123,150

		Attributable to equity shareholders of the Guangxi Sugar Market Company					
	Note	**Paid-in capital** *(Note 23(c))*	**Capital reserve**	**Statutory reserves**	**Retained profits**	**Total**	**Total equity**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2017		50,000	3,031	26,120	43,999	123,150	123,150
Changes in equity for 2017:							
Profit for the period		–	–	–	20,979	20,979	20,979
Total comprehensive income		–	–	–	20,979	20,979	20,979
Appropriations to statuary reserve	*23(e)*	–	–	280	(280)	–	–
Dividends to shareholders	*23(b)*	–	–	–	(43,998)	(43,998)	(43,998)
As at 30 June 2017		50,000	3,031	26,400	20,700	100,131	100,131
As at 1 January 2016		50,000	3,031	25,971	64,692	143,694	143,694
Changes in equity for 2016: Profit for the period		–	–	–	4,743	4,743	4,743
Total comprehensive income		–	–	–	4,743	4,743	4,743
As at 30 June 2016(Unaudited)		50,000	3,031	25,971	69,435	148,437	148,437

The accompanying notes form part of the Historical Financial Information.

Consolidated cash flow statements
(Expressed in RMB)

	Note	Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Operating activities						
Cash generated from/ (used in) operations	*18(b)*	260,411	267,474	306,140	140,541	(423,545)
Income tax paid		(6,456)	(8,381)	(4,691)	(2,628)	(2,616)
Net cash generated from/(used in) operating activities	*18(b)*	253,955	259,093	301,449	137,913	(426,161)
Investing activities						
Payment for the purchase of property, plant and equipment		(46,173)	(1,218)	(1,211)	(1,809)	(113)
Payment for the purchase of intangible assets		(892)	(800)	(717)	(359)	(245)
Cash receipt from disposal of property, plant and equipment		91	33	2,776	1,223	–
Decrease in time deposit		145,101	54,675	10,802	20,802	–
Interest received		10,499	16,504	14,171	5,301	6,847
Net cash generated from investing activities		108,626	69,194	25,821	25,158	6,489

	Note	Year ended 31 December 2014	2015	2016	Six months ended 30 June 2016	2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Financing activities						
Net proceeds from bank loans		864,459	886,928	496,304	377,304	–
Net proceeds from/ payment to loans from related parties		128,387	(71,524)	27,203	13,602	319,021
Net proceeds from/ payment to loans to related parties		–	(230,521)	(217,844)	(108,922)	295,511
Repayment of bank and other loans		(1,331,166)	(784,921)	(817,304)	(440,000)	(69,000)
Interest paid		(4,113)	(31,696)	(36,974)	(9,449)	(14,238)
Other borrowing cost paid		(556)	(1,192)	(266)	(18,629)	(369)
Dividend paid	*23(b)*	(38,000)	–	(38,290)	–	(70,387)
Withdrawn capital investment by non-controlling equity shareholders		–	–	–	–	–
Net cash (used in)/ generated from financing activities		(380,989)	(232,926)	(587,171)	(186,094)	460,538
Net (decrease)/increase in cash and cash equivalents		(18,408)	95,361	(259,901)	(23,023)	40,866
Cash and cash equivalents at the beginning of the year/period		341,689	323,281	418,642	418,642	158,741
Cash and cash equivalents at the end of the year/period	*18*	323,281	418,642	158,741	395,619	199,607

The accompanying notes form part of the Historical Financial Information.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(EXPRESSED IN RENMINBI UNLESS OTHERWISE INDICATED)*

1 Significant accounting policies

(a) Basis of preparation and presentation of the Historical Financial Information

Guangxi Sugar Market Company was established in the People's Republic of China (the "PRC") on 11 January 2011 with limited liability under Company Law of the People's Republic of China (2013 revision).

The Guangxi Sugar Market Group are principally engaged in B2B e-commerce platform, trading of agricultural products, services including supply chain management and supply chain finance.

The financial statements of the Guangxi Sugar Market Group for which there are statutory requirements were prepared in accordance with the requirements of Accounting Standards for Business Enterprises or referred to as China Accounting Standards ("CAS"). The statutory financial statements of the Guangxi Sugar Market Group for the year ended 31 December 2014 were audited by Dahua Certified Public Accountants Shenzhen Branch and the statutory financial statements of the Guangxi Sugar Market Group for the years ended 31 December 2015 and 2016 were audited by Tianjian Certified Public Accountants Shenzhen Branch in accordance with China Standards on Auditing.

As at the date of this report, the Guangxi Sugar Market Company has direct interests in the subsidiaries as set out in Section B Note 11 below.

All companies comprising the Guangxi Sugar Market Group have adopted 31 December as their financial year end date.

The Historical Financial Information 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 Note 1 of this Section B.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Guangxi Sugar Market Group has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2017. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning or after 1 January 2017 are set out in Note 29.

The Historical Financial Information also complies with 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 Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

(b) Basis of measurement

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(e).

(c) Use of estimates and judgements

The preparation of Historical 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 Historical Financial Information and major sources of estimation uncertainty are discussed in note 2.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Guangxi Sugar Market Group. The Guangxi Sugar Market 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 Guangxi Sugar Market Group has power, only substantive rights (held by the Guangxi Sugar Market Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical 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 Historical 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 Guangxi Sugar Market Company, and in respect of which the Guangxi Sugar Market Group has not agreed any additional terms with the holders of those interests which would result in the Guangxi Sugar Market 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 Guangxi Sugar Market 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 Guangxi Sugar Market Company. Non-controlling interests in the results of the Guangxi Sugar Market Group are presented on the face of the consolidated statements 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 Guangxi Sugar Market 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(l) or (m) depending on the nature of the liability.

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

When the Guangxi Sugar Market 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(e)).

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

(e) Other investments in debt and equity securities

The Guangxi Sugar Market Group's and the Guangxi Sugar Market 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(r)(iii) and 1(r)(iv).

Dated debt securities that the Guangxi Sugar Market Group and/or the Guangxi Sugar Market 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(i)).

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(i)). 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(r)(iii) and 1(r)(iv), 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(i)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Guangxi Sugar Market Group commits to purchase/sell the investments or they expire.

(f) Derivative financial instruments

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

(i) Property, plant and equipment

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

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(t)).

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	30 years
– Machineries	10 years
– Motor vehicles	5 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.

(g) Intangible assets (other than goodwill)

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 Guangxi Sugar Market 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(i)). Other development expenditure is recognised as an expense in the period in which it is incurred.

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

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	3-5 years

Both the period and method of amortisation are reviewed annually.

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

The useful life of trademark is assessed to be indefinite.

(h) Operating lease charges

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

Where the Guangxi Sugar Market 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.

(i) 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 Guangxi Sugar Market 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 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.

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 Guangxi Sugar Market 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;

– intangible assets; and

– investments in subsidiaries, in the Guangxi Sugar Market 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

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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.

(j) Inventories

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

Cost is calculated using the weighted average cost method 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 realizable 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.

(k) 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(i)), 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(i)).

(l) 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.

(m) 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.

(n) 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.

(o) 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) Termination benefits

Termination benefits are recognised at the earlier of when the Guangxi Sugar Market Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(p) 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 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 Guangxi Sugar Market 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.

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 Guangxi Sugar Market Company or the Guangxi Sugar Market 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 Guangxi Sugar Market Company or the Guangxi Sugar Market 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.

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Guangxi Sugar Market Group or the Guangxi Sugar Market 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.

(r) 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 Guangxi Sugar Market 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) 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 Guangxi Sugar Market 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.

(iii) 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.

(iv) 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(r)(ii)).

(v) 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 Guangxi Sugar Market Group will comply with the conditions attaching to them. Grants that compensate the Guangxi Sugar Market 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 Guangxi Sugar Market Group for the cost of an asset are initially recognized as deferred income and consequently are effectively recognised in profit or loss over the useful life of the asset.

(vi) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

(s) 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 Guangxi Sugar Market Company and its subsidiaries is Renminbi and the Historical Financial Information are presented in Renminbi.

(t) 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.

(u) Related parties

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

(i) has control or joint control over the Guangxi Sugar Market Group;

(ii) has significant influence over the Guangxi Sugar Market Group; or

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

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

(i) The entity and the Guangxi Sugar Market 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 Guangxi Sugar Market Group or an entity related to the Guangxi Sugar Market 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 Guangxi Sugar Market Group or to the Guangxi Sugar Market 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.

(v) 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 Guangxi Sugar Market Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Guangxi Sugar Market 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 Guangxi Sugar Market 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 2014, 2015 and 2016 and six months ended 30 June 2017 and financial information regularly provided to the Guangxi Sugar Market Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Guangxi Sugar Market 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 Historical Financial Information.

Substantially all of the Guangxi Sugar Market Group's operations are in the PRC. Consequently, no geographic information is presented.

2 Accounting judgements and estimates

Note 26 contain information about the assumptions and their risk factors relating to 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 Guangxi Sugar Market 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 Guangxi Sugar Market Group's net assets value.

(c) Impairment of financial assets

The Guangxi Sugar Market 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 Guangxi Sugar Market Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation/amortization expenses to be recorded during any reporting period. The useful lives are based on the Guangxi Sugar Market 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 Revenue

Guangxi Sugar Market Group is principally engaged in B2B e-commerce for the trading of agricultural products, services including supply chain management and supply chain finance. Revenue 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			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Trading of sugar	1,242,933	958,480	1,365,235	466,412	688,684
Supply chain financing related income	71,190	79,487	50,237	24,307	27,845
Others	91,273	104,194	134,353	53,656	59,024
	1,405,396	1,142,161	1,549,825	544,375	775,553

For the year ended 31 December 2014 there was no single customer with whom transactions have exceeded 10% of the Guangxi Sugar Market Group's revenue. For the years ended 31 December 2015 and 2016, six months ended 30 June 2016 and 2017 there were 1, 1, 1 and 2 customers with whom transactions have exceeded 10% of the Guangxi Sugar Market Group's revenue amounted to RMB792,090,000, RMB932,373,000, RMB376,955,000 (unaudited) and RMB450,532,000 respectively.

4 Other income

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Government grants (i)	1,083	2,932	1,265	51	–
(Loss)/Gain on disposal of property, plant and equipment	(571)	(3)	328	(1)	–
Net realised and unrealised gain on financial assets at fair value change through profit or loss	–	22,248	21,178	4,129	46
Forfeited deposits and compensation to customers	–	–	(5)	(9)	–
Others	2,010	1,559	7,637	(72)	(7)
	2,522	26,736	30,403	4,098	39

Note:

(i) The unconditional government grants the Guangxi Sugar Market Group received in respect of its contribution to the development of sugar and information platform industry were recognised in profit or loss.

