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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of Zall Smart Commerce Group Ltd. (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 as follows:

FINANCIAL HIGHLIGHTS

	2018	2017
	RMB'000	*RMB'000*
Revenue	**56,116,072**	22,249,176
Gross profit	**1,559,600**	1,012,255
Gross profit margin	**2.8%**	4.5%
Profit for the year	**1,273,907**	2,356,482
Earnings per share – Basic (RMB cents)	**11.76**	21.23
– Diluted (RMB cents)	**11.75**	21.23
Total non-current assets	**28,820,778**	23,939,482
Total current assets	**24,260,340**	23,404,146
Total assets	**53,081,118**	47,343,628
Total non-current liabilities	**9,817,742**	9,275,286
Total current liabilities	**23,654,563**	19,407,455
Total liabilities	**33,472,305**	28,682,741
Net assets	**19,608,813**	18,660,887

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
Revenue	3(a)	**56,116,072**	22,249,176
Cost of sales		**(54,556,472)**	(21,236,921)
Gross profit		**1,559,600**	1,012,255
Other net loss	4	**(530,495)**	(39,900)
Selling and distribution expenses		**(213,657)**	(196,368)
Administrative and other expenses		**(760,769)**	(492,453)
Impairment loss on trade and other receivables		**(265,422)**	(20,557)
Impairment loss on intangible assets		**(152,824)**	–
Impairment loss on goodwill		**(461,028)**	–
(Loss)/profit from operations before changes in fair value of investment properties		**(824,595)**	262,977
Net valuation gain on investment properties	8	**3,865,192**	3,021,326
Profit from operations		**3,040,597**	3,284,303
Finance income	5(a)	**206,000**	89,001
Finance costs	5(a)	**(697,151)**	(534,360)
Share of net losses of associates		**(172,873)**	(36,050)
Share of net (losses)/profits of joint ventures		**(2,343)**	727
Impairment loss on investment in an associate		**(26,155)**	–
Profit before taxation	5	**2,348,075**	2,803,621
Income tax	6(a)	**(1,074,168)**	(447,139)
Profit for the year		**1,273,907**	2,356,482
Attributable to:			
Equity shareholders of the Company		**1,371,304**	2,379,077
Non-controlling interests		**(97,397)**	(22,595)
Profit for the year		**1,273,907**	2,356,482
Earnings per share (RMB cents)			
Basic	7	**11.76**	21.23
Diluted	7	**11.75**	21.23

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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018
(Expressed in Renminbi)

	Note	2018	2017
			(Note)
	Note	***RMB'000***	*RMB'000*
Profit for the year		**1,273,907**	2,356,482
Other comprehensive income for the year (after tax and reclassification adjustments)			
Item that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycle)		**(1,895)**	-
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of:			
– financial statements of operations outside Mainland China		**(20,793)**	(20,042)
Other comprehensive income for the year		**(22,688)**	(20,042)
Total comprehensive income for the year		**1,251,219**	2,336,440
Attributable to:			
Equity shareholders of the Company		**1,350,993**	2,359,035
Non-controlling interests		**(99,774)**	(22,595)
Total comprehensive income for the year		**1,251,219**	2,336,440

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.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB'000	2017 *(Note)* RMB'000
Non–current assets			
Investment properties	*8*	**25,456,399**	20,206,738
Property, plant and equipment		**314,300**	216,981
Intangible assets		**755,305**	899,151
Goodwill		**1,252,042**	1,606,280
Interests in associates		**467,588**	490,586
Interests in joint ventures		**25,519**	114,387
Long–term receivables		**–**	324,862
Available–for–sale financial assets		**–**	12,500
Equity investment at fair value through other comprehensive income		**8,702**	–
Contract assets		**329,876**	–
Deferred tax assets		**211,047**	67,997
		28,820,778	23,939,482
Current assets			
Financial assets at fair value through profit or loss		**4,785,355**	5,074,617
Inventories and other contract costs		**6,277,105**	7,162,524
Prepaid taxes		**12,017**	16,025
Trade and other receivables	*9*	**8,604,425**	7,098,070
Amounts due from related parties		**193,293**	82,760
Fixed deposits with banks with original maturity over three months		**203,287**	132,602
Pledged bank deposits		**3,066,232**	2,553,901
Cash and cash equivalents		**1,118,626**	1,283,647
		24,260,340	23,404,146

