Zall Smart Commerce Group Ltd.
卓爾智聯集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2098)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board (the "**Board**") of directors (the "**Directors**") of Zall Smart Commerce Group Ltd. (the "**Company**" or "**Zall**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018 (the "**Period**"), together with comparative figures for the preceding period as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Revenue	*3(a)*	**18,494,611**	2,323,518
Cost of sales		**(17,924,179)**	(2,209,969)
Gross profit		**570,432**	113,549
Other net income/(loss)	*4*	**297,043**	(344,612)
Selling and distribution expenses		**(91,352)**	(74,329)
Administrative and other expenses		**(357,509)**	(96,554)
Profit/(loss) from operations before changes in fair value of investment properties		**418,614**	(401,946)
Net valuation gain on investment properties	*8*	**1,471,596**	2,126,593

		Six months ended 30 June	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Profit from operations		**1,890,210**	1,724,647
Finance income	*5(a)*	**83,293**	1,780
Finance costs	*5(a)*	**(320,938)**	(160,300)
Share of net losses of associates		**(26,264)**	(15,385)
Share of net losses of joint ventures		**(2,800)**	(165)
Profit before taxation	*5*	**1,623,501**	1,550,577
Income tax	*6*	**(412,017)**	(483,648)
Profit for the period		**1,211,484**	1,066,929
Attributable to:			
Equity shareholders of the Company		**1,236,122**	1,074,614
Non-controlling interests		**(24,638)**	(7,685)
Profit for the period		**1,211,484**	1,066,929
Earnings per share (RMB cents)			
Basic	*7(a)*	**10.627**	9.969
Diluted	*7(b)*	**10.625**	9.969

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

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

for the six months ended 30 June 2018 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Profit for the period	**1,211,484**	1,066,929
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	**(1,123)**	–
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
– financial statements of operations outside Mainland China	**(30,926)**	51,586
Other comprehensive income for the period	**(32,049)**	51,586
Total comprehensive income for the period	**1,179,435**	1,118,515
Attributable to:		
Equity shareholders of the Company	**1,206,455**	1,126,200
Non-controlling interests	**(27,020)**	(7,685)
Total comprehensive income for the period	**1,179,435**	1,118,515

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2018 – unaudited
(Expressed in Renminbi)

	Note	**At 30 June 2018** ***RMB'000***	At 31 December 2017 *RMB'000*
Non-current assets			
Investment properties	*8*	**22,407,242**	20,206,738
Property, plant and equipment		**188,013**	216,981
Intangible assets		**922,594**	899,151
Goodwill		**1,711,518**	1,606,280
Interests in associates		**571,484**	490,586
Interests in joint ventures		**111,587**	114,387
Long-term receivables		**–**	324,862
Deferred tax assets		**88,201**	67,997
Available-for-sale financial assets		**–**	12,500
Equity investments of fair value through other comprehensive income		**10,106**	–
Contract assets		**326,916**	–
		26,337,661	23,939,482
Current assets			
Financial assets at fair value through profit or loss	*9*	**4,675,449**	5,074,617
Inventories and other contract costs	*10*	**7,276,264**	7,162,524
Prepaid taxes		**19,372**	16,025
Trade and other receivables	*11*	**7,717,759**	7,098,070
Amounts due from related parties	*12*	**173,391**	82,760
Fixed deposits with banks with original maturity over three months		**79,825**	132,602
Pledged bank deposits		**3,241,001**	2,553,901
Cash and cash equivalents		**1,521,036**	1,283,647
		24,704,097	23,404,146

	Note	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Current liabilities			
Financial liabilities at fair value through profit or loss	9	**216,804**	450,140
Trade and other payables	13	**14,022,991**	12,511,792
Contract liabilities		**1,692,166**	–
Amounts due to related parties	12	**264,180**	583,409
Bank loans and loans from other financial institutions	14	**5,723,727**	5,572,061
Current taxation		**328,355**	284,652
Deferred income		**3,462**	5,401
		22,251,685	19,407,455
Net current assets		**2,452,412**	3,996,691
Total assets less current liabilities		**28,790,073**	27,936,173
Non-current liabilities			
Bank loans and loans from other financial institutions	14	**4,810,702**	5,422,356
Deferred income		**6,552**	7,183
Deferred tax liabilities		**4,215,285**	3,845,747
Convertible redeemable preference shares	9	**71,195**	–
		9,103,734	9,275,286
NET ASSETS		**19,686,339**	18,660,887
CAPITAL AND RESERVES			
Share capital		**32,437**	32,292
Reserves		**18,775,750**	17,748,918
Total equity attributable to equity shareholders of the Company		**18,808,187**	17,781,210
Non-controlling interests		**878,152**	879,677
TOTAL EQUITY		**19,686,339**	18,660,887

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

NOTES

(Expressed in Renminbi unless otherwise indicated)

1 Basis of preparation

The interim financial report have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 31 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Zall Smart Commerce Group Ltd. (the "Company", formerly known as Zall Group Ltd.) and its subsidiaries (together the "Group") since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2017 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2018.

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

2 Changes in accounting policies

(a) Overview

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRIC 22, *Foreign currency transactions and advance consideration*

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

The Group has been impacted by IFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by IFRS 15 in relation to timing of revenue recognition, capitalisation of contract costs, significant financing benefit obtained from customers and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for IFRS 9 and note 2(c) for IFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of IFRS 9 and IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by IFRS 9 and/or IFRS 15.

	At 31 December 2017	Impact on initial application of IFRS 9 *(Note 2(b))*	Impact on initial application of IFRS 15 *(Note 2(c))*	**At 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***
Available-for-sale financial assets	12,500	(12,500)	–	**–**
Equity investments at fair value through other comprehensive income	–	11,229	–	**11,229**
Long-term receivables	324,862	–	(324,862)	**–**
Contract assets	–	–	324,862	**324,862**
Deferred tax assets	67,997	–	4,977	**72,974**
Total non-current assets	23,939,482	(1,271)	4,977	**23,943,188**
Inventory and other contract costs	7,162,524	–	18,857	**7,181,381**
Total current assets	23,404,146	–	18,857	**23,423,003**
Trade and other payables	12,511,792	–	(1,008,532)	**11,503,260**
Contract liabilities	–	–	1,047,300	**1,047,300**
Total current liabilities	19,407,455	–	38,768	**19,446,223**
Net current assets	3,996,691	–	(19,911)	**3,976,780**
Total assets less current liabilities	27,936,173	(1,271)	(14,934)	**27,919,968**
Total non-current liabilities	9,275,286	–	–	**9,275,286**
Net assets	18,660,887	(1,271)	(14,934)	**18,644,682**
Reserves	17,748,918	(1,271)	(14,888)	**17,732,759**
Total equity attributable to equity shareholders of the Company	17,781,210	(1,271)	(14,888)	**17,765,051**
Non-controlling interests	879,677	–	(46)	**879,631**
Total equity	18,660,887	(1,271)	(14,934)	**18,644,682**

Further details of these changes are set out in sub-sections (b) and (c) of this note.

(b) IFRS 9, Financial instruments

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

The following table summarises the impact of transition to IFRS 9 on reserves at 1 January 2018.

	RMB'000
Fair value reserve (non-recycling)	
Recognition of fair value reserve (non-recycling) relating to equity securities now measured at FVOCI and decrease on fair value reserve (non-recycling) at 1 January 2018	1,271

(i) Classification of financial assets and financial liabilities

IFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

- FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9.

	IAS 39 carrying amount at 31 December 2017	Reclassification	Remeasurement	**IFRS 9 carrying amount at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***
Financial assets carried at amortised cost				
Cash and cash equivalents	1,283,647	–	–	**1,283,647**
Fixed deposits with banks with original maturity over three months	132,602	–	–	**132,602**
Pledged bank deposits	2,553,901	–	–	**2,553,901**
Trade and other receivables	7,098,070	–	–	**7,098,070**
Amounts due from related parties	82,760	–	–	**82,760**
Financial assets measured at FVOCI (non-recyclable)				
Equity securities *(note (i))*	–	12,500	(1,271)	**11,229**
Financial assets carried at FVPL				
Trading securities *(note (ii))*	2,123,751	–	–	**2,123,751**
Other derivative assets *(note (ii))*	2,950,866	–	–	**2,950,866**
	5,074,617	–	–	**5,074,617**
Financial assets classified as available-for-sale under IAS 39 *(notes (i))*	12,500	(12,500)	–	**–**

Notes:

(i) Under IAS 39, equity securities not held for trading were classified as available-for sale financial assets. These equity securities are classified as at FVPL under IFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated its investment in Sinocan International Technologies Co., Ltd. at FVOCI (non-recycling), as the investment is held for strategic purpose.