The Guangxi Sugar Market Group also received government grants which were conditional on the set up or acquisition of assets used in 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:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January	2,145	2,912	1,000	–
Changes for the year/period				
Additions	1,850	1,000	200	–
Amortisation	(1,083)	(2,912)	(1,200)	–
Balance at 31 December/30 June	2,912	1,000	–	–

5 Profit before taxation

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

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(a) Finance income					
Interest income	(10,499)	(16,504)	(14,171)	(5,301)	(6,847)
(b) Finance costs					
Interest expenses on bank loans	4,113	31,696	36,974	9449	14,298
Bank charge and others	556	1,192	266	18,629	369
	4,669	32,888	37,240	28,078	14,667
(c) Staff costs					
Contributions to defined contribution retirement plan (note 21)	2,537	3,340	3,837	1,964	1,982
Salaries, wages and other benefits	8,991	9,730	14,996	7,570	5,833
	11,528	13,070	18,833	9,534	7,815
(d) Other items					
Amortisation of intangible assets	2,124	653	799	400	452
Depreciation of property, plant and equipment	5,930	8,074	6,186	3,093	3,036
Cost of inventories (note 13(b))	1,233,507	964,336	1,356,047	462,316	681,033
Impairment loss on trade and other receivables and loans receivable	14,562	14,820	3,969	–	44
Written down of value of inventories	7,540	422	–	–	–
Operating lease charges in respect of property rentals	695	215	1,590	800	785

6 Income tax in the consolidated statements of profit or loss

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

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current tax – PRC Corporate Income Tax					
Provision for the year/ period	9,050	4,494	4,456	1,622	1,885
Deferred tax					
Origination and reversal of temporary differences	(4,179)	(341)	74	(3,670)	1,289
	4,871	4,153	4,530	(2,048)	3,174

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

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before taxation	34,235	39,126	48,664	2,695	24,153
Notional tax on profit before taxation, calculated at PRC statutory income tax rate of 25% (i)	8,559	9,782	12,166	674	6,038
Tax effect of PRC preferential tax treatments (ii)	(3,846)	(6,584)	(7,829)	(2,740)	(3,208)
Tax effect of non-deductible expenses	158	37	193	18	344
Effect on deferred tax balances at 1 January resulting from a change in tax rate	–	918	–	–	–
Actual tax expense	4,871	4,153	4,530	(2,048)	3,174

Notes:

(i) The Guangxi Sugar Market Company and its subsidiaries are subject to PRC Corporate Income Tax ("CIT") at statutory rate of 25%, unless otherwise specified.

(ii) Pursuant to the rules and regulations applicable to encouraged industries in the PRC western region development strategy, the Guangxi Sugar Market Company which is principally engaged in trading service and information in the western of China, is subject to PRC corporate income tax at a preferential tax rate of 15% for the year ended 31 December 2014, and at a preferential tax rate of 9% for the years ended 31 December 2015, 2016 and the year ending 31 December 2017.

One subsidiary of the Guangxi Sugar Market Group named GSMN Logistics Co., Ltd., which is principally engaged in modern logistics in the western region of China, is subject to PRC corporate income tax at a preferential tax rate of 15% for the years ended 31 December 2014, 2015 and 2016 and the year ending 31 December 2017.

The application of preferential tax rate will be reviewed by the tax authority annually.

7 Directors' remuneration

Directors' emoluments are as follows:

	Year ended 31 December 2014				
	Directors' fee	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Hu Shike	–	605	–	26	631
Li Weichun	–	527	–	26	553
	–	1,132	–	52	1,184

	Year ended 31 December 2015				
	Directors' fee	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Hu Shike	–	490	–	28	518
Li Weichun	–	427	–	28	455
	–	917	–	56	973

	Year ended 31 December 2016				
	Directors' fee	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Hu Shike	–	605	–	31	636
Li Weichun	–	527	–	31	558
	–	1,132	–	62	1,194

	Period ended 30 June 2016 (unaudited)				
	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Hu Shike	–	303	–	16	319
Li Weichun	–	264	–	16	280
	–	567	–	32	599

	Period ended 30 June 2017				
	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Hu Shike	–	303	–	16	319
Li Weichun	–	264	–	16	280
	–	567	–	32	599

During the years ended 31 December 2014, 2015 and 2016 and six months ended 30 June 2016 and 2017, there were no amounts paid or payable by the Guangxi Sugar Market 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 Guangxi Sugar Market 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 years ended 31 December 2014, 2015 and 2016 and six months ended 30 June 2016 and 2017.

8 Individuals with highest emoluments

Of the five individuals with highest emoluments, Hu Shike and Li Weichun are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of remaining individuals other than Hu Shike and Li Weichun are as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries and other emoluments	1,220	1,285	1,372	686	686
Retirement scheme contributions	77	75	94	47	45
	1,297	1,360	1,466	733	731

The emoluments of the three individuals with the highest emoluments are within the following band:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Nil to HKD1,000,000	3	3	3	3	3

9 Property, plant and equipment

	Land & buildings RMB'000	Motor vehicles RMB'000	Machineries RMB'000	Furniture, office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2014	5,201	3,764	1,909	9,176	3,133	23,183
Additions	36,287	434	30,337	1,829	4,480	73,367
Transfer from construction in progress	7,613	–	–	–	(7,613)	–
Disposals	(338)	(2,259)	(311)	(730)	–	(3,638)
At 31 December 2014	48,763	1,939	31,935	10,275	–	92,912
At 1 January 2015	48,763	1,939	31,935	10,275	–	92,912
Additions	79	204	–	935	–	1,218
Disposals	–	(167)	(10)	(101)	–	(278)
At 31 December 2015	48,842	1,976	31,925	11,109	–	93,852
At 1 January 2016	48,842	1,976	31,925	11,109	–	93,852
Additions	–	480	–	731	–	1,211
Disposals	(3,425)	–	(228)	(419)	–	(4,072)
At 31 December 2016	45,417	2,456	31,697	11,421	–	90,991
At 1 January 2017	45,417	2,456	31,697	11,421	–	90,991
Additions	–	–	–	113	–	113
At 30 June 2017	45,417	2,456	31,697	11,534	–	91,104
Accumulated depreciation:						
At 1 January 2014	(1,558)	(2,497)	(412)	(4,799)	–	(9,266)
Charge for the year	(2,501)	(552)	(571)	(2,306)	–	(5,930)
Written back on disposals	338	1,947	155	536	–	2,976
At 31 December 2014	(3,721)	(1,102)	(828)	(6,569)	–	(12,220)
At 1 January 2015	(3,721)	(1,102)	(828)	(6,569)	–	(12,220)
Charge for the year	(2,869)	(341)	(3,349)	(1,515)	–	(8,074)
Written back on disposals	–	135	9	98	–	242
At 31 December 2015	(6,590)	(1,308)	(4,168)	(7,986)	–	(20,052)
At 1 January 2016	(6,590)	(1,308)	(4,168)	(7,986)	–	(20,052)
Charge for the year	(1,412)	(298)	(3,302)	(1,174)	–	(6,186)
Written back on disposals	1,002	–	228	394	–	1,624
At 31 December 2016	(7,000)	(1,606)	(7,242)	(8,766)	–	(24,614)
At 1 January 2017	(7,000)	(1,606)	(7,242)	(8,766)	–	(24,614)
Charge for the period	(703)	(182)	(1,650)	(501)	–	(3,036)
At 30 June 2017	(7,703)	(1,788)	(8,892)	(9,267)	–	(27,650)
Net book value:						
At 31 December 2014	45,042	837	31,107	3,706	–	80,692
At 31 December 2015	42,252	668	27,757	3,123	–	73,800
At 31 December 2016	38,417	850	24,455	2,655	–	66,377
At 30 June 2017	37,714	668	22,805	2,267	–	63,454

10 Intangible assets

	Software
	RMB'000
Cost:	
At 1 January 2014	5,688
Additions	892
At 31 December 2014	6,580
At 1 January 2015	6,580
Additions	800
At 31 December 2015	7,380
At 1 January 2016	7,380
Additions	717
At 31 December 2016	8,097
At 1 January 2017	8,097
Additions	245
At 30 June 2017	8,342
Accumulated depreciation:	
At 1 January 2014	(2,184)
Charge for the year	(2,124)
At 31 December 2014	(4,308)
At 1 January 2015	(4,308)
Charge for the year	(653)
At 31 December 2015	(4,961)
At 1 January 2016	(4,961)
Charge for the year	(799)
At 31 December 2016	(5,760)
At 1 January 2017	(5,760)
Charge for the period	(452)
At 30 June 2017	(6,212)
Net book value:	
At 31 December 2014	2,272
At 31 December 2015	2,419
At 31 December 2016	2,337
At 30 June 2017	2,130

11 Investments in subsidiaries

The following list contains the subsidiaries of the Guangxi Sugar Market Group as at 30 June 2017. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of establishment	Registered capital	Proportion of ownership interest held: Guangxi Sugar Market Group's effective interest	Proportion of ownership interest held: Held by the Guangxi Sugar Market Company	Principal activities
Guangxi Pintang Trading Co., Ltd. 廣西品糖貿易有限公司 ("Guangxi Pintang") (i & ii)	The PRC	RMB36,000,000	100%	100%	Trading of sugar
GSMN Logistics Co., Ltd. 廣西糖網物流有限公司 ("GSMN Logistics") (i & iii)	The PRC	RMB2,000,000	100%	100%	Provision of logistic service

Note:

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

(ii) The statutory financial statements of Guangxi Pintang Trading Co., Ltd. were prepared in accordance with the requirements of CAS and were audited by Dahua Certified Public for the year ended 31 December 2014 and Tianjian Certified Public Accountants Shenzhen Branch for the years ended 31 December 2015 and 2016 in accordance with China Standards on Auditing, respectively.

(iii) The statutory financial statements of GSMN Logistics Co., Ltd., were prepared in accordance with the requirements of CAS and were audited by Dahua Certified Public for the year ended 31 December 2014 and Tianjian Certified Public Accountants Shenzhen Branch for the years ended 31 December 2015 and 2016 in accordance with China Standards on Auditing, respectively.

12 Financial assets at fair value through profit or loss

	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 30 June 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wealth management products (Note)	–	49,000	115,830	–

Note: The balance represents short-term investment in wealth management products. The wealth management products were all pledged for bills payable granted to the Guangxi Sugar Market Group.

13 Inventories

(a) Inventories in the consolidated statements of financial position comprise:

	As at 31 December			As at 30
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Finished goods	214,093	86,583	26,991	134,479

(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
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	1,233,507	956,796	1,356,047	681,033
Reversal of written down of inventories (i)	–	7,540	–	–
	1,233,507	964,336	1,356,047	681,033

(i) The reversal are included in "cost of sales". The reversal of write-down of inventories made in prior years arose mainly due to the disposal of those peanut products with suspected quality problem which finally proved to be safe.

14 Trade and other receivables

	As at 31 December			As at 30
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	18,866	2,984	19,713	85,337
Bills receivable	15,400	10	10	–
Trade and bills receivables	34,266	2,994	19,723	85,337
Less: Allowance for doubtful debts	(90)	–	–	–
	34,176	2,994	19,723	85,337
Deposits and prepayments	62,698	39,399	120,832	14,082
Prepaid input value-add tax	49,212	16,140	8,475	24,106
Other receivables	116,199	23,753	37,196	83,075
	262,285	82,286	186,226	206,600

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
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	18,776	2,984	19,677	85,301
3 to 12 months	15,400	10	10	–
Over 12 months	–	–	36	36
	34,176	2,994	19,723	85,337

Trade and bills receivables are almost due within 1 year from the date of billing. Further details on the Guangxi Sugar Market Group's credit policy are set out in note 26(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 Guangxi Sugar Market 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(i)(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
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	–	90	–	–
Impairment loss recognised/(reversed) collectively	90	(90)	–	–
At 31 December/30 June	90	–	–	–

(c) Trade and bills receivables that are not impaired

As at 31 December 2014, 2015 and 2016 and 30 June 2017, 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
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	13,727	2,994	19,723	85,337

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

(d) Bill discounted

The Guangxi Sugar Market Group entered into discounted bill agreements with various reputable banks in the PRC. According to these discounted bill agreements, the Guangxi Sugar Market Group discounted the bills receivables to these banks in return for the early settlement. As at 31 December 2014, 2015 and 2016 and 30 June 2017, bills receivables amounted to RMB299,700,000, RMB1,068,500,000, RMB311,000,000 and RMB5,206,000 were discounted to these banks with the maturity date yet to reach.