	Note	2018 RMB'000	2017 (Note) RMB'000
Current liabilities			
Financial liabilities at fair value through profit or loss		**142,327**	450,140
Trade and other payables	*10*	**11,006,540**	12,511,792
Contract liabilities		**1,835,718**	–
Amounts due to related parties		**956,391**	583,409
Interest-bearing borrowings		**9,255,114**	5,572,061
Current taxation		**452,480**	284,652
Deferred income		**5,993**	5,401
		23,654,563	19,407,455
Net current assets		**605,777**	3,996,691
Total assets less current liabilities		**29,426,555**	27,936,173
Non-current liabilities			
Interest-bearing borrowings		**4,970,830**	5,422,356
Deferred income		**2,879**	7,183
Deferred tax liabilities		**4,785,009**	3,845,747
Financial liabilities at fair value through profit or loss		**59,024**	–
		9,817,742	9,275,286
NET ASSETS		**19,608,813**	18,660,887
CAPITAL AND RESERVES	*11*		
Share capital		**32,437**	32,292
Reserves		**18,747,155**	17,748,918
Total equity attributable to equity shareholders of the Company		**18,779,592**	17,781,210
Non-controlling interests		**829,221**	879,677
TOTAL EQUITY		**19,608,813**	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

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise Zall Smart Commerce Group Ltd. (the "Company", formerly known as Zall Group Ltd.) and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value set out below:

- equity investments at fair value through other comprehensive income and financial assets at fair value through profit or loss;

- investment properties;

- derivative financial instruments;

- contingent consideration recognised in a business combination; and

- convertible redeemable preference share.

The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand. Items included in the financial statements of each entity in the Group are measured using currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency"). Most of the companies comprising the Group are operating in the People's Republic of China ("PRC") and their functional currency is RMB, hence, RMB is used as the presentation currency of the Group.

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

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

2 CHANGES IN ACCOUNTING POLICIES

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:

(i) IFRS 9, *Financial instruments*

(ii) IFRS 15, *Revenue from contracts with customers*

(iii) 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.

(i) 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 retained earnings and reserves and the related tax impact at 1 January 2018.

	RMB'000
Retained earnings	
Recognition of additional expected credit losses on financial assets measured at amortised cost	292,118
Related tax	(72,465)
Net decrease in retained earnings at 1 January 2018	219,653
Fair value reserve (non-recycling)	
Recognition of fair value reserve (non-recycling) relating to equity securities now measured at fair value through other comprehensive income ("FVOCL") and decrease on fair value reserve (non-recycling) at 1 January 2018	1,271
Related tax	(318)
	953
Non-controlling interests	
Recognition of additional expected credit losses on financial assets measured at amortised cost and decrease in non-controlling interests at 1 January 2018	8,105

(ii) IFRS15, 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.

IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

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, reserves and the related tax impact at 1 January 2018:

	RMB'000
Retained earnings	
Finance costs	19,851
Related tax	(4,963)
Net decrease in retained earnings at 1 January 2018	14,888
Non-controlling interests	
Recognition of finance costs and net decrease in non-controlling interests	46

(iii) 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 service lines is as follows:

	2018	2017
		(Note)
	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	**682,848**	759,540
– Revenue from supply chain management and trading business	**54,089,362**	20,615,283
– Revenue from E-commerce and financial services business	**106,055**	118,648
– Revenue from construction contracts	**5,014**	30,896
– Others	**31,340**	43,280
	54,914,619	21,567,647
Revenue from other sources		
Gross rentals from investment properties	**884,248**	486,293
Financing income	**317,205**	195,236
	56,116,072	22,249,176

Notes: 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 (see note 2(ii)).

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 3(b)(i) and 3(b)(iii) respectively.

The Group's customer base is diversified and the Group does not have any single customer with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2018 (2017: nil).