(ii) Trading securities and derivative financial assets were classified as financial assets at FVPL under IAS 39. These assets continue to be measured at FVPL under IFRS 9.

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts.

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

Financial guarantees issued are initially recognised within "trade and other payables" at fair value. Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when expected credit losses (ECLs, note 2(b)(ii)) on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(b)(ii) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of IFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(ii) Credit losses

IFRS 9 replaces the "incurred loss" model in IAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, fixed deposits with banks with original maturity over three months, pledged bank deposits, trade and other receivables and amounts due from related parties); and

– financial guarantee contracts issued (note 2(b)(i))

Financial assets measured at fair value, including equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

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

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

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

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment

There is not any material impact on the ECLs of the Group due to the change in accounting policy.

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

– The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group):

  – the determination of the business model within which a financial asset is held; and

  – the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The following table summarises the impact of transition to IFRS 15 on retained earnings and the related tax impact at 1 January 2018:

	RMB'000
Retained earnings	
Finance costs	19,911
Related tax	(4,977)
Net decrease in retained earnings at 1 January 2018	14,934

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of IFRS 15 does not have a significant impact on when the Group recognises revenue from construction contracts and revenue recognition for sales of commodities. However, the timing of revenue recognition for sales of properties is affected as follows:

The Group's property development activities are carried out in Mainland China only. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of Mainland China, the property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales continues to be recognised at a point in time. Previously the Group recognised revenue from property sales upon the later of the signing of the sale and purchase agreement and the completion of the property development, which was taken to be the point in time when the risks and rewards of ownership of the property were transferred to the customer. Under the transfer-of-control approach in IFRS 15, revenue from property sales is generally recognised when the legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

This change in accounting policy had no material impact on opening balances as at 1 January 2018. However, in future periods it may have a material impact, depending on the timing of completion of the Group's property development projects.

(ii) 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 of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

It is not common for the Group to receive payments significantly in advance of revenue recognition in the Group's arrangements with its customers, with the exception of when residential properties are marketed by the Group while the property is still under construction. In this situation, depending on market conditions, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing, rather than on legal assignment.

Where payment schemes include a significant financing component, the transaction price is adjusted to separately account for this component. In the case of payments in advance, such adjustment results in interest expense being accrued by the Group to reflect the effect of the financing benefit obtained by the Group from the customers during the period between the payment date and the completion date of legal assignment. This accrual increases the amount of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under IAS 23, Borrowing costs.

As a result of this change in policy, the Group has made adjustments which increased inventories and contract liabilities by RMB18,857,000 and RMB38,768,000 at 1 January 2018 respectively. As not all of the accrued interest was eligible to be capitalised into projects still under construction, this change in policy has decreased on retained earnings as at 1 January 2018 by RMB14,934,000.

(iii) Sales commissions payable related to property sales contracts

The Group previously recognised sales commissions payable related to property sales contracts as distribution costs when they were incurred. Under IFRS 15, the Group is required to capitalise these sales commissions as costs of obtaining contracts when they are incremental and are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the sales commissions can be expensed when incurred. Capitalised commissions are charged to profit or loss when the revenue from the related property sale is recognised and are included as distribution costs at that time.

This change in accounting policy had no material impact on opening balance as at 1 January 2018.

(iv) Presentation of contract assets and liabilities

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, contract balances relating to construction contracts in progress were presented in the statement of financial position under "long-term receivables" or "trade and other payables" respectively, and work in progress in respect of the Group's made-to-order construction arrangements was included within inventory until the products were delivered to the customer and the revenue was recognised for the reasons explained in paragraph (i) above.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of IFRS 15:

a. "Long-term receivables" amounting to RMB324,862,000 is now included under contract assets; and

b. "Receipts in advance" amounting to RMB1,047,300,000, which was previously included in trade and other payables is now included under contract liabilities.

(d) IFRIC 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

3 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are developing and operating of large-scale consumer product-focused wholesale shopping malls, and providing supply chain management and trading business, e-commerce services, financial services, warehousing and logistics services for the online and offline customers in PRC. Further details regarding the Group's principal activities are disclosed in note 3(b).

(i) Disaggregation of revenue

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Revenue from sales of properties and related services	**114,991**	213,198
– Revenue from supply chain management and trading business	**17,957,996**	1,958,912
– Revenue from E-commerce and financial services business	**47,678**	35,208
– Revenue from construction contracts	**2,054**	15,453
– Others	**19,494**	5,787
	18,142,213	2,228,558
Revenue from other sources		
Gross rentals from investment properties	**352,398**	94,960
	18,494,611	2,323,518

Note: The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS 18 and IAS 11 (note 2(c)).

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

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenue for the six months ended 30 June 2018 (six months ended 30 June 2017: two).

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Customer A	–	455,797
Customer B	–	395,804
Customer C	**2,442,135**	–

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

(b) Segment reporting

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

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

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

– Supply chain management and trading business: this segment operates trading of agricultural products, chemicals, plastic raw materials, consumer goods, black and non-ferrous metals, etc., also provides trading related supply chain finance services.

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2018 and 2017 is set out below.

(i) Segment results, assets and liabilities

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

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

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

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

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

	Property development and related services		E-commerce and financial services		Supply chain management and trading business		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
		(Note)		*(Note)*		*(Note)*		*(Note)*
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
For the six months ended 30 June								
Disaggregated by timing of revenue recognition								
Point in time	**75,035**	200,119	**–**	–	**17,843,672**	1,958,912	**17,918,707**	2,159,031
Overtime	**394,145**	123,492	**47,678**	35,208	**114,324**	–	**556,147**	158,700
Revenue from external customers and reportable segment revenue	**469,180**	323,611	**47,678**	35,208	**17,957,996**	1,958,912	**18,474,854**	2,317,731
Reportable segment profit/(loss)	**244,915**	29,001	**(36,089)**	(63,209)	**(8,889)**	(6,871)	**199,937**	(41,079)
As at 30 June/31 December								
Reportable segment assets	**32,329,643**	29,919,335	**787,431**	1,504,126	**10,495,484**	10,126,116	**43,612,558**	41,549,577
Reportable segment liabilities	**14,140,166**	13,365,516	**2,338,461**	2,903,038	**12,166,280**	10,094,269	**28,644,907**	26,362,823

Note: The Group has initially applied IFRS 15 using cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS 18 and IAS 11 (note 2(c)).

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**18,474,854**	2,317,731
Other revenue	**19,757**	5,787
Consolidated revenue *(note 3(a))*	**18,494,611**	2,323,518
Profit		
Reportable segment profit/(loss)	**199,937**	(41,079)
Other net income/(loss)	**297,043**	(344,612)
Finance income	**83,293**	1,780
Finance costs	**(320,938)**	(160,300)
Net increase in fair value of investment properties	**1,471,596**	2,126,593
Share of net losses of associates	**(26,264)**	(15,385)
Share of net losses of joint ventures	**(2,800)**	(165)
Unallocated head office and corporate expenses	**(78,366)**	(16,255)
Consolidated profit before taxation	**1,623,501**	1,550,577

4. Other net income/(loss)

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Net fair value change on financial instruments at fair value through profit or loss		
– Listed equity securities	**182,187**	(352,336)
– Derivative financial instrument	**(863)**	(4,893)
– Wealth management products and trust products	**42,618**	–
– Contingent consideration	**45,885**	–
Dividend received from financial assets at fair value through profit or loss	**10,711**	10,207
Gain on remeasurement of previously held interest upon step acquisition of a subsidiary	**–**	177
Government subsidies	**23,430**	–
Others	**(6,925)**	2,233
	297,043	(344,612)

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

5 Profit before taxation

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
(a) Finance (income)/ costs		
Finance income		
Interest income	**(83,293)**	(1,780)
Finance costs		
Interest on bank loans and loans from other financial institutions	**522,509**	369,218
Other borrowing costs	**52,207**	18,049
Less: Amounts capitalised into properties under development and investment properties under development	**(264,646)**	(231,586)
	310,070	155,681
Bank charge and others	**10,808**	2,726
Net foreign exchange loss	**60**	1,893
	320,938	160,300
(b) Staff costs		
Salaries, wages and other benefits	**100,276**	60,936
Contributions to defined contribution retirement plans	**14,818**	6,415
Equity settled share-based payment expenses	**43,351**	–
	158,445	67,351
(c) Other items		
Amortisation	**29,703**	2,335
Depreciation	**14,883**	13,523
Impairment losses		
– trade and other receivables and contracts assets	**36,031**	–
Operating lease charges	**18,447**	9,533
Cost of construction contracts	**2,054**	15,453
Cost of commodities sold	**17,763,596**	1,958,099
Cost of properties sold	**52,430**	161,421

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

6 Income tax

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax ("PRC CIT")	**61,334**	1,777
PRC Land Appreciation Tax ("PRC LAT")	**5,568**	17,831
	66,902	19,608
Deferred tax		
Origination and reversal of temporary differences	**345,115**	464,040
	412,017	483,648

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

(ii) No provision for Hong Kong Profits Tax as the Group did not earn any assessable income subject to Hong Kong Profits Tax during the six months ended 30 June 2018 and 2017.