15 Loans receivable

	As at 31 December			As at 30
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured loans	425,293	72,011	175,229	175,229
Less: Allowance for doubtful debts – individually assessed	(15,000)	(30,000)	(34,079)	(34,079)
	410,293	42,011	141,150	141,150

Loans receivable represent secured loans secured by the third-party borrowers' inventories and properties.

(a) Ageing analysis

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

	As at 31 December			As at 30
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
3 to 12 months	410,293	17,610	101,341	–
Over 12 months	–	24,401	39,809	141,150
	410,293	42,011	141,150	141,150

(b) Impairment of loans receivable

Impairment losses in respect of loans receivable to third parties are recorded using an allowance account unless the Guangxi Sugar Market 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(i)(i)).

As at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017, loans receivable of RMB35,820,000, RMB59,502,000, RMB171,929,000, RMB171,929,000 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 RMB15,000,000, RMB30,000,000, RMB34,079,000, RMB34,079,000 were recognised.

(c) Loans receivable that are not impaired

	As at 31 December			As at 30
	2014	**2015**	**2016**	**June 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	389,473	12,509	3,300	3,300

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

16 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 June
		2014	**2015**	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties					
– Prepayment on behalf of a related party	*(i)*	37,189	341,626	10,392	19,336
– Trade receivables	*(ii)*	9,759	3,943	50,882	18,342
– Loans to related parties	*(iii)*	–	230,521	448,365	152,854
		46,948	576,090	509,639	190,532

Note:

(i) The Guangxi Sugar Market Group is operating an online platform named Sugar Market Network for trading of the agricultural products. Guangxi Kangchen Company, a related party of the Guangxi Sugar Market Group, the principal activities of which is trading of the agricultural products in Sugar Market Network. The amount represents the prepayment paid by the Guangxi Sugar Market Group on behalf of Guangxi Kangchen Company.

(ii) The amounts represent the balances from related party transaction on trading of the agricultural products.

(iii) Loans to related parties are unsecured and repayable on demand. The interest rates of loans to related parties are ranging from 3.2%-7.8%.

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

		As at 31 December			As at 30 June
		2014	**2015**	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to related parties					
– Collection on behalf of a related party	*(i)*	221,790	347,906	442,613	–
– Trade payables	*(ii)*	32,947	–	–	–
– Loans from a related party	*(iii)*	128,387	56,863	84,066	403,087
		383,124	404,769	526,679	403,087

Note:

(i) The amount represents the payment collected by the Guangxi Sugar Market Group on behalf of Guangxi Kangchen Company.

(ii) The amounts represent the balance from related party transaction on trading of the agricultural products.

(iii) The amounts mainly represent loans received from a related party of the Guangxi Sugar Market Group. All loans payable to the related party are unsecured and repayable on demand. Loans payable to related party bear interest ranging from 3.2% – 7.8%.

17 Restricted cash

		As at 31 December			As at 30 June
		2014	**2015**	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Restricted cash					
– Time deposit		75,477	20,802	10,000	10,000
– Guaranteed deposit	*19*	51,000	–	412,000	390,000
		126,477	20,802	422,000	400,000

Included in restricted cash was an aggregate carrying amount of RMB51,000,000, RMB412,000,000 and RMB390,000,000 pledged for bill payables of the Guangxi Sugar Market Group as at 31 December 2014, 2016 and 30 June 2017, respectively.

18 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and in hand	323,281	418,642	158,741	199,607

(b) Reconciliation of profit before taxation to cash generated from/(used in) operations:

	Note	Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Operating activities						
Profit before taxation		34,235	39,126	48,664	2,695	24,153
Adjustments for:						
Depreciation	*5(d)*	5,930	8,074	6,186	3,093	3,036
Amortisation of intangible assets	*5(d)*	2,124	653	799	400	452
Finance income	*5(a)*	(10,499)	(16,504)	(14,171)	(5,301)	(6,847)
Finance costs	*5(b)*	4,669	32,888	37,240	28,078	14,667
Loss/(gain) on disposal of property, plant and equipment	*4*	571	3	(328)	1	–
Gain on financial assets at fair value change through profit or loss	*4*	–	(22,248)	(21,178)	(4,129)	(46)
Amortisation of deferred income	*4*	(1,083)	(2,912)	(1,200)	–	–
Impairment loss on trade and other receivables and loans receivable	*5(d)*	14,562	14,820	3,969	–	44
Written down on value of inventories	*5(d)*	7,540	422	–	–	–
		58,049	54,322	59,981	24,837	35,459
Changes in working capital, net of effect of acquisitions						
(Increase)/decrease in inventories		(154,332)	127,088	59,592	(50,911)	(107,488)
Decrease/(increase) in trade and other receivables		1,006,845	165,180	(71,789)	(1,094,264)	(34,968)
(Increase)/decrease in loans receivable		(410,293)	368,282	(99,139)	184,141	–
(Increase)/decrease in amounts due from related parties		(46,948)	(298,621)	248,175	142,148	38,146
(Increase)/decrease in guaranteed deposit		(51,000)	51,000	(412,000)	–	22,000
(Increase)/decrease in financial assets at fair value through profit or loss		–	(26,753)	(45,652)	53,129	115,876
Additions in deferred income		1,850	1,000	200	200	–
Increase/(decrease) in amounts due to related parties		254,737	93,169	94,707	47,354	(442,613)
(Decrease)/increase in trade and other payables		(398,497)	(267,193)	472,065	833,907	(49,957)
Cash generated from/(used in) operations		260,411	267,474	306,140	140,541	(423,545)
Income tax paid		(6,456)	(8,381)	(4,691)	(2,628)	(2,616)
Net cash generated from/(used in) operating activities		253,955	259,093	301,449	137,913	(426,161)

19 Trade and other payables

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bill payables	140,334	99,183	581,271	391,060
Receipts in advance	103,119	1,491	2,173	55,296
Accrued staff costs	789	61	1,487	730
Deposits from trading	387,112	264,422	252,334	340,222
Others	1,040	44	26,389	60
	632,394	365,201	863,654	787,368

Bill payables were secured by assets of the Guangxi Sugar Market Group as set out below:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Restricted cash	51,000	–	412,000	390,000
Financial assets at fair value through profit or loss	–	49,000	115,830	–
	51,000	49,000	527,830	390,000

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 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	334	1,183	–	789
3 to 12 months	140,000	98,000	581,000	390,000
Over 12 months	–	–	271	271
	140,334	99,183	581,271	391,060

20 Bank loans

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured bank loans	17,993	40,000	50,000	50,000
Unsecured bank loans	320,000	400,000	69,000	–
	337,993	440,000	119,000	50,000

All of the bank loans were repayable within one year.

As at 31 December 2016 and 30 June 2017, certain bank loans of the Guangxi Sugar Market Group of RMB50,000,000 and RMB50,000,000 were guaranteed by Guangxi Kangchen, respectively.

21 Employee retirement benefits

Defined contribution retirement plans

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries of the Guangxi Sugar Market 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 Guangxi Sugar Market Group has no further obligations beyond the annual contributions.

22 Income tax in the consolidated statements of financial position

(a) Current taxation in the consolidated statements of financial position represents:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current taxation as of 1 January	2,782	5,376	2,014	1,779
Current tax assets as of 1 January	–	–	(525)	(525)
Provision for PRC Corporate Income Tax	9,050	4,494	4,456	1,885
Provisional Profits Tax paid	(6,456)	(8,381)	(4,691)	(2,616)
Current taxation as of 31 December/ 30 June	5,376	2,014	1,779	1,081
Current tax assets as of 31 December/ 30 June	–	(525)	(525)	(558)

(b) Deferred tax assets/(liabilities) recognised

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the year/period are as follows:

Deferred tax arising from:

	Tax losses	**Allowance for doubtful debt**	**Provision for inventories**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	–	–	–	–	–
Credited to profit or loss	–	2,249	1,886	44	4,179
At 31 December 2014	–	2,249	1,886	44	4,179
At 1 January 2015	–	2,249	1,886	44	4,179
Credited/(charged) to profit or loss	1,593	345	(1,780)	183	341
At 31 December 2015	1,593	2,594	106	227	4,520
At 1 January 2016	1,593	2,594	106	227	4,520
(Charged)/credited to profit or loss	(256)	370	(106)	(82)	(74)
At 31 December 2016	1,337	2,964	–	145	4,446
At 1 January 2017	1,337	2,964	–	145	4,446
(Charged) /credited to profit or loss	(1,303)	104	–	(90)	(1,289)
At 30 June 2017	34	3,068	–	55	3,157

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(p), the Guangxi Sugar Market Group has no unrecognised deferred tax assets in respect of cumulative tax losses.

23 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Guangxi Sugar Market Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Guangxi Sugar Market Company's individual components of equity between the beginning and the end of the year/period are set out below:

The Guangxi Sugar Market Company

	Paid-in Capital *(Note 23(c))* *RMB'000*	**Capital reserve** *RMB'000*	**Statutory reserves** *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*
At 1 January 2014	50,000	3,031	23,794	38,754	115,579
Changes in equity for 2014:					
Profit for the year	–	–	–	25,805	25,805
Total comprehensive income	–	–	–	25,805	25,805
Appropriations to statuary reserve	–	–	1,206	(1,206)	–
Dividends to shareholders	–	–	–	(38,000)	(38,000)
At 31 December 2014	50,000	3,031	25,000	25,353	103,384

	Paid-in Capital *(Note 23(c))* *RMB'000*	**Capital reserve** *RMB'000*	**Statutory reserves** *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*
At 1 January 2015	50,000	3,031	25,000	25,353	103,384
Changes in equity for 2015:					
Profit for the year	–	–	–	32,710	32,710
Total comprehensive income	–	–	–	32,710	32,710
At 31 December 2015	50,000	3,031	25,000	58,063	136,094

	Paid-in Capital *(Note 23(c))* *RMB'000*	Capital reserve *RMB'000*	Statutory reserves *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2016	50,000	3,031	25,000	58,063	136,094
Changes in equity for 2016:					
Profit for the year	–	–	–	49,383	49,383
Total comprehensive income	–	–	–	49,383	49,383
Dividends to shareholders	–	–	–	(64,678)	(64,678)
At 31 December 2016	50,000	3,031	25,000	42,768	120,799

	Paid-in Capital *(Note 23(c))* *RMB'000*	Capital reserve *RMB'000*	Statutory reserves *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2017	50,000	3,031	25,000	42,768	120,799
Changes in equity for 2017:					
Profit for the year	–	–	–	19,401	19,401
Total comprehensive income	–	–	–	19,401	19,401
Dividends to shareholders	–	–	–	(43,998)	(43,998)
At 30 June 2017	50,000	3,031	25,000	18,171	96,202

(b) Dividend

Dividends payable to equity shareholders of the Guangxi Sugar Market Company attributable to the previous financial years, approved and paid during the year/period:

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Final dividend in respect of the previous financial year, approved during the year/period	38,000	–	64,678	43,998
Final dividend in respect of the previous financial year, paid during the year/period	38,000	–	38,290	70,387

The board of directors does not recommend the distribution of an interim dividend for the six months ended 30 June 2017.