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2018, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB443,709,000. This amount represents revenue expected to be recognised in the future from pre-completion sales contracts for properties under development and construction contracts entered into by the customers with the Group. This amount includes the interest component of pre-completion properties sales contracts under which the Group obtains significant financing benefits from the customers. The Group will recognise the expected revenue in future when or as the work is completed or, in the case of the properties under development for sale, when the property is accepted by the customer or deemed as accepted according to the contract (whichever is earlier), which is expected to occur over the next 1 to 24 months.

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales contracts for goods such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of goods that had an original expected duration of one year or less.

(iii) Total future minimum lease payments receivable by the Group

The future minimum lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**958,498**	994,404
After 1 year but within 5 years	**2,579,784**	2,676,866
After 5 years	**2,372,055**	2,241,031
	5,910,337	5,912,301

(b) Segment reporting

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

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

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

– Supply chain management and trading 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.

(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.

Disaggregation of revenue from contracts with customers by the 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 years ended 31 December 2018 and 2017 is set out below.

	Property development and related services		**E-commerce and financial services**		**Supply chain management and trading**		**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*
Disaggregation by timing of revenue recognition								
Point in time	**613,637**	675,541	**106,055**	118,648	**54,089,362**	20,615,283	**54,809,054**	21,409,472
Over time	**958,473**	601,188	**58,285**	80,330	**258,920**	114,906	**1,275,678**	796,424
Revenue from external customers	**1,572,110**	1,276,729	**164,340**	198,978	**54,348,282**	20,730,189	**56,084,732**	22,205,896
Inter-segment revenue	**–**	–	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**1,572,110**	1,276,729	**164,340**	198,978	**54,348,282**	20,730,189	**56,084,732**	22,205,896
Reportable segment profit/(loss)	**626,544**	458,218	**(98,032)**	(2,370)	**(67,680)**	(47,299)	**460,832**	408,549
Impairment loss on intangible assets	**–**	–	**–**	–	**(152,824)**	–	**(152,824)**	–
Impairment loss on goodwill	**–**	–	**–**	–	**(461,028)**	–	**(461,028)**	–
Finance income	**61,620**	38,502	**393**	154	**140,143**	49,922	**202,156**	88,578
Finance costs	**(300,825)**	(329,479)	**(3,846)**	(17,676)	**(305,883)**	(153,350)	**(610,554)**	(500,505)
Depreciation and amortisation	**(12,190)**	(10,912)	**(1,671)**	(1,205)	**(57,798)**	(18,925)	**(71,659)**	(31,042)
Net valuation gain on investment properties	**3,865,192**	3,021,326	**–**	–	**–**	–	**3,865,192**	3,021,326
Share of net losses of associates	**(169)**	(2,367)	**(164,108)**	(29,818)	**(8,596)**	(3,865)	**(172,873)**	(36,050)
Share of net (losses)/profits of joint ventures	**(2,694)**	(64)	**–**	–	**351**	791	**(2,343)**	727
Impairment loss on investment of an associate	**–**	–	**(26,155)**	–	**–**	–	**(26,155)**	–
Reportable segment assets	**32,240,057**	29,919,335	**630,189**	1,504,126	**10,549,379**	10,126,116	**43,419,625**	41,549,577
Additions to non-current segment assets during the year	**13,203**	19,224	**157,423**	20,032	**231,919**	2,655,475	**402,545**	2,694,731
Reportable segment liabilities	**11,872,360**	13,365,516	**2,177,283**	2,903,038	**14,050,893**	10,094,269	**28,100,536**	26,362,823

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 (see note 2(ii)).

(ii) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

Revenue

	2018	2017
	RMB'000	*RMB'000*
Reportable segment revenue	**56,084,732**	22,205,896
Other revenue	**31,340**	43,280
Consolidated revenue *(note 3(a))*	**56,116,072**	22,249,176

Profit

	2018	2017
	RMB'000	*RMB'000*
Reportable segment profit derived from the Group's external customers	**460,832**	408,549
Other net loss	**(530,495)**	(39,900)
Impairment loss on intangible assets	**(152,824)**	–
Impairment loss on goodwill	**(461,028)**	–
Net valuation gain on investment properties	**3,865,192**	3,021,326
Finance income	**206,000**	89,001
Finance costs	**(697,151)**	(534,360)
Share of net losses of associates	**(172,873)**	(36,050)
Share of net (losses)/profits of joint ventures	**(2,343)**	727
Impairment loss on investment in an associate	**(26,155)**	–
Unallocated head office and corporate expenses	**(141,080)**	(105,672)
Consolidated profit before taxation	**2,348,075**	2,803,621