(iii) Pursuant to the rules and regulations applicable to encouraged industries in the PRC western development strategy, two subsidiaries of the Group, GSMN Logistics Co., Ltd. and Guangxi Kangchen Shitang Trading Co., Ltd., are subject to PRC CIT at a preferential tax rate of 15% for the six months ended 30 June 2018, and one subsidiary of the Group, Guangxi Sugar Market Network Co., Ltd. is subject to PRC CIT at a preferential tax rate of 9% for the six months ended ended 30 June 2018. The application of preferential tax rate will be reviewed by the tax authority annually.

All the other PRC subsidiaries of the Group are subject to income tax at 25% for the six months ended 30 June 2018 and 2017 under the PRC Corporate Income Tax Law which was enacted on 16 March 2007.

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

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

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

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

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

7. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity share holders of the Company of RMB1,235,106,000 (after adjusting for ordinary shares issued for Management Shares Award Scheme, Incentive Shares and VKC Consultancy Service Consideration Shares) (six months ended 30 June 2017: RMB1,074,614,000) and the weighted average of 11,621,809,000 ordinary shares (after adjusting for ordinary shares issued for Management Shares Award Scheme, Incentive Shares and VKC Consultancy Service Consideration Shares) (six months ended 30 June 2017: 10,779,102,000) in issue during the six months ended 30 June 2018.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,235,782,000 and the weighted average of 11,630,786,000 ordinary shares in issue during the six months ended 30 June 2018.

There were no diluted potential ordinary shares during the six months ended 30 June 2017, and therefore, diluted earnings per share are the same as the basic earnings per share.

8. Investment properties

During the six months ended 30 June 2018, the Group transferred certain completed properties held for sale to investment properties since there was a change in use from sale to earning rental income purpose.

The Group's investment properties carried at fair value were revalued as at 30 June 2018 by Jones Lang Lasalle ("JLL"), an independent firm of surveyors, using the same valuation techniques as were used by this valuer when arranging out the December 2017 valuations.

During the six months ended 30 June 2018, a net fair value gain of RMB1,471,596,000 (six months ended 30 June 2017: RMB2,126,593,000), and deferred tax thereon of RMB367,899,000 (six months ended 30 June 2017: RMB688,020,000), has been recognised in the consolidated statement of profit or loss.

As at 30 June 2018, the Group's investment properties and investment properties under development with an aggregated carrying value of RMB14,663,908,000 (31 December 2017: RMB13,887,495,000) were pledged as collateral for the Group's bank loans (note 14).

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

9. Financial assets/liabilities at fair value through profit or loss and convertible redeemable preference shares

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
Financial assets at fair value through profit or loss		
Listed equity securities		
– Fullshare Holdings Limited	**2,275,131**	2,092,944
– China High Speed Transmission Equipment Group Co., Ltd	–	30,807
Derivative financial instrument		
– Warrant	–	3
– Wealth management products and trust products *(i)*	**2,219,129**	2,761,540
Forward contracts	**82,112**	182,408
Contingent consideration *(Note 15 and (ii))*	**99,077**	6,915
	4,675,449	5,074,617
Financial liabilities at fair value through profit or loss		
Forward contracts *(iii)*	**215,597**	450,140
Contingent consideration *(Note 15 and (ii))*	**1,207**	–
	216,804	450,140
Convertible redeemable preference shares *(iv)*	**71,195**	–

(i) The amount represents investments in wealth management products and trust products issued by reputable financial institutions in the PRC. There are no fixed or determinable returns of these wealth management products and trust products, and the returns of the principals are not guaranteed. Certain wealth management products and trust products with an aggregate carrying amount of RMB2,219,129,000 (31 December 2017: RMB2,761,540,000) were pledged for bills payable of the Group (note 13).

(ii) The amount represents (i) the contingent consideration of acquisition of Shenzhen Sinoagri E-commerce Co., Ltd. ("**Shenzhen Sinoagri**") amounting to RMB52,800,000 as at 30 June 2018 (31 December 2017: RMB6,915,000). The amount is generated as a result of part of the consideration of the acquisition which depends on the post-acquisition financial performance of Shenzhen Sinoagri and (ii) the contingent consideration of acquisition of HSH International Inc. ("**HSH**") (note 15).

(iii) As at 30 June 2018, certain forward contracts of the Group with carrying value of RMB133,155,000 (31 December 2017: RMB267,732,000) was pledged by bills receivables (note 11).

(iv) The amount represents convertible redeemable preference shares issued by HSH, which was acquired by the Group on 28 March 2018 (note 15).

10 Inventories and other contract costs

	30 June 2018	31 December 2017 *(Note)*
	RMB'000	*RMB'000*
Properties under development for sale	**4,908,886**	4,905,386
Completed properties held for sale	**2,168,991**	1,968,727
Commodities	**198,387**	288,411
	7,276,264	7,162,524

Note: The Group has initially applied IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

As at 30 June 2018, certain properties under development for sale and completed properties held for sale with an aggregate carrying value of RMB1,323,453,000 and RMB2,048,302,000 respectively (31 December 2017: RMB1,704,082,000 and RMB1,517,956,000) were pledged as collateral for the Group's bank loans (note 14).

11. Trade and other receivables

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
Trade and bill receivables	**2,494,294**	2,158,316
Loans receivables *	**2,897,025**	2,394,630
Factoring receivables	**195,097**	743,900
Less: Allowance for doubtful debts	**(101,380)**	(68,875)
	5,485,036	5,227,971
Advances to suppliers	**584,302**	573,000
Other receivables, deposits and prepayments	**1,648,421**	1,297,099
	7,717,759	7,098,070

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

* Loans receivables mainly represent the amount advanced to third-party borrowers secured by the borrowers' inventories, properties or unlisted shares. Borrowers are normally granted credit terms of 180 to 360 days, depending on the credit worthiness of individual customers.

As at 30 June 2018, certain bills receivables with carrying value of RMB863,582,000 (31 December 2017: RMB10,000,000), RMB140,000,000 (31 December 2017: RMB280,000,000) and RMB100,000,000 (31 December 2017: RMB100,000,000) were pledged as collateral for the Group's bank loans (note 14), financial liabilities at fair value through profit or loss (note 9) and bills payables (note 13) respectively.

Ageing analysis

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

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
Within 3 months	2,373,403	3,044,774
3 to 12 months	2,585,207	1,676,956
Over 12 months	526,426	506,241
	5,485,036	5,227,971

12. Amounts due from/to related parties

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
Amounts due from related parties		
Amounts due from associates	**56,654**	30,855
Amounts due from joint ventures	**67,420**	10,874
Amounts due from non-controlling shareholders of subsidiaries	**44,085**	34,360
Amounts due from entities controlled by ultimate controlling party	**3,249**	2,427
Amounts due from entities controlled by non-controlling interests of subsidiaries	**1,983**	4,244
	173,391	82,760
Amounts due to related parties		
Amounts due to the ultimate controlling party	–	3,900
Amounts due to a key management personnel	–	10,000
Amounts due to a joint venture	**146,427**	146,870
Amounts due to non-controlling shareholders of subsidiaries	**1,277**	308,279
Amounts due to entities controlled by ultimate controlling party	**108**	160
Amounts due to entities controlled by non-controlling interests of subsidiaries	**100,000**	114,200
Amounts due to associates	**16,368**	–
	264,180	583,409

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

13. Trade and other payables

	30 June 2018	31 December 2017 *(Note)*
	RMB'000	*RMB'000*
Trade and bills payables	**8,983,464**	7,638,996
Other borrowings*	**71,174**	594,067
Receipts in advance	**273,067**	1,257,188
Other payables and accruals	**4,695,286**	3,021,541
	14,022,991	12,511,792

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

* Other borrowings mainly represented amounts generated from peer-to-peer lending business. The interest rate of the other borrowings are ranging from 8.45%-11% (six months ended 30 June 2017: 7.4%-12%).