(c) Paid-in capital

The registered capital and paid-in capital structure of Guangxi Sugar Market Company at 31 December 2014, 2015, 2016 and 30 June 2017 are as follows:

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered and paid-in capital	50,000	50,000	50,000	50,000

The paid-in capital includes cash contribution of RMB10,000,000 maded by shareholders on 15 April 2003, and capital reserve, statutory reserve and retained profits of RMB20,000,000 converted into paid-in capital on 30 June 2010 and retained profit of RMB20,000,000 converted into paid-in capital on 30 April 2011.

(d) Capital reserve

The capital reserve represents the premium arising from capital injection from equity shareholders.

(e) Statutory reserves

According to the Articles of Association of Guangxi Sugar Market Company and its subsidiaries, they are required to appropriate part of their net profits as determined in accordance with the PRC Generally Accepted Accounting Principles ("PRC GAAP") to various reserves. These include general reserve and statutory surplus reserve.

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.

(f) Capital management

The Guangxi Sugar Market Group's primary objectives when managing capital are to safeguard the Guangxi Sugar Market 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 Guangxi Sugar Market 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 Guangxi Sugar Market Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose the Guangxi Sugar Market Group defines net debt as total interest-bearing loans less cash and cash equivalents. The Guangxi Sugar Market Group defines "capital" as all components of equity.

The net debt-to-capital ratio at 31 December 2014, 2015 and 2016 and 30 June 2017 was as follows:

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings:				
– Bank loans	337,993	440,000	119,000	50,000
– Loans from related parties	128,387	56,863	84,066	403,087
Less: Restricted cash	(126,477)	(20,802)	(422,000)	(400,000)
Cash and cash equivalents	(323,281)	(418,642)	(158,741)	(199,607)
Net cash	16,622	57,419	(377,675)	(146,520)
Total equity	108,721	143,694	123,150	100,131
Net debt-to-capital ratio *(note)*	15.29%	39.96%	–	–

Note: No net debt-to-capital ratio at 31 December 2016 and 30 June 2017 is presented as the Guangxi Sugar Market Group were at net cash position as of that date.

Neither the Guangxi Sugar Market Company nor any of the subsidiaries are subject to externally imposed capital requirements.

24 Operating lease commitments

At 31 December 2014, 2015 and 2016 and 30 June 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Year ended 31 December			Six months ended 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	706	824	981	954
After one year but within five years	3,373	2,667	1,823	1,394
	4,079	3,491	2,804	2,348

The Guangxi Sugar Market 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.

25 Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the group, including amounts paid to the Guangxi Sugar Market 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			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Short-term employee benefits	2,352	2,202	2,504	1,253	1,253
Post-employment benefits	129	131	156	79	77
	2,481	2,333	2,660	1,332	1,330

Remuneration is included in "staff costs" (see note 5(c)).

(b) The Guangxi Sugar Market Group entered into the following significant related party transactions during the year/period:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Sales to a related party	16,856	792,090	932,373	376,955	450,532
Purchase from a related party	251,045	703,882	957,429	396,451	400,483
Loans guaranteed by a related party	–	–	50,000	50,000	50,000
Loans guaranteed to a related party	–	–	398,500	–	588,500

26 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 Guangxi Sugar Market Group's business.

The Guangxi Sugar Market Group's exposure to these risks and the financial risk management policies and practices used by the Guangxi Sugar Market Group to manage these risks are described below.

(a) Credit risk

The Guangxi Sugar Market 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 Guangxi Sugar Market Group does not obtain collateral from customers.

The Guangxi Sugar Market 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 Guangxi Sugar Market Group manages and analyses the credit risk for each of their new and existing clients before payment terms and conditions are offered. The Guangxi Sugar Market 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 Guangxi Sugar Market Group's credit policies and oversees the credit quality of the Guangxi Sugar Market 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 Guangxi Sugar Market 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 Guangxi Sugar Market Group's exposure to credit risk arising from trade and bills receivables and loans receivable are set out in notes 14 and 15.

(b) Liquidity risk

Individual operating entities within the Guangxi Sugar Market 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 Guangxi Sugar Market 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 Guangxi Sugar Market Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Guangxi Sugar Market Group can be required to pay.

	At 31 December 2014		
	Contractual undiscounted cash outflow		**Carrying amount at 31 December 2014**
	Within 1 year or on demand	**Total**	
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables	632,394	632,394	632,394
Bank loans	342,819	342,819	337,993
Amounts due to related parties	389,543	389,543	383,124
	1,364,756	1,364,756	1,353,511

	At 31 December 2015		
	Contractual undiscounted cash outflow		Carrying amount at 31 December 2015
	Within 1 year or on demand	Total	
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables	365,201	365,201	365,201
Bank loans	443,917	443,917	440,000
Amounts due to related parties	407,612	407,612	404,769
	1,216,730	1,216,730	1,209,970

	At 31 December 2016		
	Contractual undiscounted cash outflow		Carrying amount at 31 December 2016
	Within 1 year or on demand	Total	
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables	863,654	863,654	863,654
Bank loans	121,398	121,398	119,000
Amounts due to related parties	530,882	530,882	526,679
	1,515,934	1,515,934	1,509,333

	At 31 December 2017		
	Contractual undiscounted cash outflow		Carrying amount at 31 December 2017
	Within 1 year or on demand	Total	
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables	787,368	787,368	787,368
Bank loans	50,236	50,236	50,000
Amounts due to related parties	413,164	413,164	403,087
	1,250,768	1,250,768	1,240,455

(c) Interest rate risk

The Guangxi Sugar Market Group's interest rate risk arises primarily from fixed rate borrowings that expose the Guangxi Sugar Market Group to fair value interest rate risk. The Guangxi Sugar Market Group defines "net borrowings" as being interest-bearing financial liabilities less interest-bearing receivables (excluding cash held for short-term working capital purposes). The Guangxi Sugar Market 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 Guangxi Sugar Market Group's interest-bearing borrowings at the end of the reporting period:

	Year ended 31 December						Six months ended	
	2014		2015		2016		30 June 2017	
	Effective interest rate	Principal amount	Effective interest rate	Principal amount	Effective interest rate	Principal amount	Effective interest rate	Principal amount
		RMB'000		*RMB'000*		*RMB'000*		*RMB'000*
Net fixed rate borrowing:								
Bank loans	5.83%	337,993	5.58%	440,000	4.51%	119,000	4.43%	50,000
Loans from related parties	3.2%-7.8%	128,387	3.2%-7.8%	56,863	3.2%-7.8%	84,066	3.2%-7.8%	403,087
Less: loans receivable	5.95%-7.2%	(410,293)	5.95%-7.2%	(42,011)	5.95% -7.2%	(141,150)	5.95% -7.2%	(141,150)
Loans to related parties	–	–	3.2%-7.8%	(230,521)	3.2%-7.8%	(448,365)	3.2%-7.8%	(152,854)
		56,087		224,331		(386,449)		159,083

The Guangxi Sugar Market Group's future interest expense and income will fluctuate in line with any change in borrowing rates. Management considers the Guangxi Sugar Market Group's exposure to interest rate risk is minimal as all lendings and borrowings are at fixed rate.

(ii) Sensitivity analysis

At 31 December 2014, 2015 and 2016 and 30 June 2017, all of the Guangxi Sugar Market Group's interest-bearing borrowings are fixed rate borrowings, no sensitivity analysis on interest rate risk is presented.

(d) Currency risk

At 31 December 2014, 2015 and 2016 and 30 June 2017, 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 Guangxi Sugar Market 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 31 December 2016	Fair value measurements as at 31 December 2016 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Asset:				
Wealth management products *(i)*	115,830	115,830	–	–

	Fair value at 31 December 2015	Fair value measurements as at 31 December 2015 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Asset:				
Wealth management products *(i)*	49,000	49,000	–	–

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) During the years ended 31 December 2014, 2015 and 2016 and six months ended 30 June 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Guangxi Sugar Market 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 2015 and 2016 and 30 June 2017.

27 Non-Adjusting Events After The Reporting Period

Subsequent to the end of the reporting period, no non-adjusting events has been noted by the Guangxi Sugar Market Group.

28 Immediate And Ultimate Controlling Party

At 30 June 2017, the directors consider the immediate parent and ultimate controlling party of the Guangxi Sugar Market Group to be Guangxi Msweet Technology ("Guangxi Msweet") and Mr. Yanzhi respectively.

29 Impact of amendments, new standards and interpretations issued but not yet effective for period beginning 1 January 2017

Up to the date of issue of the Historical Financial Information, the ISAB has issued a few amendments and new standards which are not yet effective for the period beginning 1 January 2017 and which have not been adopted in the Historical Financial Information. These include the following which may be relevant to the Guangxi Sugar Market Group.

	Effective for accounting periods beginning on or after
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to IFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
IFRS 16, *Leases*	1 January 2019

The Guangxi Sugar Market 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 Guangxi Sugar Market 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 Guangxi Sugar Market 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 Guangxi Sugar Market 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 Guangxi Sugar Market 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 Guangxi Sugar Market Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Guangxi Sugar Market 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 Guangxi Sugar Market 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 Guangxi Sugar Market Group is currently assessing the impacts of adopting IFRS 15 on its financial statements. Based on the preliminary assessment, the Guangxi Sugar Market Group has identified the following areas which are likely to be affected:

(a) Timing of revenue recognition

The Guangxi Sugar Market Group's revenue recognition policies are disclosed in note 1(r). 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 Guangxi Sugar Market Group adopts IFRS 15 some of the Guangxi Sugar Market 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 Guangxi Sugar Market Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Guangxi Sugar Market Group's arrangements with its customers. Currently, the Guangxi Sugar Market Group does not apply such a policy when payments are received in advance.

The Guangxi Sugar Market Group is in the process of assessing whether this component in the Guangxi Sugar Market 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 Guangxi Sugar Market Group estimates the level of returns and makes an adjustment against revenue and cost of sales.

The Guangxi Sugar Market Group expects that the adoption of IFRS 15 will not materially affect how the Guangxi Sugar Market 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 Guangxi Sugar Market 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(h), currently the Guangxi Sugar Market Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Guangxi Sugar Market 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 Guangxi Sugar Market 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 24, at 30 June 2017 the Guangxi Sugar Market Group's future minimum lease payments under non-cancellable operating leases amount to RMB2,348,000 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 Guangxi Sugar Market 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 Guangxi Sugar Market 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 Guangxi Sugar Market Company and its subsidiaries in respect of any period subsequent to 30 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE PROJECT GROUP

Set out below is the management discussion and analysis of the Project Group for each of the three financial years ended 31 December 2014, 2015, 2016 and the six months ended 30 June 2016 and 2017.