Assets

	2018	2017
	RMB'000	*RMB'000*
Reportable segment assets	**43,419,625**	41,549,577
Elimination of inter-segment receivables	**(2,368,101)**	(5,012,798)
	41,051,524	36,536,779
Interests in joint ventures	**25,519**	114,387
Interests in associates	**467,588**	490,586
Financial assets at fair value through profit or loss	**4,785,355**	5,074,617
Deferred tax assets	**211,047**	67,997
Prepaid taxes	**12,017**	16,025
Unallocated head office and corporate assets	**6,528,068**	5,043,237
Consolidated total assets	**53,081,118**	47,343,628

Liabilities

	2018	2017
	RMB'000	*RMB'000*
Reportable segment liabilities	**28,100,536**	26,362,823
Elimination of inter-segment payables	**(2,328,968)**	(4,981,505)
	25,771,568	21,381,318
Current taxation	**452,480**	284,652
Deferred tax liabilities	**4,785,009**	3,845,747
Unallocated head office and corporate liabilities	**2,463,248**	3,171,024
Consolidated total liabilities	**33,472,305**	28,682,741

(iii) Geographic information

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

	Revenues from external customers		Specified non-current assets	
			31 December	31 December
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**55,294,887**	22,249,176	**28,268,170**	23,534,123
Singapore	**821,185**	-	**2,983**	–
	56,116,072	22,249,176	**28,271,153**	23,534,123

The analysis above includes property rental income from external customers in Mainland China of RMB884,248,000 (2017: RMB486,293,000).

4 OTHER NET LOSS

	2018	2017
	RMB'000	*RMB'000*
Net fair value changes on financial instruments at fair value through profit or loss		
– listed equity securities	**(879,148)**	(135,533)
– wealth management products and trust products	**101,498**	90,289
– derivative financial instruments	**23**	(5,078)
– contingent consideration	**251,298**	(13,977)
– convertible redeemable preference shares	**14,049**	–
Loss on disposal of listed equity securities	**(80,274)**	–
Government subsidies	**37,959**	8,006
Dividends received from financial assets at fair value through profit or loss	**10,922**	10,207
Others	**13,178**	6,186
	(530,495)	(39,900)

5 PROFIT BEFORE TAXATION

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

(a) Finance (income)/costs

	2018	2017
	RMB'000	*RMB'000*
Finance income		
Interest income	**(206,000)**	(89,001)
Finance costs		
Interest on bank loans and loans from other financial institutions	**793,701**	704,326
Other borrowing costs	**12,177**	88,872
Less: amounts capitalised into properties under development and investment properties under development *(Note)*	**(261,010)**	(363,805)
	544,868	429,393
Bank charges and others	**153,428**	107,043
Net foreign exchange loss	**(1,145)**	(2,076)
	697,151	534,360

Note: The borrowing costs have been capitalised at rates ranging from 4.75%-13.00% per annum for the year ended 31 December 2018 (2017: 2.50%-13.00%).

(b) Staff costs

	2018	2017
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**283,423**	163,370
Contributions to defined contribution retirement plan	**24,728**	15,600
Equity settled share-based payment expenses	**169,537**	65,259
	477,688	244,229

(c) Other items

	2018	2017
	RMB'000	*RMB'000*
Amortisation – intangible assets	**60,557**	28,437
Depreciation	**38,959**	22,873
Impairment losses		
– trade debtors and bills receivables	**189,022**	2,951
– loans and factoring receivables	**76,400**	17,606
Auditors' remuneration		
– audit services	**4,900**	3,400
– other services	**–**	4,020
Operating lease charges	**44,934**	40,341
Rentals receivable from investment properties less direct outgoings of RMB2,639,000 (2017: RMB3,846,000)	**738,249**	248,630
Cost of construction contracts	**5,014**	30,896
Cost of commodities sold	**53,779,019**	20,467,478
Cost of properties sold	**382,542**	465,418

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2018	2017
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax ("PRC CIT")	**145,166**	50,570
PRC Land appreciate Tax ("PRC LAT")	**60,795**	41,417
	205,961	91,987
Deferred tax		
Origination and reversal of temporary differences	**868,207**	355,152
	1,074,168	447,139

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

(ii) No provision for Hong Kong Profits Tax or Singapore Profits Tax as the Group did not earn any assessable income subject to Hong Kong Profits Tax or Singapore Profits Tax during the years ended 31 December 2018 and 2017.