As a result of the initial application of IFRS 15, receipts in advance related to sales of properties, property management fee and sales of commodities are included in contract liabilities (note 2(c)).

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

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
Within 3 months	**2,287,117**	3,015,551
3 to 12 months	**5,563,345**	4,626,891
Over 12 months	**1,204,176**	590,621
	9,054,638	8,233,063

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

	Note	**30 June 2018** *RMB'000*	31 December 2017 *RMB'000*
Pledged bank deposits		**2,886,548**	2,187,042
Financial assets at fair value through profit or loss	*9*	**2,219,129**	2,761,540
Bills receivable	*11*	**100,000**	100,000
		5,205,677	5,048,582

14. Bank loans and loans from other financial institutions

At 30 June 2018, the Group's bank loans and loans from other financial institutions were repayable as follows:

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Within one year or on demand	**5,723,727**	5,572,061
After 1 year but within 2 years	**2,148,149**	2,437,184
After 2 years but within 5 years	**2,326,637**	2,540,598
After 5 years	**335,916**	444,574
	4,810,702	5,422,356
	10,534,429	10,994,417

At at 30 June 2018, the bank loans and loans from financial institutions were secured as follows:

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
Secured	**10,398,438**	10,634,426
Unsecured	**135,991**	359,991
	10,534,429	10,994,417

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

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
Pledged bank deposits	**214,982**	254,650
Bill receivables (note 11)	**863,582**	10,000
Investment properties (note 8)	**11,862,753**	11,643,869
Investment properties under development (note 8)	**2,801,155**	2,243,626
Properties under development (note 10)	**1,323,453**	1,704,082
Completed properties held for sale (note 10)	**2,048,302**	1,517,956
Property, plant and equipment	**15,560**	15,960
Trade and other receivables	**15,247**	–
	19,145,034	17,390,143

(b) Bank loans and loans from other financial institutions bear interest ranging from 1.85% to 13% per annum for the six months ended 30 June 2018 (six months ended 30 June 2017: 2.5% to 13% per annum).

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

As at 30 June 2018, the bank loans of the Group of RMB1,457,325,000 (31 December 2017: RMB2,767,372,000) was not in compliance with the imposed covenants. The Group has obtained notices from the corresponding banks, which confirmed that the respective subsidiaries of the Group would not be regarded as having breached the covenants and the banks would not demand early repayment from the respective subsidiaries of the Group.

(d) As at 30 June 2018, secured bank loans of the Group of RMB150,000,000 (31 December 2017: RMB160,000,000) was guaranteed by Zall Holdings Limited ("**Zall Holding**"), a company owned by the Ultimate Controlling party of the Company.

15. Material acquisitions of subsidiaries

Acquisition of HSH

On 11 October 2017, the Group entered into an agreement in relation to acquisition of 209,581,251 ordinary shares in HSH at an aggregate consideration of US$29,500,000 (equivalent to approximately RMB192,759,000). HSH, a company incorporated in the Cayman Islands with limited liability, together with its subsidiaries, is principally engaged in the trading of chemical and plastic raw materials and operating the information services business. The transaction was approved by the shareholder of the Company on 5 March 2018 and was completed on 28 March 2018.

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

From the post acquisition date to 30 June 2018, HSH contributed revenue of RMB3,197,380,000 and loss of RMB11,376,000 to the Group's results. If the acquisition had occurred on 1 January 2018, management estimates that consolidated revenue for the six months ended 30 June 2018 would have been RMB20,923,590,000, and consolidated profit for the six months ended 30 June 2018 would have been RMB1,170,407,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2018.

	Pre-acquisition carrying amount	Fair value adjustment	Recognised value on acquisition
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equityment	408	–	408
Intangible assets	5,581	36,790	42,371
Pledged bank deposits	57	–	57
Cash and cash equivalents	15,139	–	15,139
Trade and other receivables	299,326	–	299,326
Inventories	57,832	–	57,832
Contract liability	(57,855)	–	(57,855)
Financial liabilities at fair value through profit or loss	(383)	–	(383)
Trade and other payables	(96,231)	–	(96,231)
Bank loans	(117,563)	–	(117,563)
Current tax liabilities	(13,247)	–	(13,247)
Convertible redeemable preference shares	(79,737)	–	(79,737)
Deferred tax liabilities	–	(9,198)	(9,198)
Total identifiable net assets acquired	13,327	27,592	40,919
Non-controlling interests (29.98%)			12,268
Proportion of ownership (70.02%)			28,651
Consideration			
– Cash paid			133,883
– Need to be settled on cash			42,920
– Contingent consideration *(Note)*			(42,914)
Total fair value of the consideration			133,889
Goodwill arising on acquisition			105,238

Note: Contingent consideration including a total of 106,962,447 pledged shares of HSH pledged by Mr. Zhi Jianpeng (founder of HSH) and HSH Group Limited to the Group and withheld consideration amounting to USD1,243,377.52 which will be held in escrow by the Group. The amount is generated as a result of part of the consideration of the acquisition which depends on performance of HSH for each of the financial years ending 31 December 2017, 31 December 2018 and 31 December 2019 ("Guaranteed Period").

Goodwill is mainly attributable to the skills and technical talent of HSH's work force and the synergies expected to be achieved from integrating HSH into the Group's existing supply chain management and trading business. None of the goodwill recognised is expected to be deductible for tax purposes. Non-controlling interests recognised at the acquisition date were measured by reference to the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

16. Capital and dividends

(a) Dividends

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

The directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2018 and 2017.

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved during the following interim period, of HK2.58 cents per share (six months ended 30 June 2017: nil)	**245,519**	—

The final dividend was paid in July 2018.

(b) Issued ordinary shares under the Management Share Award Scheme

During the period, the Company issued 10,746,000 and 42,981,000 ordinary shares for the incentive shares and consultancy service consideration shares to Mr. Wei Zhe and VKC respectively. Upon the issuance, 2,149,200 incentive shares and 8,596,200 VKC consultancy shares are exercised right away.

For remaining incentive shares and consultancy service consideration shares, the fair value was RMB69,873,000 and RMB280,589,000 respectively, of which RMB23,000 (equal to HKD29,000) and RMB93,000 (equal to HKD115,000) was credited to share capital and the excess of the fair value over the nominal value of the total number of ordinary shares issued of RMB69,850,000 and RMB280,496,000 were credited to the share premium account of the Company.

17. Non-adjusting events after the reporting period

On 6 August 2018, Zall Development (Wuhan) Co., Ltd, a wholly-owned subsidiary of the Company, has disposed 65% of equity interest in Zall Heng Supply Chain Management (Wuhan) Co., Ltd. ("**Wuhan Zall Heng**"), a company principally engaged in supply chain business of standardized non-ferrous metals, at the consideration of RMB16,250,000, Wuhan Zall Heng ceased to be a subsidiary of the Company.

18. Comparative figures

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Consumer product-focused wholesale trading

The Group's heavily invested core project, the North Hankou International Trade Center, leverages on the advantages of Wuhan as a national integrated transportation hub to provide one-stop services including offices, exhibitions, logistics, finance, manufacturing and export. After ten years of cultivation, North Hankou has developed and developing area of approximately 6 million square meters, with the formation of 26 large specialized markets covering footwear and leatherware, branded clothing, hotel supplies, small merchandises, secondhand automobiles, hardware and mechanical and electrical products, etc. Currently, the 26 major markets in North Hankou are in full operation, forming a consumer goods trading platform with display in physical markets and trading as the core, providing logistics, warehousing, processing, e-commerce, export, finance and other industrial chain service systems for consumer goods. The markets have become increasingly prosperous with merchants reaching 28,000. 350 logistics and express delivery companies have moved to the Center. The annual cargo volume reaches 1.78 million tons while daily average throughput amounts to 270,000 units. The daily average passenger flow has reached 100,000 while the daily average traffic flow is 17,000. The market transaction amount has exceeded RMB67 billion covering the six provinces in Central China and major cities across the country.