BUSINESS REVIEW AND FINANCIAL PERFORMANCE

	For six months ended 30 June 2017	For six months ended 30 June 2016	For the year ended 31 December		
			2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trading of sugar	15,184,626	8,688,181	20,108,315	12,579,242	6,852,766
Trading of other agricultural products	100,242	71,550	203,651	150,947	348,820
Supply chain financing related income	104,158	46,584	113,920	112,023	80,405
Others	40,337	8,454	45,854	20,089	31,325
Total	15,429,363	8,814,769	20,471,740	12,862,301	7,313,316

The revenue of the Project Group were approximately RMB7,313,316,000, RMB12,862,301,000, RMB20,471,740,000, RMB8,814,769,000 and RMB15,429,363,000 for the three years ended 31 December 2014, 2015, 2016 and for the six months ended 30 June 2016 and 2017 respectively. From 2014 to 2016, the sales of the Project Group increased significantly by approximately RMB13,158,424,000, such increase was mainly attributable to a fast growth of trading volume leading to an increased trading of sugar, which represented over 90% of the total sales.

The gross profit of the Project Group were approximately RMB123,863,000, RMB148,521,000, RMB165,450,000, RMB60,348,000 and RMB132,028,000 for the three years ended 31 December 2014, 2015, 2016 and for the six months ended 30 June 2016 and 2017 respectively. The increase in the gross profit was mainly attributable to the rapid expansion of sugar trading volume and the rapid growth of supply chain financing service.

Other income of the Project Group includes government grants amounting to approximately RMB2,941,000, RMB6,658,000, RMB18,880,000, RMB7,892,000 and RMB3,013,000 for the three years ended 31 December 2014, 2015, 2016 and for the six months ended 30 June 2016 and 2017 respectively.

Other gains and losses of the Project Group were approximately RMB948,000, RMB7,774,000, RMB26,010,000, RMB10,568,000 and RMB100,347,000 for the three years ended 31 December 2014, 2015, 2016 and for the six months ended 30 June 2016 and 2017 respectively. For the six months ended 30 June 2017, the amount mainly represented gain on remeasurement of previously held interest upon step acquisition of subsidiaries. For the year ended 31 December 2016, the balance mainly represented net realised and unrealised gain on financial assets at fair value change through profit or loss. 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.

The selling and distribution expenses of the Project Group were approximately RMB13,949,000, RMB25,202,000, RMB48,571,000, RMB14,375,000 and RMB27,153,000 for the three years ended 31 December 2014, 2015, 2016 and for the six months ended 30 June 2016 and 2017 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 Project Group were approximately RMB62,699,000, RMB 77,241,000, RMB84,606,000, RMB32,254,000 and RMB47,661,000 for the three years ended 31 December 2014, 2015, 2016 and for the six months ended 30 June 2016 and 2017 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 Project Group were approximately RMB16,356,000, RMB 29,921,000, RMB38,407,000, RMB18,310,000 and RMB44,578,000 for the three years ended 31 December 2014, 2015, 2016 and for the six months ended 30 June 2016 and 2017 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 profits of associates of the Project Group were approximately RMB11,330,000, RMB 13,893,000, RMB15,637,000, RMB7,769,000 and RMB2,924,000 for the three years ended 31 December 2014, 2015, 2016 and for the six months ended 30 June 2016 and 2017 respectively. The amount represented share of profits of the associates, which were mainly contributed by profit sharing from Guangxi Sugar Network and Guangxi Kang Chen until March 2017. Both of Guangxi Sugar Market and Guangxi Kang Chen have became subsidiaries of the Project Group since April 2017.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017, the total liabilities of the Project Group were approximately RMB939,423,000, RMB2,758,051,000, RMB6,293,315,000 and RMB9,846,614,000, respectively. The total current liabilities were approximately RMB914,706,000, RMB2,739,188,000, RMB6,279,576,000 and RMB9,709,519,000, respectively.

As at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017, the total cash and bank balances of the Project Group were approximately RMB230,864,000, RMB277,326,000, RMB865,786,000 and RMB1,236,374,000, respectively.

As at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017, the total borrowings of approximately RMB380,000,000, RMB370,000,000, RMB600,000,000 and RMB1,588,500,000, respectively. The borrowings interest at an average fixed interest rate were approximately 6.75%, 5.94%, 5,02% and 4.61% per annum, respectively.

Taking into account the internally generated funds of and the banking facilities available to the Project Group, the Project Group have sufficient capital to meet its working capital requirements and to finance foreseeable capital expenditure.

CAPITAL STRUCTURE

The Project Group's operations were financed mainly by shareholders' equity, banking facilities available to the Project Group and internal resources. The Project Group's borrowings and cash and cash equivalents were mainly denominated in Renminbi. On 20 January 2016, the Project 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 and 8,973,000 shares were exercised on 20 January 2016 and 8 March 2017 respectively, raising an additional working capital of approximately RMB2,512,000 and RMB24,855,000 respectively.

As at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017, the Project Group's gearing ratio (defined as total liabilities as a percentage of total assets) were 59.8%, 82.3%, 89.2% and 89.9%, 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 Project Group did not have any pledge of assets as at 31 December 2014.

As at 31 December 2015, 31 December 2016 and 30 June 2017, bills payable of the Project Group were secured by assets set out as below:

	31 December 2015	**31 December 2016**	**30 June 2017**
	RMB'000	*RMB'000*	*RMB'000*
Restricted cash	135,630	195,000	2,240,335
Financial assets at fair value through profit or loss	1,392,082	3,787,508	2,714,804
	1,527,712	3,982,508	4,955,139

CONTINGENT LIABILITIES

The Project Group did not have any significant contingent liabilities as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017.

COMMITMENTS

As at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017, the Project Group had commitments of approximately RMB6,959,000, RMB6,275,000, RMB5,885,000 and RMB11,704,000, 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 2014, 31 December 2015, 31 December 2016 and the six months ended 30 June 2017 the Project Group declared the payment of dividends of approximately RMB14,691,000, RMB35,331,000, RMB36,723,000 and RMB43,470,000 respectively.

FOREIGN EXCHANGE RISK

The Project Group's business operations are mainly conducted in the PRC. All of the revenue and expense were principally denominated in Renminbi. In 2012, the Project 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 Project Group did not have material exchange risk exposure for the three years ended 31 December 2014, 31 December 2015, 31 December 2016 and for the six months ended 30 June 2017. The Project Group had not used any financial instrument to hedge against the exposure in foreign exchange.

INTEREST RATE RISK

Since the loans of the Project 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 Project Group's cost of debt. Future changes in interest rate would also have certain impact on the Project Group's cost of debt. The Project 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 2014, 31 December 2015, 31 December 2016 and 30 June 2017, the Project Group employed a total of about full time 297, 335, 399 and 549 employees respectively. The Project 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.

For the three years ended 31 December 2014, 2015, 2016 and for the six months ended 30 June 2016 and 2017, the staff cost of the Project Group amounted to approximately RMB21,079,000, RMB35,443,000, RMB51,370,000, RMB20,874,000 and RMB35,262,000 respectively, including basic salaries, year-end bonus and staff benefits such as statutory social insurances.

PROSPECTS

The Company mainly engages in providing whole supply chain service solutions, including information, trading, settlement, logistics and financing, etc., to upstream and downstream customers in the agricultural products industry chain. The Company focuses on vertical segmentation of agricultural products and has established mature operating model in several categories, including sugar, cocoon, silk, wood panel and apple. In the sugar B2B market, the Company has a major market share with strong competitive advantage with a customer base covering a substantial majority of the participants in the industry.

In February 2017, the Company established a subsidiary, Guangxi Msweet Technology Co., Ltd. ("Guangxi Msweet"). Guangxi Msweet holds interests in Shenzhen Kun Shang Yi Tang and Guangxi Sugar Market through reorganization, which turned Guangxi Sugar Market to a subsidiary from an associated company of the Company. Guangxi Msweet plays an important role in further increasing Shenzhen Sinoagri's competitiveness and market share. The Company will maximize the synergy of such two important subsidiaries (i.e. Shenzhen Kun Shang Yi Tang and Guangxi Sugar Market) and share resources among two subsidiaries, including logistics, technology, settlement and payment, so that the Company will further enhance its influence in PRC's sugar market while continuing to advance the development of PRC's sugar industry.

As for B2B segments of other agricultural products, the Company will further enhance its positioning to optimize operating model. By strong virtue of resource consolidation, risk management and services, the Company will apply the successful operating model in sugar industry to other products, such as cocoon, silk, wood panel and fruits, in order to achieve cross-category scale effect, realize horizontal integration in B2B trading and extend to more categories.

In recent years, the State Council and the Ministry of Agriculture issued a series of plans and policies to promote integrated development amongst rural industries, which symbolizes more and more development opportunities for agricultural e-commence market in the future. Looking into future, based on the original customer base, the Company will continue to further extend to the upstream and downstream along the industry chain and make close connections to supply chain services. Besides extending the establishment of core business, the Company will extend existing mature B2B trading model and apply supply chain management experience to other highly standardized categories and keep exploring new business growing opportunities. Meanwhile, online ancillary resources, including information, trading, settlement and big data, will be thoroughly consolidated with offline resources, including warehousing and logistics. Also, the Company will upgrade its technology, further extend supply chain service and optimize risk control model to facilitate the development of the whole agricultural product ecosystem.

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

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 2017 and the unaudited pro forma consolidated statement of profit or loss, pro forma consolidated statement of profit or loss and other comprehensive income and pro forma consolidated cash flow statement for the year ended 31 December 2016 and related notes as set out in Parts B to E of Appendix IV to the circular dated 11 December 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 further 14.36% equity interest of Shenzhen Sinoagri E-commerce Co., Ltd. (the "Project Company") and its subsidiaries (hereinafter collectively referred to as the "Project Group") (the "Further Acquisition"), on the Group's financial position as at 30 June 2017 and the Group's financial performance and cash flows for the year ended 31 December 2016 as if the Further Acquisition had taken place at 30 June 2017 and 1 January 2016, respectively. As part of this process, information about the Group's financial position as at 30 June 2017 has been extracted by the Directors from the interim report of the Group for the six months ended 30 June 2017, on which no review report has been published. Information about the Group's financial performance and cash flows for the year ended 31 December 2016 has been extracted by the Directors from the consolidated financial statements of the Company for the year then ended, 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 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA 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 2017 or 1 January 2016 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
11 December 2017

(A) Introduction to the unaudited pro forma financial information

On 28 October 2016, the Group entered into an Acquisition Agreement with certain prior owners of Shenzhen Sinoagri E-commerce Co., Ltd. (the "Project Company") to purchase up to approximately 60.49% equity interest of the Project Company by allotment and issue of 618,321,000 new shares of the Company (the "First Acquisition"). On 28 June 2017 (the "Acquisition Date"), the Company issued 517,227,000 new shares to acquire 50.6% equity interest of the Project Company and the Project Company became a subsidiary of the Group, whose financial statements were consolidated into the Company's consolidated financial statements from the Acquisition Date onwards, in accordance with International Financial Reporting Standard 3, *Business Combinations* ("IFRS 3"). The remaining 9.89% equity interest of the Project Company is to be acquired by the allotment and issue of 101,094,000 new shares of the Company (the "Remaining Acquisition").

On 27 June 2017, the Group entered into a Framework Agreement with minority shareholders of the Project Company to purchase up to 14.36% equity interest of the Project Company at a consideration tentatively fixed at RMB527,335,000 to be settled in cash (the "Further Acquisition").