(iii) Pursuant to the rules and regulations applicable to encouraged industries in the PRC western development strategy, one subsidiary of the Group, GSMN Logistics Co., Ltd. is subject to PRC CIT at a preferential tax rate of 15% for the year ended 31 December 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 year ended 31 December 2018. Pursuant to the rules and regulations applicable to advanced technology enterprises of the PRC, one subsidiary of the Group, Shenzhen AP88.com Agriculture Information Technology Limited is subject to PRC corporate income tax at a preferential tax rate of 15%. 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 years ended 31 December 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.

The provision of the related deferred tax liabilities, if any, are based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008. Deferred tax liabilities have not been recognised in respect of the tax that would be payable on the distribution of the retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

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

	2018	2017
	RMB'000	*RMB'000*
Profit before taxation	**2,348,075**	2,803,621
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdiction concerned	**942,816**	779,668
Tax effect of non-deductible expenses	**19,348**	18,462
Tax effect of non-taxable share of net losses of joint ventures and associates	**5,350**	1,700
Tax effect of non-taxable net income	**(1,744)**	(368)
Tax effect of unused tax losses not recognised	**78,409**	35,535
Tax effect of recognition of previously unused tax losses	**(1,068)**	–
Utilisation of previously unrecognised tax losses	**(14,335)**	(23,781)
PRC LAT in relation to properties sold	**60,522**	41,417
PRC LAT in relation to investment properties	**-**	(526,853)
Tax effect on PRC LAT	**(15,130)**	121,359
Actual tax expense	**1,074,168**	447,139

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,367,182,000 (2017: RMB2,379,035,000) and the weighted average of 11,628,038,000 ordinary shares (2017: 11,204,144,000 ordinary shares) in issued during the year, calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (basic)

	2018	2017
	RMB'000	*RMB'000*
Profit attributable to ordinary equity shareholders of the Company	**1,371,304**	2,379,077
Less: profit attributable to issued ordinary shares for incentive share award scheme	**(661)**	–
profit attributable to issued ordinary shares for VKC consultancy service consideration shares	**(2,639)**	–
profit attributable to issued ordinary shares for management share award scheme	**(822)**	(42)
Profit attributable to ordinary equity shareholders of the Company (basic)	**1,367,182**	2,379,035

(ii) Weighted average number of ordinary shares (basic)

	2018	2017
	'000	*'000*
Issued ordinary shares at 1 January	**11,619,946**	10,745,578
Effect of placing of new shares	**–**	194,269
Effect of issuance of new shares as consideration of acquisition of subsidiaries	**–**	264,297
Effect of share vested under incentive share award scheme	**1,401**	–
Effect of share vested under VKC consultancy service consideration shares	**5,605**	–
Effect of share vested under shares rewards to Management of Signario	**1,086**	–
Weighted average number of ordinary shares at 31 December	**11,628,038**	11,204,144

(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 RMB1,370,482,000 (2017: RMB2,379,035,000) and the weighted average of 11,665,335,000 ordinary shares (2017: 11,206,627,000 ordinary shares) in issued during the year, calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2018	2017
	RMB'000	*RMB'000*
Profit attributable to ordinary equity shareholders of the Company (basic)	**1,367,182**	2,379,035
Add: profit attributable to issued ordinary shares for incentive share award scheme	**661**	–
profit attributable to issued ordinary shares for VKC consultancy service consideration shares	**2,639**	–
Profit attributable to ordinary equity shareholders of the Company (diluted)	**1,370,482**	2,379,035

(ii) Weighted average number of ordinary shares (diluted)