North Hankou International Trade Center achieved a number of breakthroughs in the first half of 2018, including the opening of Central Business New City (中環商貿新城), the grand opening of Hotel Supplies City International Pavilion (酒店用品城國際館), the official relocation to North Hankou Wedding Supplies City (漢口北婚慶用品城) of various well-known brand merchants in Wuhan Shengli Street Wedding Dress City, and the opening of Hotel Supplies City Brand Street (酒店用品城品牌街). In the meantime, various types of activities such as order fairs, internal purchase fairs, procurement days and exhibition fairs were organized in different districts, including "Spring Ordering and Purchasing Day for Curtains", "Small Mechandises Internal Purchasing Fair", "Curtain Procurement Day", "Stationery and Sporting Goods Expo", "Hotel Supplies Expo", etc. Procurement routes were gradually established with seven new routes, namely Xiaogan, Anlu, Hongan, Macheng, Luotian, Suizhou and Guangshui, so as to increase the reliance of clients on North Hankou for purchasing, passenger flow and transaction amount which in turn promoted the market prosperity.

Tianjin E-commerce Mall is the Group's flagship project in Northern China. Currently, main construction work on Phase I, with a gross floor area of 612,000 square meters, has now been completed. Interior decorative works are near completion, and portions of the commercial, trade and e-commerce zones have commenced operation. Against the background of cooperative development in the Beijing-Tianjin-Hebei region and the easing of Beijing's non-capital core functions, Tianjin E-commerce Mall has absorbed an increasing number of merchants from Beijing's large wholesale markets. As of 30 June 2018, over 6,000 merchants were settled at Tianjin E-commerce Mall. The shopping malls in Phase I, including Dongpi Clothing Wholesale New Market (動批服裝新城), Jinwen Clothing Mall (津溫服裝商城), Zall Fashion City (卓爾精品服裝城), Zall Tianle Mall (卓爾天樂商城), Zall Red Gate Morning Market (卓爾紅門早市) – have commenced operation in April 2018. Tianjin E-commerce Mall has completely adopted to the logistic system of Beijing clothing wholesale industry and promoted the upgrading of local logistic companies of Tianjin which formed a logistic network covering regions such as Eastern China, Southern China, Central China, Northern China, Northeastern China and Northwestern China. It also provides professional transit warehousing services for the merchants that reduced logistics costs and increases turnover efficiency. Currently, Tianjin E-commerce Mall has established the market position as the largest clothing wholesale purchasing Center in Northern China.

Zallgo is the trading platform of Zall's intelligent trading ecosphere. With a focus on servicing offline physical wholesale markets, it provides a full set of O2O industry solutions and service functions, transforming offline trading to online and regional trading to whole network trading. Zallgo combines the functions of online trading, automatic logistics matching, unified warehousing and distribution management and supply chain financial services to greatly enhance the efficiency of wholesale trading while reducing logistics and warehousing costs. As a member of Zall's intelligent trading ecosphere, Zallgo was recognized as one of the "Top 10 E-commerce Model Units in the National Commodity Trading Market in 2017" (二零一七年度全國商品交易市場十佳電子商務示範單位) by the Chinese Association of Market Development in April 2018. As of 30 June 2018, Zallgo's online wholesale trading platform covered more than 80 cities across China with over 1,500 major wholesale markets and merchants in excess of 460,000, the transaction amount for the first half of the year was RMB49.7 billion and the accumulative transaction amount reached RMB155.7 billion.

Supply chain management and trading

As the Group continues to strengthen and expand its e-commerce, internet and intelligent trading businesses, the Group has established and acquired various companies to provide supply chain management services, trading and other value-added services. The supply chain management and trading business have developed and expanded rapidly, with involvement in various fields such as agricultural products, chemicals, plastic raw materials, non-ferrous metals, etc.

Shenzhen Sinoagri, which focuses on vertical segmentation of bulk agricultural products, provides whole supply chain service solutions in the fields of trading, information, settlement, financing and logistics to manufacturers, processing enterprises, suppliers and terminal suppliers both upstream and downstream. Faced with the market opportunities brought by the natural characteristics of domestic bulk agricultural products with transaction amount over trillion RMB in terms of production and sales segregation, seasonal production and annual sale as well as scale mismatch, Shenzhen Sinoagri with its established mature operating models in products including sugar, cocoon silk, wood panels and apples, has clearly structured agro-ecological strategies based on multi-transaction services and detailed plan for development. In the first half of 2018, the domestic sugar price suffered from a downward cycle generally and the sugar price fell below the production cost. As a result, income from main operating businesses declined as compared with the same period of last year. However, through the active deployment of sugar product business by extending upstream to the production end and invited participants such as sugarcane farmers, sugar factories, banks, agricultural resources suppliers, and farmers' cooperatives into the platform, a closed loop of transaction covering control, settlement, and operation was formed. Shenzhen Sinoagri speeded up the launching of new categories and new tracks. The dried fruit and vegetable projects have entered the business practice verification. In the first half of 2018, turnover of the supply chain financing business of the dried fruit and vegetable projects leaped from zero to RMB39.18 million; the production area and sales area inventory turnover was 5,272.3 tons. Five regional storage warehousing centers were established. In the first half of 2018, the export trading business of cocoon silk was not only Shenzhen Sinoagri's search of profit realization for downstream extension of the industry, but also its new endeavor on agricultural products cross-border e-commerce business using cocoon silk as carrier. In the first half of 2018, Guangxi cocoon silk cross-border e-commerce realized total export order amount of US$2.12 million, setting up an overseas online Silk Road for many domestic silk industry clients.

In March 2018, the Group completed the acquisition of 52.48% equity interest in HSH and became the controlling shareholder of HSH. As a chemical e-commerce operator that leads the future, HSH is committed to promoting the infrastructure construction of the Internet + chemical and plastics raw materials, opening up the closed loop of transaction of information flow, logistics and capital flow in the entire industrial chain for chemical and plastics raw materials. It is to construct HSH a new ecosystem for chemical and plastics raw materials industry entire industrial chain through an innovative mode of distributed sharing platform. In the first half of 2018, HSH focused on developing large and medium-sized quality suppliers to reduce the cost of purchasing goods and enhance market competitiveness. With further focus on the main products, the company gradually optimized some non-main SKU commodities and increased market share. Meanwhile, more possibilities on profit generation are provided with the opening up of foreign imports and expansion of commodities supply channels. As of 30 June 2018, total proprietary trading transaction amount of HSH reached RMB6.56 billion, the number of self-operated orders amounted to 7,152, and the number of clients reached 36,258.

In the non-ferrous metal segment, the Group established Wuhan Zall Heng in 2016 to engage in supply chain business of standardized non-ferrous metals such as electrolytic copper, electrolytic nickel and aluminum ingots. After reviewing the business model and condition of Wuhan Zall Heng, the Group decided to dispose of a 65% equity interest of Wuhan Zall Heng in August 2018. The Group will continue to explore the supply chain business of the standardized non-ferrous metals through other platforms when suitable opportunities arise.

In March 2018, the Group established Shanghai Zall Steel E-commerce Co., Ltd. (上海卓鋼鏈電子商務有限公司) ("**Zall Steel**") with Xiben New Line in the form of joint venture. Zall Steel mainly provides supply chain services and solutions upstream and downstream to fulfil sales and procurement needs in the black metal sector with domestic trade, import and export, etc. Since its establishment in March 2018, Zall Steel has formed business partnerships with approximately 500 upstream and downstream customers. As of 30 June 2018, it only took three months for Zall Steel to realize operating revenue of RMB266 million. For the second half of the year, Zall Steel will officially launch its offline and online services integration to focus on customer needs, expand the scope of integrated services and enhance its value creation and influence in the black metal field wih the help of the Group' ecosystem resources.

In April 2018, the Group and its subsidiaries acquired 22% of equity interest of Ningbo Haishangxian Information Technology Co., Ltd.* (寧波海上鮮信息技術有限公司) ("**Haishangxian**"). Haishangxian is a company that provides an integrated one-stop platform for seafood buyers and sellers. Such platform is designed to provide seafood buyers and sellers with maritime communications, trading platform, supply chain finance and related value-added services. By investing in Haishangxian, the Group will also expand its business to the fishery industry and fresh seafood supply chain field and further expand the coverage of Zall intelligent trading ecosystem.

In May 2018, the Group jointly invested with Asian Gateway Investment Pte Ltd., a wholly-owned subsidiary of Singapore Exchange Limited, and Global eTrade Services Company Limited ("**GeTS**") for the incorporation of a joint venture, Commodities Intelligence Centre Pte. Ltd., ("**Commodities Intelligence Centre**") in Singapore. The joint venture mainly engages in construction and operation of online global commodities trading platform, provision of transaction matching, transaction financing, supply chain and logistics services and provision of trade data to enhance trade facilitation so as to help enterprises to reduce transaction costs.