The following is the unaudited pro forma financial information of the Group (the "Unaudited Pro Forma Financial Information") as if the Remaining Acquisition and the Further Acquisition had been completed on 30 June 2017 for the pro forma consolidated statement of financial position and the First Acquisition and the Further Acquisition had been completed at the beginning of the year ended 31 December 2016 for the pro forma consolidated statement of profit or loss, the pro forma consolidated statement of profit or loss and other comprehensive income and the pro forma consolidated cash flow statement. Details of the Further 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 Remaining Acquisition and the Further Acquisition pursuant to the terms of the Acquisition Agreement and the Framework Agreement and because of its hypothetical nature, it may not give a true picture of the financial position or results of Group had the First Acquisition or the Remaining Acquisition and the Further Acquisition been completed as of the specified dates or any future date.

The unaudited pro forma consolidated statement of financial position of the Group as at 30 June 2017 is prepared as if the Remaining Acquisition and the Further Acquisition had taken place on 30 June 2017 and is based on the unaudited consolidated statement of financial position of the Company as at 30 June 2017, which has been extracted from the interim report of the Company for the six months ended 30 June 2017, on which no review report has been published and adjusted on a pro forma basis to reflect the effect of the Remaining Acquisition and the Further 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 cash flow statement of the Group for the year ended 31 December 2016 are prepared as if the First Acquisition and the Further Acquisition had taken place on 1 January 2016 and are based on (i) 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 Group for the year ended 31 December 2016, which have been extracted from the consolidated financial statements of the Company for the year ended on 31 December 2016, on which an audit report has been published; (ii) 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 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 First Acquisition and the Further Acquisition.

These pro forma adjustments are (i) directly attributable to the First Acquisition or the Remaining Acquisition and the Further 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 2016, the historical interim financial information of the Group set out in the interim report of the Company for the six months ended 30 June 2017, 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 as at 30 June 2017

	Unaudited consolidated statement of financial position of the Group as at 30 June 2017	Pro forma adjustments			
		Remaining Acquisition	Subtotal	Further Acquisition	The Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (1)	*Note (4)*		*Note (5)*	
Non-current assets					
Property, plant and equipment	211,626		211,626		211,626
Investment properties	18,564,070		18,564,070		18,564,070
Interest in associates	531,174		531,174		531,174
Interest in joint ventures	113,495		113,495		113,495
Intangible assets	913,930		913,930		913,930
Goodwill	1,065,672	237,841	1,303,513		1,303,513
Deferred tax assets	198,600		198,600		198,600
Long-term receivables	309,423		309,423		309,423
Subtotal	**21,907,990**	**237,841**	**22,145,831**		**22,145,831**
Current assets					
Financial assets at fair value through profit or loss	5,239,968		5,239,968		5,239,968
Properties under development	4,548,299		4,548,299		4,548,299
Completed properties held for sale	2,384,244		2,384,244		2,384,244
Inventories	612,032		612,032		612,032
Trade and other receivables, prepayments	3,364,074		3,364,074		3,364,074
Loans receivable	2,749,186		2,749,186		2,749,186
Amount due from related parties	71,993		71,993		71,993
Restricted cash	2,563,701		2,563,701		2,563,701
Cash and cash equivalents	1,404,976		1,404,976	(527,335)	877,641
Current tax assets	34,846		34,846		34,846
	22,973,319		**22,973,319**	**(527,335)**	**22,445,984**
Non-current assets classified as held for sale	200,593		200,593		200,593
Subtotal	**23,173,912**		**23,173,912**	**(527,335)**	**22,646,577**

	Unaudited consolidated statement of financial position of the Group as at 30 June 2017	Pro forma adjustments Remaining Acquisition	Subtotal	Further Acquisition	The Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (1)	*Note (4)*		*Note (5)*	
Current liabilities					
Financial liabilities at fair value through profit or loss	62,096		62,096		62,096
Trade and other payables	13,292,110		13,292,110		13,292,110
Bank loans and loans from other financial institutions	4,390,564		4,390,564		4,390,564
Amount due to related parties	197,817		197,817		197,817
Current taxation	258,148		258,148		258,148
Deferred income	9,784		9,784		9,784
Liabilities directly associated with non-current assets classified as held for sale	55,136		55,136		55,136
Subtotal	**18,265,655**		**18,265,655**		**18,265,655**
Net current assets	**4,908,257**		**4,908,257**	**(527,335)**	**4,380,922**
Total assets less current liabilities	**26,816,247**	**237,841**	**27,054,088**	**(527,335)**	**26,526,753**
Non-current liabilities					
Bank loans and loans from other financial institutions	5,227,415		5,227,415		5,227,415
Deferred income	13,477		13,477		13,477
Deferred tax liabilities	4,030,101		4,030,101		4,030,101
Subtotal	**9,270,993**		**9,270,993**		**9,270,993**
NET ASSETS	**17,545,254**	**237,841**	**17,783,095**	**(527,335)**	**17,255,760**
CAPITAL AND RESERVES					
Share capital	32,269	292	32,561		32,561
Reserves	16,725,117	390,158	17,115,275	(305,752)	16,809,523
Total equity attributable to equity shareholders of the Company	**16,757,386**	**390,450**	**17,147,836**	**(305,752)**	**16,842,084**
Non-controlling interests	787,868	(152,609)	635,259	(221,583)	413,676
TOTAL EQUITY	**17,545,254**	**237,841**	**17,783,095**	**(527,335)**	**17,255,760**

(C) Unaudited Pro Forma Consolidated Statement of Profit or Loss for the Year Ended 31 December 2016

	Consolidated statement of profit or loss of the Group for the year ended 31 December 2016	Consolidated statement of profit or loss of the Project Group for the year ended 31 December 2016	Pro forma adjustments					
			First acquisition			Subtotal	Further Acquisition	The Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (2)	*Note (3)*	*Note (6)*	*Note (7)*	*Note (8)*		*Note (9)*	
Revenue	1,213,375	20,471,740				21,685,115		21,685,115
Cost of sales	(852,068)	(20,306,290)				(21,158,358)		(21,158,358)
Gross profit	361,307	165,450				526,757		526,757
Other income	1,130,515	44,890				1,175,405		1,175,405
Selling and distribution expenses	(141,468)	(48,571)				(190,039)		(190,039)
A dministrative and other expenses	(160,105)	(84,606)	(32,925)		(80,781)	(358,417)		(358,417)
Profit from operations before changes in fair value of investment properties	**1,190,249**	**77,163**	**(32,925)**		**(80,781)**	**1,153,706**		**1,153,706**
Increase in fair value of investment properties and non-current assets classified as held for sale	111,298	–				111,298		111,298
Fair value gain upon transfer of completed properties held for sale to investment properties	1,164,399	–				1,164,399		1,164,399
Profit from operations after changes in fair value of investment properties	**2,465,946**	**77,163**	**(32,925)**		**(80,781)**	**2,429,403**		**2,429,403**
Share of profits of joint ventures	(163)	–				(163)		(163)
Share of profits of associates	(24,441)	15,637				(8,804)		(8,804)
Gain on disposal of subsidiaries	95,561	–				95,561		95,561
Finance income	3,643	7,554				11,197		11,197
Finance costs	(192,339)	(38,407)				(230,746)		(230,746)
Profit before taxation	**2,348,207**	**61,947**	**(32,925)**		**(80,781)**	**2,296,448**		**2,296,448**
Income tax	(291,636)	(11,853)	8,231			(295,258)		(295,258)
Profit for the year	**2,056,571**	**50,094**	**(24,694)**		**(80,781)**	**2,001,190**		**2,001,190**
Attributable to:								
Equity shareholders of the Company	2,048,951	47,484	(24,694)	(10,036)	(80,781)	1,980,924	3,647	1,984,571
Non-controlling interests	7,620	2,610		10,036		20,266	(3,647)	16,619
Profit for the year	**2,056,571**	**50,094**	**(24,694)**	**–**	**(80,781)**	**2,001,190**	**–**	**2,001,190**

(D) Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2016

	Consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2016	Consolidated statement of profit or loss and other comprehensive income of the Project Group for the year ended 31 December 2016	Pro forma adjustments					
			First acquisition			Subtotal	Further Acquisition	The Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (2)	*Note (3)*	*Note (6)*	*Note (7)*	*Note (8)*		*Note (9)*	
Profit for the year	2,056,571	50,094	(24,694)		(80,781)	2,001,190		2,001,190
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	(43,116)	–				(43,116)		(43,116)
Other comprehensive income for the year	(43,116)	–				(43,116)		(43,116)
Total comprehensive income for the year	2,013,455	50,094	(24,694)		(80,781)	1,958,074		1,958,074
Attributable to:								
Equity shareholders of the Company	2,005,835	47,484	(24,694)	(10,036)	(80,781)	1,937,808	3,647	1,941,455
Non-controlling interests	7,620	2,610		10,036		20,266	(3,647)	16,619
Total comprehensive income for the year	2,013,455	50,094	(24,694)	–	(80,781)	1,958,074	–	1,958,074

(E) Unaudited Pro Forma Consolidated Cash Flow Statement for the Year Ended 31 December 2016

	Consolidated statement of cash flow statement of the Group for the year ended 31 December 2016	Consolidated statement of cash flow statement of the Project Group for the year ended 31 December 2016	Pro forma adjustments					
			First acquisition			Subtotal	Further Acquisition	The Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (2)	*Note (3)*	*Note (6)*	*Note (8)*	*Note (10)*		*Note (5)*	
Operating activities								
Profit before taxation	2,348,207	61,947	(32,925)	(80,781)		2,296,448		2,296,448
Adjustments for:								–
Amortisation	7,035	3,233	32,925			43,193		43,193
Depreciation – property, plant and equipment	21,558	6,728				28,286		28,286
Finance income	(3,643)	(7,554)				(11,197)		(11,197)
Finance costs	192,339	38,407				230,746		230,746
Loss on disposal of investment properties	13,094	–				13,094		13,094
Fair value change from financial assets at fair value through profit or lost	(1,118,017)	(25,369)				(1,143,386)		(1,143,386)
Increase in fair value of investment properties and non current assets classified as held for sale	(111,298)	–				(111,298)		(111,298)
Fair value gain upon transfer of completed properties held for sale to investment properties	(1,164,399)	–				(1,164,399)		(1,164,399)
(Gain)/loss on sale of property, plant and equipmen	(54)	29				(25)		(25)
Loss on disposal of non-current assets classified as held for sale	25	–				25		25
Share of loss of joint ventures	163	–				163		163
Share of loss/(profit) of associates	24,441	(15,637)				8,804		8,804
Equity settled share-based payment expenses	–	1,892		80,781		82,673		82,673
Amortisation of deferred income	(15,983)	(5,124)				(21,107)		(21,107)
Impairment loss on trade and other receivables	–	(2,480)				(2,480)		(2,480)
Gain on disposal of subsidiaries	(95,561)	–				(95,561)		(95,561)
Dividend from financial assets at fair value through profit or loss	(6,805)	–				(6,805)		(6,805)
Gain on bargain purchase of subsidiaries	(4,660)	–				(4,660)		(4,660)
	86,442	56,072				142,514		142,514