	2018	2017
	'000	*'000*
Weighted average number of ordinary shares at 31 December (basic)	**11,628,038**	11,204,144
Effect of deemed issue of incentive shares	**29,630**	2,483
Effect of deemed issue of VKC consultancy service consideration shares	**7,667**	-
Weighted average number of ordinary shares at 31 December (diluted)	**11,665,335**	11,206,627

8 INVESTMENT PROPERTIES

(a) Reconciliation of carrying amount

	Completed investment properties *RMB'000*	Investment properties under development *RMB'000*	Total *RMB'000*
At 1 January 2017	11,382,310	3,241,745	14,624,055
Additions	34,361	216,029	250,390
Transfer from completed properties held for sale *(Note)*	2,158,262	–	2,158,262
Transfer from non-current assets classified as held for sale	152,705	–	152,705
Fair value adjustments	3,009,659	11,667	3,021,326
At 31 December 2017	16,737,297	3,469,441	20,206,738
Representing:			
Cost	6,826,943	1,560,464	8,387,407
Fair value adjustments	9,910,354	1,908,977	11,819,331
	16,737,297	3,469,441	20,206,738
At 1 January 2018	16,737,297	3,469,441	20,206,738
Additions	37,574	205,447	243,021
Transfer from completed properties held for sale *(Note)*	1,141,448	–	1,141,448
Fair value adjustments	3,697,611	167,581	3,865,192
At 31 December 2018	21,613,930	3,842,469	25,456,399
Representing:			
Cost	8,005,965	1,765,911	9,771,876
Fair value adjustments	13,607,965	2,076,558	15,684,523
	21,613,930	3,842,469	25,456,399
Book value:			
At 31 December 2018	21,613,930	3,842,469	25,456,399
At 31 December 2017	16,737,297	3,469,441	20,206,738

Note: During the year ended 31 December 2018, the Group transferred certain completed properties held for sale to investment properties when there was an actual change in use from sale to earning rental income purpose, which were evidenced by commencement of operating lease as stipulated in the lease agreements entered into by the Group. Correspondingly, a fair value gain in profit or loss of RMB3,971,127,000 (2017: RMB3,020,140,000) upon transfer was recognised.

As at 31 December 2018, the Group's investment properties and investment properties under development with an aggregated carrying value of RMB18,991,425,000 (2017: RMB13,887,495,000) were pledged as collateral for the Group's bank loans.

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

(b) Fair value measurement of properties

(i) Fair value hierarchy

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

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

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

- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value as at 31 December 2018 *RMB'000*	**Fair value measurements as at 31 December 2018 categorised into level 3** *RMB'000*
Recurring fair value measurement		
– investment properties	25,456,399	25,456,399

	Fair value as at 31 December 2017 *RMB'000*	Fair value measurements as at 31 December 2017 categorised into level 3 *RMB'000*
Recurring fair value measurement		
– investment properties	20,206,738	20,206,738

During the year ended 31 December 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2017: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2018. The valuations were carried out by an independent firm of surveyors, Jones Lang Lasalle, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The Group's property manager and the senior management have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range
Completed investment properties	Income capitalisation method	Yield	4.5%-5.5% (2017: 4%-5.5%)
		Market monthly rental rate (RMB/sqm.)	7 – 300 (2017: 10-300)
		Occupancy rate	35%-95% (2017: 30%-98%)
Investment properties under development	Residual approach	Yield	4.5%-5.5% (2017: 4.5%-5.5%)
		Reversion Yield	5.5%-6.0% (2017: 5.5%-6.0%)
		Market monthly rental rate (RMB/sqm.)	35.4 – 65.1 (2017: 15-75.6)
		Occupancy rate	0%-95% (2017: 0%-98%)

The fair value of completed investment properties is generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the income and reversionary potential income by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings within the subject properties and the estimated rental incremental observed in other comparable properties.

The fair value of investment properties under development is generally derived using the residual method assuming that it is newly completed in accordance with the development proposal in term of property use, respective saleable areas and construction schedule to establish the gross development value ("GDV") of the property. The total unexpended costs of the development including construction costs, professional fees and other associated expenditure, together with an allowance for interest expenses, and developer's profits are estimated and deducted. The resultant residual figures are then adjusted back to the valuation date to arrive at the fair value of the property concerned in its existing state.