In June 2018, a subsidiary of the Company entered into the Deed of Acting-in-Concert with AOGANG International (Hong Kong) Corporation Limited ("**AOGANG**"), an 18.1% shareholder of LightInTheBox Holding Co., Ltd. ("**LightInTheBox**"), pursuant to which AOGANG will vote (and cause the director appointed by it to vote) in accordance with the instructions of the Group in relation to any matters that require the approval by the shareholders or the board of directors of the LightInTheBox. Furthermore, the same subsidiary of the Company and Wincore Holdings Limited ("**Wincore**"), a 5.5% shareholder of LightInTheBox entered into a voting agreement, pursuant to which the Group was granted the right to require Wincore to vote, with respect of all the interests it holds in the LightInTheBox, in accordance with the Group's instruction, subject to satisfaction of certain conditions. In addition, the Group is interested in 34.4% of LightInTheBox. Therefore, it is expected that the financial results of LightInTheBox will be consolidated into that of the Group. LightInTheBox is principally engaged in cross-border e-commerce business.

Through the online and offline integration development and the growth of Internet business in the past three years, the Group has set up and operated B2B trading platforms which have significant impacts on agricultural products, chemicals, plastics raw materials and non-ferrous metals, with notable growth in supply chain management and trade performance. When suitable opportunities arise, the Group will further develop into other sectors through organic growth or mergers and acquisitions to further make use of the synergy of Zall's intelligent trading ecosphere.

Supply chain finance services

Zall Financial Services Group Limited ("**Zall Jinfu**") takes the online and offline platform customers of Zall's intelligent trading ecosystem as first priority and provides comprehensive financial solutions such as finance leasing, factoring, guarantee, asset management, investment and financing consultation to the broad supply chain financial market to create an intelligent trading ecosystem. Zall Jinfu will explore the financial needs of different clients according to the requirements for paralled development of its online and offline businesses in supply chain finance. While providing "face-to-face services" to clients in the market, Zall Jinfu will also offer clients at different levels customized service to improve their online systems to provide them with more convenient, efficient and secured financial services. In addition to providing financial support to cater for the crucial needs of the platform's ultra large-scale core enterprises and large-scale distributors, Zall Jinfu also provides tailor-made comprehensive financial services to small and medium-sized clients as well as micro enterprises. As of 30 June 2018, the Zall Jinfu internet financial platform had a total of 232,800 registered members and completed a total financing amount of approximately RMB7.7 billion. Zall Jinfu has so far handled approximately RMB2.018 billion of financial loans for upstream and downstream enterprises of the supply chain based on the North Hankou market, and the transactions and supply chain trading management platforms such as Zall Cloud Market (卓爾雲市) and Zall Commerce (卓爾雲商).

Warehousing and logistics services

Zall Cloud Warehouse (卓爾雲倉), a subsidiary of the Group, focuses on the provision of offline warehouse goods custody services for enterprises and their downstream distributors, wholesale markets, financial products regulatory business, as well as warehouse leasing and upgrading support through the integration of physical delivery, logistics network construction and transportation, supply chain financial risk regulation and other logistics industry chain resources within the trading sections of the ecosystem. In particular, Cloud Warehouse supply chain financial services provide supply chain finance services for small and medium-sized enterprises that help solve the strategical, periodical and seasonal funding issues of their operational process. In addition to opening up Zall's ecosphere, Zall Cloud Warehouse is striving to be developed into a nationally-renowned and reliable intelligent supply chain warehousing service platform in two to three years' time. Through the continuous introduction of intelligent warehousing technology, the storage cost of platform users can be reduced and the profitability of clients can be improved. As of 30 June 2018, the financial supervision business has completed self-operated sub-station construction in Wuhan, Tianjin, Zhengzhou, Ningbo, Shanghai and other cities, covering consumer goods, bulk commodities, fresh food, seafood and other categories. The Group has successfully linked such services with Zall Steel, Haishangxian and Shenzhen Sinoagri. In the cold chain supply chain warehouse distribution business, the frozen warehouse business cooperated with well-known food and dairy products manufacturers and their downstream distributors have covered many cities in Hubei Province. The nationwide warehousing distribution network is also under construction. Moreover, planning for the development of intelligent warehouse hosting business in China's five core cities is well underway. The No.3 Intelligent Warehousing Center located in North Hankou, Wuhan will commence operation in September. At present, Zall Cloud warehouse cover 29 cities in 15 provinces, with an area of approximately 11.15 million square meters under its management.

The subsidiary of the Group Zallsoon (卓集送) mainly focuses on city distribution freight, intercity long-distance freight and cold chain specialized vehicles. It provides customized logistics solutions to designated large customers and customers requiring long distance delivery service by access to the system of clients and in-transit monitor through our vehicles and offers underlying supply chain services for clients in the ecosphere to reduce logistics costs and enhance transportation efficiency. Zallsoon also cooperates with motor car and new energy vehicle manufacturers through finance leases and provides value-added services for vehicle sales, recruitment of drivers and the automobile aftermarket (eg. vehicle insurance, maintenance, fueling, etc), all of which ensures a stable and controllable core transport capacity for the platform and solves the problem of traffic restrictions in some cities. As of 30 June 2018, Zallsoon has accomplished earlier the station target in 37 core logistics cities including Wuhan, Shanghai, Nanjing, Guangzhou, Shenzhen, Tianjin, Xuzhou, Dongguan, Zhengzhou, Beijing, etc. In addition to undertaking the logistics delivery of bulk commodities within the Group, the company has also expanded business scopes to e-commerce, O2O, new retail, fresh food, etc. and reached national cooperation in city distribution transportation with many globally well-known enterprises. Based on the strategic development plan of "Network Building", in the long-distance business, Zallsoon has reached trunk line transportation cooperation with a number of group companies. Currently, Zallsoon provides services to approximately 200,000 cargo owners with over 60,000 active drivers on its platform covering internet enterprises, fresh food distributors, manufacturers, new online retailers, express delivery and other major core clients. Accumulated number of orders in aggregate amounted to nearly 50 million, with over 90,000 orders in the busiest day during the year.

FUTURE PROSPECTS

Through the online and offline integration development and advancement of internetization in the past three years, "Zall Smart Commerce" has been committed to the construction of the B2B trading platform matrix. We construct and operate B2B trading platforms for consumer goods, agricultural products, chemicals, plastics, non-ferrous metals, etc. and provide services such as finance, property, logistics, cross-border trading, and supply chain management based on the trading environment and transaction data. Moreover, we are riding on the technological development trend. By the application of technologies such as the Internet of Things and blockchain, enriching trading varieties continuously and expanding the trading area through the "Commodities Intelligence Centre (CIC)" managed in cooperation with the Singapore Exchange, the Group is building a global commodity intelligent trading platform and service system.

After the early-stage planning and exploration, we have accumulated sufficient trading volume, valuable talent reserves, big data processing capabilities, intelligent technology. Therefore, the Zall intelligent trading ecosphere has now reached a critical point of development. In the meantime, we have to concentrate resources and realize the smooth connection and operation of all major platforms in terms of data, clients, logistics, warehousing, finance, supply chain management, etc., so that enterprises and clients can truly enjoy the benefits of a bigger market and lower inventory level with higher turnover, reduced cost, streamlined supply chain and more profitability. Our clients can therefore experience the concrete changes, thus establishing the outstanding reputation of Zall Smart Commerce in China and the world commodity trading market.

INVESTMENT PORTFOLIO

The portfolio of listed equity investments of the Group as at 30 June 2018 and 31 December 2017 were as follows:

As at 30 June 2018

Stock code	Name of investee company	Number of shares held	Effective shareholding interest	Acquisition cost *RMB'000*	Carrying amount as at 30 June 2018 *RMB'000*	Unrealised holding gain arising on revaluation for the six months ended 30 June 2018 *RMB'000*	Dividend received for the six months ended 30 June 2018 *RMB'000*
00607.HKEX	Fullshare Holdings Limited ("Fullshare")	695,497,500	3.53%	**773,985**	**2,275,131**	**182,187** *(Note)*	**10,711**

Note: The unrealised holding gain included the exchange gain of approximately RMB18 million for the period ended 30 June 2018.