	Consolidated statement of cash flow statement of the Group for the year ended 31 December 2016	Consolidated statement of cash flow statement of the Project Group for the year ended 31 December 2016	Pro forma adjustments					
			First acquisition			Subtotal	Further Acquisition	The Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (2)	*Note (3)*	*Note (6)*	*Note (8)*	*Note (10)*		*Note (5)*	
Increase in properties under development, completed properties held for sale, inventories	(565,592)	(241,299)				(806,891)		(806,891)
Increase in trade and other receivables, prepayments	(789,413)	(28,059)				(817,472)		(817,472)
Increase in loans receivable	–	(362,246)				(362,246)		(362,246)
Increase in amount due from related parties	(1,250)	(5,991)				(7,241)		(7,241)
Increase in restricted cash	–	(59,370)				(59,370)		(59,370)
Increase in financial assets at fair value through profit or loss	–	(2,378,190)				(2,378,190)		(2,378,190)
Increase in financial liabilities at fair value through profit or loss	–	8,133				8,133		8,133
Increase in long term receivables	(85,311)					(85,311)		(85,311)
Increase in trade and other payables	1,223,615	3,125,160				4,348,775		4,348,775
(Decrease)/Increase in amount due to related parties	(89,462)	180,188				90,726		90,726
Cash used in operations	(220,971)	294,398				73,427		73,427
PRC tax paid	(68,417)	(10,301)				(78,718)		(78,718)
Net cash (used in)/ generated from operating activities	(289,388)	284,097				(5,291)		(5,291)
Investing activities								
Payment for the purchase of property, plant and equipment	(10,552)	(5,122)				(15,674)		(15,674)
Payment for the purchase of intangible assets	(5,661)	(3,984)				(9,645)		(9,645)
Cash receipt from disposal of property, plant and equipment	1,584	1,457				3,041		3,041
Cash receipt from disposal of investment of properties	28,108	–				28,108		28,108
Payment for investments in associates	(521,184)	(1,680)				(522,864)		(522,864)
Payment for investments in joint ventures	(15,000)	–				(15,000)		(15,000)
Payment for investment in warrant to subscribe ordinary shares	(7,528)	–				(7,528)		(7,528)
Net proceeds from disposal of subsidiaries	96,019	–				96,019		96,019
Payment for acquisition of subsidiaries	(172,021)	–				(172,021)		(172,021)
Interest received	3,643	2,319				5,962		5,962
Prepayment to subscribe shares of an insurance company	(1,000,000)	–				(1,000,000)		(1,000,000)

	Consolidated statement of cash flow statement of the Group for the year ended 31 December 2016	Consolidated statement of cash flow statement of the Project Group for the year ended 31 December 2016	Pro forma adjustments					
			First acquisition			Subtotal	Further Acquisition	The Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (2)	*Note (3)*	*Note (6)*	*Note (8)*	*Note (10)*		*Note (5)*	
Dividends received from financial assets at fair value through profit or loss	6,805	–				6,805		6,805
Proceeds from acquisition of the Project Group	–	–			277,326	277,326		277,326
Net cash (used in)/ generated from investing activities	**(1,595,787)**	**(7,010)**			**277,326**	**(1,325,471)**		**(1,325,471)**
Financing activities								
Proceeds from loans from the Ultimate Controlling Party	165,002	–				165,002		165,002
Proceeds from new bank loans and loans from other financial institutions	3,921,215	650,000				4,571,215		4,571,215
Repayment of bank loans	(1,922,054)	(420,000)				(2,342,054)		(2,342,054)
Increase in restricted cash	(108,803)	–				(108,803)		(108,803)
Interest and other borrowing costs paid	(620,822)	(38,133)				(658,955)		(658,955)
Dividends paid to equity shareholders of the Company	–	(39,014)				(39,014)		(39,014)
Proceeds/ Withdraw from non-controlling shareholders	–	3,600				3,600		3,600
Repayment of loans from the Immediate Parent	(264,533)	–				(264,533)		(264,533)
Prepayments for acquisition of equity interests from non-controlling shareholders	10,000	–				10,000		10,000
Proceeds from disposal of equity interests in a subsidiary without losing control	12,000	–				12,000		12,000
Payment to acquisition of non-controlling interest in a subsidiary	(200,000)	–				(200,000)		(200,000)
Proceeds from capital injection from shareholders	–	155,194				155,194		155,194
Proceeds from loan from a third party	1,000,000	–				1,000,000		1,000,000
Payment for acquisition of non-controlling interest in subsidiaries	–	–				–	(527,335)	(527,335)

	Consolidated statement of cash flow statement of the Group for the year ended 31 December 2016	Consolidated statement of cash flow statement of the Project Group for the year ended 31 December 2016	Pro forma adjustments					
			First acquisition			Subtotal	Further Acquisition	The Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (2)	*Note (3)*	*Note (6)*	*Note (8)*	*Note (10)*		*Note (5)*	
Net cash generated from/ (used in) financing activities	**1,992,005**	**311,647**				**2,303,652**	**(527,335)**	**1,776,317**
Net increase/(decrease) in cash and cash equivalents	**106,830**	**588,734**			**277,326**	**972,890**	**(527,335)**	**445,555**
Cash and cash equivalents at 1 January	243,470	277,326			(277,326)	243,470		243,470
Effect of foreign exchange rate changes	(77,038)	(274)				(77,312)		(77,312)
Cash and cash equivalents at 31 December	273,262	865,786				1,139,048	(527,335)	611,713

Notes to the Unaudited Pro Forma Financial Information

1. The unadjusted unaudited consolidated statement of financial position of the Group as at 30 June 2017 is extracted from the published interim report of the Company for the six months ended 30 June 2017, on which no review report has been published. The Project Group have been consolidated into the unaudited consolidated statement of financial position of the Group as at 30 June 2017 following the completion of the acquisition of 50.6% equity interest of the Project Company by the Group in the First Acquisition on 28 June 2017 (the "Acquisition Date")).

2. 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 2016 are extracted from the published annual report of the Company for the year ended 31 December 2016.

3. 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 Project Group for the year ended 31 December 2016 are extracted from the Accountants' Report of the Project Group as set out in Appendix II to the Circular.

4. The adjustment represents the acquisition of the remaining 9.89% equity interest of the First Acquisition, which is accounted under acquisition method of accounting together with completed acquisition of 50.6% equity interest of the Project Group on Acquisition Date, in accordance with International Financial Reporting Standard 3, *Business Combinations* ("IFRS 3"). Adjustments are also made to the amounts of the

controlling and non-controlling interests within consolidated equity to reflect the change in relative interest. The difference between the fair value of the 101,094,000 new shares to be issued as consideration ("Consideration Shares") and the relative share of the Project Group's net assets in the Company's consolidated financial statements (which is deducted from the non-controlling interests) is charged to goodwill.

	RMB'000
Fair value of 101,094,000 Consideration Shares to be issued for 9.89% of the Project Company *(note (i))*	390,450
Less: Share of the Project Group's net assets in the Group's consolidated financial statements attributable to the 9.89% equity interest *(note (ii))*	(152,609)
Amount debited to goodwill	237,841

(i) In preparing the Unaudited Pro Forma Financial Information, it is assumed that the fair value of the Consideration Shares amounts to approximately HK$449,868,000 (equivalently RMB390,450,000), by reference to the quoted market price of the Company's share of HK$4.55 per share on 30 June 2017. The amount of the Consideration Shares is recognised in equity as share capital and share premium amounting to approximately RMB292,000 and RMB390,158,000 respectively. The increase in share capital is equal to number of shares to be issued of 101,094,000 times the par value of HK$0.00333. The fair value of the Consideration Shares is subject to changes in the quoted market price of the Company's share upon the allotment and issue of shares to acquire the 9.89% equity interest of the Project Company. Consequently, the amounts to be recognised in goodwill and share premium could be materially different from the estimated amount used in the preparation of the Unaudited Pro Forma Financial Information.

(ii) It represents the relative share of the net assets of the Project Group attributable to the 9.89% equity interest in the Company's consolidated statement of financial position as at 30 June 2017, which is deducted from the non-controlling interests within consolidated equity. The relative share of the net assets of the Project Group attributable to the 9.89% equity interest is subject to change in financial position of the Project Group on the date of the equity transactions and consequently could be materially different from the estimated amounts used in the preparation of the Unaudited Pro Forma Financial Information.

5. The adjustment represents the acquisition of the 14.36% equity interest contemplated in the Framework Agreement dated 27 June 2017, which is accounted for as equity transactions, in accordance with IFRS 10, *Consolidated Financial Statements*, whereby adjustments are made to the amounts of the controlling and non-controlling interests within consolidated equity to reflect the change in relative interest. The difference

between the consideration to be settled in cash and the relative share of the Project Group's net assets in the Company's consolidated financial statements (which is deducted from the non-controling interest) is charged to other reserve.

Consideration to be settled in cash *(note (i))*	527,335
Less: Share of the Project Group's net assets in the Group's consolidated financial statements attributable to the 14.36% equity interest *(note (ii))*	(221,583)
Amount debited to reserves	305,752

(i) Pursuant to the Framework Agreement dated 27 June 2017, the consideration to be settled in cash for the acquisition of up to 14.36% equity interest of the Project Company is tentatively fixed at approximately RMB525,335,000. The consideration is subject to change in the final transaction prices and consequently could be materially different from the estimated amount used in the preparation of the Unaudited Pro Forma Financial Information.

(ii) It represents the relative share of the net assets of the Project Group attributable to the 14.36% equity interest in the Company's consolidated statement of financial position as at 30 June 2017, which is deducted from the non-controlling interests within consolidated equity. The relative share of the net assets of the Project Group attributable to the 14.36% equity interest is subject to change in financial position of the Project Group on the date of the equity transactions and consequently could be materially different from the estimated amounts used in the preparation of the Unaudited Pro Forma Financial Information.

6. The adjustment represents the additional amortisation arising from the fair value adjustment on the intangible assets of RMB32.925 million on a straight line basis over the estimated useful lives ranging from 2.5 to 20 years as if the First Acquisition had been completed on 1 January 2016. The amount of RMB8.2 million represents the corresponding reversal of deferred tax liabilities relating to the fair value adjustments of intangible assets. The fair value adjustment is determined by reference to the valuation results of the Project Group as at 28 June 2017 issued by Jones Lang LaSalle Corporate Appraisal Advisory Limited. These adjustments are expected to have a continuing effect on the Group.

7. The adjustment represents profit and total comprehensive income attributable to non-controlling interests which is calculated as 39.51%, which is the percentage of non-controlling interests of the Project Company upon the completion of the First Acquisition, of the profit and total comprehensive income of the Project Group taking into the consideration of the financial impact as stated in Note 6.

8. The adjustment represents the share-based payments expenses in relation to the shares and options granted to management team of the Project Group, Mr. Wei Zhe and Vision Knight Capital (China) Fund LLP. Pursuant to the First Acquisition, 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 (the Executive Director after the completion of the First 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 First 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 to the management team, Mr. Wei Zhe and VKC, the number of which would reach 107,454,000 provided the options are fully exercised, are subject to the financial performance of the Project Group for the five financial years from 2017 to 2021. On the Acquisition Date, the incentive shares and service consideration shares of 53,727,000 had been granted to Mr. Wei Zhi and VKC. The fair value of the granted incentive shares and service consideration shares was determined to be HKD264,337,000 (equivalently RMB230,618,000), which would be recognised as share based payment expenses over the relevant period, by reference to the quoted market price of HK$4.92 per share on the Acquisition Date. In preparing the Unaudited Pro Forma Financial Information, it is assumed that the fair value of management shares to be granted, to be HK$4.19 per share, being the Issue Price stipulated in the First Acquisition Agreement, and the related share base payment expenses are estimated to be approximately HKD47,697,000 (equivalent to RMB41,612,000). The fair value of the options to be granted is measured using the binomial lattice model, and the related share base payment expenses are estimated to be approximately to RMB39,169,000. The amounts of the fair value of the options and management shares are subject to change in valuation upon the actual grant date after the completion of the First Acquisition.