Fair value adjustment of investment properties is recognised in the line of item "net valuation gain on investment properties" on the face of the consolidated statement of profit or loss.

(c) Investment properties leased out under operating leases

The Group leases out its investment properties under operating leases. The leases for most of the properties typically run for an initial period of 1 to 20 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually increased every 1 to 3 years to reflect market rentals. None of the leases includes contingent rentals.

All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment property.

9 TRADE AND OTHER RECEIVABLES

	Notes	**31 December 2018** *RMB'000*	**1 January 2018** *RMB'000*	31 December 2017 *RMB'000*
Trade debtors and bill receivables, net of loss allowance	*9(a)*	**2,874,048**	**1,862,831**	2,142,009
Loans and factoring receivables, net of loss allowance	*9(b)*	**3,347,928**	**3,062,215**	3,085,962
		6,221,976	**4,925,046**	5,227,971
Advances to suppliers		**873,441**	**573,000**	573,000
Other receivables, deposits and prepayments		**1,509,008**	**1,297,099**	1,297,099
		8,604,425	**6,795,145**	7,098,070

Notes:

Trade and other receivables of the Group included deposits of RMB8,000,000 (2017: RMB97,000,000) which are expected to be recovered or recognised as expense after more than one year. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

As at 31 December 2018, certain bills receivables with carrying value of RMB932,614,000 were pledged as collateral for the Group's bank loans.

(a) Ageing analysis of trade debtors and bills receivables

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

	2018 *RMB'000*	2017 *RMB'000*
Within 6 months	**2,085,881**	885,710
6 to 12 months	**353,362**	971,281
Over 12 months	**434,805**	285,018
	2,874,048	2,142,009

Customers are normally granted credit terms of 30 to 360 days, depending on the credit worthiness of individual customers.

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

	31 December 2018	**1 January 2018**	31 December 2017
	RMB'000	***RMB'000***	*RMB'000*
Guaranteed loans receivable, net of loss allowance	**39,424**	**165,326**	167,585
Secured loans receivable, net of loss allowance*	**2,162,005**	**2,161,479**	2,174,477
Unsecured loans receivable, net of loss allowance	**740,474**	**–**	–
Factoring receivable, net of loss allowance	**406,025**	**735,410**	743,900
	3,347,928	**3,062,215**	3,085,962

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

Ageing analysis

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

	2018	2017
	RMB'000	*RMB'000*
Within 6 months	**3,026,116**	2,159,064
6 to 12 months	**51,347**	705,675
Over 12 months	**270,465**	221,223
	3,347,928	3,085,962

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

10 TRADE AND OTHER PAYABLES

	31 December 2018 *RMB'000*	**1 January 2018** *RMB'000*	31 December 2017 *RMB'000*
Trade and bills payables (i)	**8,143,449**	**7,638,996**	7,638,996
Receipts in advance	**294,356**	**248,656**	1,257,188
Other payables and accruals	**2,433,625**	**3,021,541**	3,021,541
Other borrowings (i) (ii)	**135,110**	**594,067**	594,067
	11,006,540	**11,503,260**	12,511,792

Notes: As a result of the adoption of IFRS 15, advances received and forward sales deposits and instalments received are included in contract liabilities (see note 2(ii)).

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

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

	2018 *RMB'000*	2017 *RMB'000*
Within 6 months	**4,140,186**	3,015,551
Over 6 months but within 12 months	**2,386,941**	4,626,891
Over 12 months	**1,751,432**	590,621
	8,278,559	8,233,063

(ii) Other borrowings mainly represented amounts generated from financial lending business. The interest rate of the other borrowings are ranging from 6.9%-9.3% (2017: 7.4%-12%).