In addition, the Group has disposed the 2,730,000 shares in China High Speed Transmission Equipment Group Co., Ltd. ("**China Transmission**") (00658.HKEX) held as at 31 December 2017 and made a realised holding loss of approximately RMB5.1 million for the period ended 30 June 2018. The principal activities of China Transmission 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.

As at 31 December 2017

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

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

As at 30 June 2018, the Group held approximately 695,497,500 (31 December 2017: 695,497,500) shares in Fullshare, representing approximately 3.53% of its entire issued share capital (31 December 2017: 3.53%). Fullshare is listed on the main board of the Hong Kong 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 gain of approximately RMB182.19 million for the six months ended 30 June 2018 (for the six months ended 30 June 2017: unrealised holding loss of RMB359.2 million). The carrying amount of investment in Fullshare accounts for approximately 4.46% of the Group's total assets as at 30 June 2018 (31 December 2017: 4.42%). The Group would like to emphasize that the unrealised holding gain is non-cash in nature and relates to the change in fair value of the Group's investment in Fullshare that are volatile in nature. The Group will closely monitor the performance of its investment and adjust its investment plan and portfolio when necessary.

RESULTS OF OPERATION

Operating revenue

	Six months ended 30 June	
	2018	**2017**
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Revenue from sales of properties and related services	**114,991**	213,198
– Revenue from supply chain management and trading business	**17,957,996**	1,958,912
– Revenue from E-commerce and financial services business	**47,678**	35,208
– Revenue from construction contracts	**2,054**	15,453
– Other	**19,494**	5,787
	18,142,213	2,228,558
Revenue from other sources		
Gross rentals from investment properties	**352,398**	94,960
	18,494,611	2,323,518

Revenue of the Group increased significantly by approximately 696.0% from RMB2,323.5 million for the six months ended 30 June 2017 to approximately RMB18,494.6 million for the six months ended 30 June 2018. The increase was primarily due to the offsetting effect of (i) the significant increase in revenue from supply chain management and trading business; (ii) the increase in rental income; (iii) the increase in revenue from E-commerce and financial service business; (iv) the increase in revenue from construction contracts; and (v) the decrease in the revenue from sales of properties and related services.

Revenue from supply chain management and trading business

The Group's revenue from supply chain management and trading business has contributed approximately 97.1% of the Group's total revenue for the six months ended 30 June 2018. The significant increase in revenue from supply chain management and trading business was primarily attributable to (i) completion of the acquisition of 50.6% equity interest in Shenzhen Sinoagri in June 2017, resulting the consolidation of the financial results of Shenzhen Sinoagri for the full six months ended 30 June 2018 as compared to the consolidation of the financial results of less than one month upon completion of such acquisition in June 2017 during the six months ended 30 June 2017; and (ii) completion of the acquisition of 52.48% equity interest in HSH in March 2018, resulting the consolidation of the financial results of HSH since then.

Rental income

The Group's rental income increased significantly by approximately 271.1% from approximately RMB95.0 million for the six months ended 30 June 2017 to approximately RMB352.4 million for the six months ended 30 June 2018. The increase was primarily due to an increase in rental areas in the North Hankou Project and increase in rent per square meter.

Revenue from E-commerce and financial services business

The Group's revenue from e-commerce and financial services business increased by approximately 35.4% from RMB35.2 million for the six months ended 30 June 2017 to RMB47.7 million for the six months ended 30 June 2018. The increase was mainly due to increase in number of registered members and amount of financing provided by Zall Jinfu.

Revenue from construction contracts

The Group's revenue from construction contract to build certain properties on behalf of a third party decreased by approximately 86.7% from approximately RMB15.5 million for the period ended 30 June 2017 to approximately RMB2.1 million for the period ended 30 June 2018. The revenue was recognised according to the actual cost incurred for the six months ended 30 June 2018. The decrease was primarily due to projects being at their completion stage in the period under review.

Sale of properties and related services

Revenue from the sale of properties decreased by approximately 46.1% from approximately RMB213.2 million for the six months ended 30 June 2017 to approximately RMB115.0 million for the six months ended 30 June 2018.

The Group's revenue from sales of properties was generated from the sales of industrial plants units, auxiliary facilities units, office and retails units and residential apartments. The decrease in revenue from sales of properties was mainly attributed to the decrease in the gross floor area delivered during the six months ended June 2018.

Cost of sales

Cost of sales of the Group increased significantly by approximately 711.1% from approximately RMB2,210.0 million for the six months ended 30 June 2017 to approximately RMB17,924.2 million for the six months ended 30 June 2018. The increase is primarily due to full six months period impact of Shenzhen Sinoagri and completion of acquisition of 52.48% equity interest in HSH, cost of inventories of approximately RMB17,763.6 million from the supply chain management and trading business.

Gross profit

Gross profit of the Group increased by approximately 402.4% from approximately RMB113.5 million for the six months ended 30 June 2017 to approximately RMB570.4 million for the six months ended 30 June 2018. The Group's gross profit margin decreased from 4.9% in first half year of 2017 to 3.1% in first half year of 2018 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 HSH in June 2017 and March 2018 respectively. 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 income/(loss)

Other net income of the Group increased significantly from a net loss of approximately RMB344.6 million for the six months ended 30 June 2017 to a net income of approximately RMB297.0 million for the six months ended 30 June 2018. The other income increased was mainly due to the increased in the fair value change on financial assets at fair value through profit or loss amounted to approximately RMB269.8 million.

Selling and distribution expenses

Selling and distribution expenses of the Group increased by approximately 22.9% from RMB74.3 million for the six months ended 30 June 2017 to approximately RMB91.4 million for the six months ended 30 June 2018. The increase was primarily due to the offsetting effect of (i) increase of approximately RMB20.2 million and RMB13.2 million in staff cost and transportation fee respectively; and (ii) decrease of approximately RMB19.4 million in advertising promotion expenses.

Administrative and other expenses

Administrative and other expenses of the Group increased by approximately 270.3% from RMB96.6 million for the six months ended 30 June 2017 to approximately RMB357.5 million for the six months ended 30 June 2018. The increase was mainly due to the effect of (i) increase of approximately RMB99.2 million in share based payment expenses; (ii) increase in staff cost of approximately RMB45.1 million; (iii) increase in office expenses of approximately RMB38.7 million; (iv) increase in transaction tax fee of approximately RMB10.8 million; and (v) increase in allowance for doubtful debts of approximately RMB36.0 million.

Net valuations gain on investment properties

The Group holds a portion of properties which were developed for rental income and/or capital appreciation purposes. The Group's investment properties are revaluated at the end of the respective review period on an open market value or existing use basis by an independent property valuer. The net valuation gain on investment properties decreased approximately by 30.8% from 2,126.6 million for the six months ended 30 June 2017 to approximately 1,471.6 million for the six months ended 30 June 2018. The decrease was primarily due to the less properties held for sale transferred to investment properties as compared to the first half of last year.

Share of net losses of joint ventures

Share of net losses of joint ventures of the Group increased by 1,597.0% from approximately RMB165 thousand for the six months ended June 2017 to approximately RMB2,800 thousand for the six months ended June 2018. The increase is primarily due to the Group's share of net profits of AP V-Best Supply Chain (Shanghai) Ltd. which is a joint venture of a majority equity interest since the acquisition of Shenzhen Sinoagri.

Share of net losses of associates

Share of net losses of associates increased by 70.7% from approximately RMB15.4 million for the six months ended June 2017 to approximately RMB26.3 million for the six months ended June 2018. The increase is mainly due to the increase of loss from material associate LightInTheBox comparing to the first half year of 2017.

Finance income and costs

Finance income of the Group increased by approximately 4,579.4% from RMB1.8 million for the six months ended 30 June 2017 to approximately RMB83.3 million for the six months ended 30 June 2018. The increase was mainly attributable to interest income from the pledged bank deposits due to the full period impact of Shenzhen Sinoagri consolidation.

A net finance cost of the Group increased by approximately 100.2% from RMB160.3 million for the six months ended 30 June 2017 to approximately RMB320.9 million for the six months ended 30 June 2018. 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 due to the full period impact of Shenzhen Sinoagri consolidation.