9. The adjustment represents profit and total comprehensive income attributable to non-controlling interests which is calculated as 14.36%, which is decrease of the percentage of non-controlling interests of the Project Company upon the completion of the Further Acquisition, of the profit and total comprehensive income of the Project Group taking into the consideration of the financial impact as stated in Note 6.

10. The adjustment represents the acquisition of cash and cash equivalent of the Project Group as at 1 January 2016 as if the First Acquisition had taken place on that date.

11. 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 determine that such costs are insignificant.

12. No adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group subsequent to 30 June 2017.

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. INTERESTS 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:

Name of Director	Nature of interest	Number of ordinary shares[(4)]	Approximate percentage of Shareholding[(3)]
Mr. Yan[(1)]	Interest of a controlled corporation	6,605,545,268 (L)	56.85%
	Beneficial owner	56,613,000 (L)	0.49%
Gang Yu	Beneficial owner	112,890,840 (L)	0.97%
Cui Jinfeng	Beneficial owner	1,312,500 (L)	0.01%
Mr. Wei[(2)]	Interest of a controlled corporation	132,144,000 (L) 89,163,000 (S)	1.14% 0.77%
	Beneficial owner	10,746,000 (L)	0.09%

Notes:

(1) 6,605,545,268 Shares are held by Zall Development Investment, a company which is wholly owned by Mr. Yan. On 29 November 2017, Zall Development Investment entered into an agreement to dispose of 937,000,000 shares in the Company off the market. Further details of the disposal are set out in the announcement of the Company dated 29 November 2017.

(2) 267,489,000 Shares are held by EJC Group Limited, a company which is indirectly controlled by Mr. Wei and 42,981,000 Shares are held by Vision Knight Capital Management Limited, a company which is directly controlled by Mr. Wei.

(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, being 11,619,945,750 Shares.

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

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.

3. 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[(4)]	Percentage of shareholding[(3)]
Zall Development Investment[(1)]	Beneficial owner	6,605,545,268 (L)	56.85%
Ji Changqun	Interest in a corporation	949,224,000 (L)[(2)]	8.17%
Magnolia Wealth International Limited	Interest in a corporation	949,224,000 (L)[(2)]	8.17%
Fullshare Holdings Limited	Interest in a corporation	949,224,000 (L)[(2)]	8.17%
Rich Unicorn Holdings Limited	Beneficial owner	949,224,000 (L)[(2)]	8.17%

Notes:

(1) Zall Development Investment is a company wholly owned by Mr. Yan. In addition, 56,613,000 Shares are held directly by Mr. Yan as at the Latest Practicable Date.

(2) 949,244,000 Shares are held by Rich Unicorn Holdings Limited, a Company which is wholly owned by Fullshare Holdings Limited, which in turn is owned as to approximately 46.58% by Magnolia Wealth International Limited, which in turn is wholly owned by Ji Changqun. Ji Changqun also directly owns approximately 4.78% of Fullshare Holdings Limited.

(3) The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at the Latest Practicable Date, being 11,619,945,750 Shares.

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

4. INTERESTS OF DIRECTORS IN ASSETS/ CONTRACTS AND OTHER INTERESTS

Save for the First Acquisition Agreement, the Service Agreement, the Consultancy Agreement (details of which are as set out in the Previous Circular), and the Second Acquisition Agreement, 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 First Acquisition (details of which are disclosed in the Previous 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 2016, 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.

5. 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.

6. 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.

7. EXPERTS AND CONSENTS

The followings are the qualifications of the experts who have provided advice referred to or contained in this circular:

Name	**Qualification**
KPMG	Certified Public Accountants

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.

8. EXPERTS' INTEREST

As at the Latest Practicable Date, KPMG:

(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 2016 (being the date to which the latest published audited financial statements of the Company were made up).

9. 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).

10. 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 conditional share purchase and subscription agreement entered into between the Company, Zall Development (BVI) Holding Company Limited, Xian Feng HZ Limited, K2 Evergreen Partners Limited, Northern Light Venture Capital IV, Ltd., Khorgos Feng Hua Shareholding Investment Management Partners (Limited Partnership)* (霍爾果斯鋒華股權投資管理合夥企業(有限合夥)), HSH Group Limited, SIG China Investments Master Fund IV, LLLP, Mr. Zhi Jianpeng, HSH International Inc. and Shanghai Susheng e-Commerce Company Limited* (上海塑

盛電子商務有限公司) on 11 October 2017 in respect of the proposed acquisition of 130,831,251 shares of HSH International Inc. for an aggregate consideration of US$15,157,663.69, and the proposed subscription of 78,750,000 new ordinary shares of HSH International Inc. for an aggregate consideration of US$14,342,336.31 by Zall Development (BVI) Holding Company Limited. Details of the conditional share purchase and subscription agreement are set out in the announcement of the Company dated 11 October 2017;

(b) the lease agreement entered into between Jiangsu Eastide Group Co., Ltd.* as lessee to Wuhan North Hankou Trade Market Investment Co., Ltd.*(武漢漢口北商貿市場投資有限公司)("North Hankou Trade Market") and Zall Investment Group Co., Ltd.*(卓爾投資集團有限公司)as lessors dated 11 September 2017 in respect of the lease of the Group's relevant real estate properties situated at Liudian and Shekou Villages, Panlongcheng Economic and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC(中國湖北省武漢市黃陂區盤龍城經濟及科技開發區劉店及灄口村)and No. 1 Chutian Road, Panlongcheng Economic and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC(中國湖北省武漢市黃陂區盤龍城經濟及科技開發區楚天大道特1號)for a lease period of ten years, commencing from 11 September 2017 to 10 September 2027. Details of the lease agreement are set out in the announcements of the Company dated 12 September 2017 and 3 October 2017, and the circular of the Company dated 24 October 2017;

(c) the Framework Agreement;

(d) the subscription agreement entered into between the Company and OBOR Global Innovation Fund SPC – OBOR Innovation Technology Fund SP dated 30 May 2017 in relation to the allotment and issue by the Company of 357,141,000 shares, the details of which are set out in the Company's announcement dated 31 May 2017;

(e) On 29 March 2017, Guangxi Liuzhou Industrial Investment Development Group Co., Ltd*(廣西柳州市產業投資發展集團有限公司), Liuzhou Bangzhe Investment Co., Ltd.*(柳州市邦哲投資有限公司), Project Company and 33 individuals entered into an agreement. In accordance with the terms and conditions of the agreement, the respective parties agreed to subscribe a new registered capital of 88 million shares of Guangxi Msweet Technology Co,. Ltd.*(廣西沐甜科技股份公司)in return for 100% equity interest of Guangxi Sugar Market Network Co., Ltd.*(廣西糖網食糖批發市場有限責任公司), Shenzhen Kunshang Yitang Supply Chain Co., Ltd.*(深圳市昆商易糖供應鏈有限公司)and Guangxi Kangchen Shitang Trading Co. Ltd*(廣西康宸世糖貿易有限公司);

(f) the subscription agreement entered into between Wuhan Zhuo Futong Technology Co., Ltd*(武漢卓付通科技有限公司)and Zall Fintech Co., Ltd*(深圳卓爾智聯科技有限公司)dated 27 February 2017 in relation to the allotment and issue by Zall Fintech Co., Ltd*(深圳卓爾智聯科技有限公司)of its 2,500,000 shares, the details of which are set out in the Company's announcement dated 27 February 2017;

(g) the termination agreement entered into between Mr. Jiang Yong and Zall Interconnection (BVI) Limited（卓爾互聯(BVI)有限公司）dated 27 February 2017 in relation to the termination of the agreement in relation to the sale and purchase of 55% of the entire issued shares of JPL Investment Co., Limited, the details of which are set out in the Company's announcement dated 27 February 2017;

(h) the termination agreement entered into between Shenzhen Huixin Trading Limited*（深圳市匯欣貿易有限公司）and Shenzhen Qianhai Zall Tech Limited*（深圳市前海卓爾互聯科技有限公司） dated 27 February 2017 in relation to the termination of the agreement in relation to the sale and purchase of 3,335,200 shares in Sinocan International Technologies Co., Ltd（深圳市匯茂科技股份有限公司), the details of which are set out in the Company's announcement dated 27 February 2017;

(i) the termination agreement entered into between Sinocan International Technologies Co., Ltd（深圳市匯茂科技股份有限公司）and Shenzhen Qianhai Zall Tech Limited*（深圳市前海卓爾互聯科技有限公司）dated 27 February 2017 in relation to the termination of the agreement in relation to the subscription of 12,000,000 shares in Sinocan International Technologies Co., Ltd（深圳市匯茂科技股份有限公司）by Shenzhen Qianhai Zall Tech Limited*（深圳市前海卓爾互聯科技有限公司), the details of which are set out in the Company's announcement dated 27 February 2017;

(j) the First Acquisition Agreement;

(k) the Consultancy Agreement;

(l) the Service Agreement;

(m) 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;

(n) 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;

(o) 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;

(p) 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;

(q) 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; and

(r) 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.

11. 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 SMP Partners (Cayman) Limited, Royal Bank House – 3rd Floor, 24 Shedden Road, P.O. Box 1586, 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.

12. 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 2014 to 2016;

(d) the interim report of the Company for the six months ended 30 June 2017;

(e) the accountants' report of the Project Group, the text of which is set out in Appendix IIA to this circular;

(f) the accountants' report of the newly acquired subsidiary of the Project Group, Guangxi Kangchen, the text of which is set out in Appendix IIB to this circular;

(g) the accountants' report of the newly acquired subsidiary of the Project Group, Sugar Network Company, the text of which is set out in Appendix IIC to this circular;

(h) the management discussion and analysis on the Project Group, the text of which is set out in Appendix III to this circular;

(i) 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;

(j) the written consent referred to in paragraph headed "Experts and Consents" of this appendix;

(k) the Previous Circular; and

(l) 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 Thursday, 18 January 2018 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:

Capitalised terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 11 December 2017 to the Shareholders (the "**Circular**") unless otherwise specified.

ORDINARY RESOLUTION

"THAT

(a) the Framework 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, Zall Development Investment, Mr. Yan and the Vendors in relation to the proposed acquisition of the Second Target Equity Interest, representing approximately 8.36% of the total equity interest of the Project Company for the consideration of approximately RMB307 million; and a proposed acquisition of the Subsequent Target Equity Interest representing approximately 6% of the total equity interest of the Project Company for the consideration of approximately RMB220.5 million, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; 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 Framework Agreement and the transactions contemplated thereunder.**"**

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

Hong Kong, 11 December 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 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 of the EGM or any adjournment thereof. The proxy form will be published on the website of the Stock Exchange. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the EGM or any adjourned meeting thereof should they so wish and in such event the relevant form of proxy shall be deemed to be revoked.

As at the date of this notice, 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.