Income tax

Income tax decreased by approximately 14.8% from approximately RMB483.6 million for the six months ended 30 June 2017 to approximately RMB412.0 million for the six months ended 30 June 2018. The decrease was mainly due to the offsetting effect of (i) the increase in current PRC corporate income tax of approximately RMB59.6 million as the taxable profit increased; (ii) the decrease of current PRC LAT of approximately RMB12.2 million due to the decrease in profit on properties sales; and (iii) the decrease in deferred tax of approximately RMB118.9 million mainly due to the decrease in temporary differences from fair value changes of investment properties. As a result, the Group's effective tax rate was decreased from 31.2% for the six months ended 30 June 2017 to approximately 25.4% for the six months ended 30 June 2018.

Profit for the period

For the six months ended 30 June 2018, the Group recorded a net profit of approximately RMB1,211.5 million. Profit attributable to equity shareholders of the Company was approximately RMB1,236.1 million, representing an increase of approximately 15.1% over the amount of approximately RMB1,074.6 million for the six months ended 30 June 2017.

Liquidity and capital resources

The Group has consistently maintained sufficient working capital. As at 30 June 2018, the Group had net current assets of approximately RMB2,452.4 million (31 December 2017: approximately RMB3,996.7 million) and net assets of approximately RMB19,687.9 million (31 December 2017: approximately RMB18,660.9 million). As at 30 June 2018, the Group's equity attributable to equity shareholders of the Company amounted to approximately RMB18,808.9 million (31 December 2017: approximately RMB17,781.2 million), comprising issued capital of approximately RMB32.4 million (31 December 2017: approximately RMB32.3 million) and reserves of approximately RMB18,776.5 million (31 December 2017: approximately RMB17,748.9 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 18.5% from approximately RMB1,283.6 million as at 31 December 2017 to approximately RMB1,521.0 million as at 30 June 2018. The increase was mainly attributable to the consolidation of the cash and cash equivalents of HSH since the acquisition in March 2018.

Bank loans and loans from other financial institutions

The Group's total long-term and short-term loans decreased by approximately 4.2% from approximately RMB10,994.4 million as at 31 December 2017 to approximately RMB10,534.4 million as at 30 June 2018. 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 39.5% as at 31 December 2017 to 30.3% as at 30 June 2018. The decrease in net gearing ratio was mainly due to (i) the Group's financial position and net gearing ratio have been strengthen since the first completion of the acquisition of Shenzhen Sinoagri in June 2017 and completion of the acquisition of HSH in March 2018; and (ii) the decrease in total amount of long-term bank loans. The net gearing ratio is calculated by dividing bank loans and loans from other financial institutions, net of cash and cash equivalents, pledged bank deposits and 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 2018, 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 2018, the Group had pledged certain of its assets with a total book value of RMB19,145.0 million (31 December 2017: RMB17,390.1 million) and a total book value of RMB5,205.7 million (31 December 2017: RMB5,048.6 million) 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 October 2017, the Group entered into an agreement with HSH and five independent third parties in relation to subscription of 19.72% interest of HSH at an aggregate consideration of USD14.3 million and acquisition of 32.76% interest in at an aggregate consideration of USD15.2 million. HSH, a company incorporated in the Cayman Islands with limited liability, together with its subsidiaries, is principally engaged in the trading of chemical and plastic raw materials and operating the information services business. The transaction was approved by the shareholders of the Company on 5 March 2018. The aforementioned acquisition has been completed on 28 March 2018.

In April 2018, Wuhan Zall Interconnection Tech Co., Ltd. ("**Zall Interconnection**"), a wholly-owned subsidiary of the Company, Shenzhen Sinoagri, a subsidiary of the Company, and other investors entered into an equity transfer and capital increase agreement with Haishangxian, the existing shareholders of Haishangxian and the subsidiaries of Haishangxian in relation to the acquisition and subscription of the equity interest of Haishangxian. Pursuant to the Equity Transfer and Capital Increase Agreement, Zall Interconnection agreed to (i) subscribe for 15% Haishangxian Equity Interest from Haishangxian at a consideration of RMB90 million; and (ii) acquire 6% Haishangxian Equity Interest from the existing shareholders of Haishangxian at an aggregate consideration of RMB27 million, and Shenzhen Sinoagri agreed to acquire 1% Haishangxian Equity Interest from one of the Vendors at a consideration of RMB4.5 million. In addition, the other investors also agreed to subscribe for an aggregate of 25% Haishangxian Equity Interest at a total consideration of RMB150 million. The Subscription and the Acquisition have been completed and Haishangxian is indirectly owned as to 22% by the Company.

Segment reporting

Details of the segment reporting of the Group for the six months ended 30 June 2018 are set out in note 3 of the interim condensed consolidated financial statements.

Contingent liabilities

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

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

As at 30 June 2018, 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 RMB158.4 million (31 December 2017: RMB141.7 million) and RMB759.8 million (31 December 2017: RMB845.2 million), respectively.

CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board has issued a number of new International Financial Reporting Standards that are first effective for the accounting period of six months ended 30 June 2018, certain of which are related to the Group's financial statements for the six months ended 30 June 2018. For details, please refer to Note 2 to the unaudited condensed consolidated interim results of the Company in this announcement.

EVENT SUBSEQUENT TO END OF REPORTING PERIOD

On 9 July 2018, the Company entered into the strategic framework agreement with Wuhan Zhongbang Bank Co. Ltd.* (武漢眾邦銀行股份有限公司) ("**Z-Bank**"), a licenced bank in the PRC, pursuant to which the parties agreed that for the purpose of facilitating the development of the B2B trading platforms of, and the provision of supply chain finance services by, the Group, the parties shall cooperate in the following areas, namely: (i) provision of bank deposits service by Z-Bank to the Group; (ii) provision of fund settlement, payment and other financial services by Z-Bank to the Group and; and (iii) the Group referring customers to Z-Bank for loan and credit facilities services.

On 6 August 2018, Zall Development (Wuhan) Co., Ltd., a wholly-owned subsidiary of the Company, has disposed 65% of equity interest in Wuhan Zall Heng, a company principally engaged in supply chain business of standardized non-ferrous metals, at the consideration of RMB16,250,000. Wuhan Zall Heng ceased to be a subsidiary of the Company.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2018, the Group employed a total of 2,140 full time employees (30 June 2017: 1,255). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2018, the employees benefit expenses were approximately RMB158.4 million (for six months ended 30 June 2017: approximately RMB67.4 million). The increase is due to the first completion of the acquisition of Shenzhen Sinoagri in June 2017 and completion of the acquisition of HSH in March 2018. 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. All the options issued under the Pre-IPO Share Option Scheme were either exercised or lapsed and no further option could be granted. In relation to the Share Option Scheme, 45,667,950 share options were outstanding as at 30 June 2018.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its corporate governance code of practices. In the opinion of the Board, save for the deviation to code provision A.2.1 described below, the Company had complied with all the code provisions as set out in the CG Code throughout the six months ended 30 June 2018.

Code Provision A.2.1

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

During the six months ended 30 June 2018, the Company did not separate the roles of chairman and chief executive officer of the Company and Mr. Yan Zhi acted as the co-chairman and the chief executive officer of the Company. The Board believes that vesting the two roles in Mr. Yan Zhi provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies currently and in the foreseeable future. In July 2018, the Board has appointed Mr. Qi Zhiping as co-chief executive officer of the Company to share the responsibilities and obligations of the chief executive officer with Mr. Yan Zhi. Accordingly, Mr. Yan Zhi has been redesignated as the co-chief executive officer of the Company. The Group will continue to review the structure from time to time and make necessary arrangement if appropriate.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**") as the code for dealing in securities of the Company by the Directors during the six months ended 30 June 2018. The Board confirms that, having made specific enquiries with each of the Directors, all Directors have complied with the required standards of the Model Code during the six months ended 30 June 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF THE INTERIM RESULTS

The Audit Committee has been established in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules with written terms of reference in compliance with the CG Code. The primary responsibilities of the Audit Committee are to review and monitor the financial reporting and internal control principles of the Company and to assist the Board to fulfill its responsibilities over audit. The Audit Committee consists of three independent non-executive Directors, namely: Mr. Cheung Ka Fai, Mr. Wu Ying and Mr. Zhu Zhengfu. Mr. Cheung Ka Fai serves as the chairman of the Audit Committee.

The Audit Committee has reviewed the Group's unaudited condensed consolidated interim results and financial report for the six months ended 30 June 2018 and has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters of the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement has been published on the website of the Stock Exchange at http://www.hkexnews.hk and on the website of the Company at http://www.zallcn.com. The interim report for the six months ended 30 June 2018 of the Group containing all the information required by the Listing Rules will also be published on the same websites and dispatched to the shareholders of the Company in due course.

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

Hong Kong, 31 August 2018

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