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

	2018 *RMB'000*	2017 *RMB'000*
Pledged bank deposits	**2,978,140**	2,187,042
Financial assets at fair value through profit or loss	**2,304,100**	2,761,540
Bills receivable	**–**	100,000
	5,282,240	5,048,582

11 CAPITAL AND DIVIDENDS

(a) Share capital

	2018		2017	
	Number of shares	**Amount**	Number of shares	Amount
	('000)	***HKD'000***	*('000)*	*HKD'000*
Authorised:				
Ordinary shares of HKD0.00333 each	**24,000,000**	**80,000**	24,000,000	80,000
Ordinary shares, issued and fully paid:				
At 1 January	**11,628,005**	**38,759**	10,745,578	35,818
Placing of new shares	**–**	**–**	357,141	1,190
Issuance of new shares as consideration of acquisition of subsidiaries	**–**	**–**	517,227	1,724
Issue of Incentive Shares	**10,746**	**36**	–	–
Issue of Consultancy Service Consideration Shares	**42,981**	**143**	–	–
Issuance of management shares	**–**	**–**	8,059	27
At 31 December	**11,681,732**	**38,938**	11,628,005	38,759

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year.

The directors of the Company did not recommend the payment of any dividend for the year ended 31 December 2018 (2017: HKD2.58 cents per ordinary share).

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year.

	2018	2017
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HKD 2.58 cents per share (2017: nil)	**246,653**	–

12 ACQUISITION OF SUBSIDIARIES

Acquisition of HSH International Inc. ("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 31 December 2018, HSH contributed revenue of RMB11,044,015,000 and loss of RMB30,244,000 to the Group's results. If the acquisition had occurred on 1 January 2018, management estimates that consolidated revenue for the year ended 31 December 2018 would have been RMB58,571,610,000, and consolidated profit for the year ended 31 December 2018 would have been RMB1,265,625,000. 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	Rcognised value on acquisition
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	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 (33.79%)			13,827
Proportion of ownership (66.21%)			27,092
Consideration			
– Cash paid			133,883
– Need to be settled in cash			42,920
– Contingent consideration (Note)			(42,914)
Total fair value of the consideration			133,889
Goodwill arising on acquisition			106,797

Note: Contingent consideration including, (i) a share pledge, under which HSH Group Limited pledged a total of 106,962,000 shares of HSH to the Group; and (ii) an amount of USD1,243,000 will be held in escrow by the Group. One third of the total number of pledged shares (i.e. 35,654,000 shares in HSH) and one third of the withheld consideration (i.e. USD414,000) shall be reserved for the settlement of any shortfall arising from the performance guarantee for each of the financial year ending 31 December 2017, 2018 and 2019.

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.

The valuation techniques used for measuring the fair value of material asset acquired and contingent consideration were as follows:

Assets Acquired	**Valuation Approach and Methodology**
Intangible assets-customer relationship	Estimated using excess earning approach, under which associated contributory assets returns are deduced from projected income stream to measure cash flow attributable to subject assets, and discounted projected excess earning by risk-adjusted discount rate.
Intangible assets-trademarks	Estimated using relief from royalty approach, under which projected royalty income is estimated based on comparable royalty rates, and discounted projected after-tax royalty income by risk-adjusted discount rate.
Contingent consideration	The fair value of contingent consideration is determined using probabilistic method based on different scenarios of financial forecasts of HSH and respective occurrence probability.

13 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 and Prospects

Consumer product-focused wholesale

The Group's heavily invested core project, the North Hankou International Trade Center has now formed 30 large specialized market clusters covering footwear and leatherware, branded clothing, hotel supplies, small merchandises, bedding, automobile and second-handed vehicles, hardware and electrical products, etc., with merchants reaching 32,000 operating stably. The total developed and developing area of market clusters exceeded 6.8 million square meters. The annual transaction amount achieved in 2018 was RMB87.3 billion.

In 2018, various new markets and businesses including Central Business New City, Hotel Supplies City, Brand Street, Puyuan Fashion City, Books E-commerce City, Food World, Hotel Supplies International Pavilion, Flower World, Electronic and Electrical City etc. were opened in the North Hankou International Trade Center which further enhanced the scale of specialized markets in North Hankou. The Group has organized various large-scale marketing activities such as order fairs, internal purchase fairs, procurement days, exhibition fairs, exchange salons, etc. for a total of 56 times in 2018. Such events included the 9th China Hankoubei Commodity Fair that highlighted the theme of internationalization, the first Central China Import Commodity Expo, the Nordic Goods Cross-border O2O Exhibition Fair, North Hankou Luxury Trade Fair, Food and Trend Carnival, International Food Exhibition etc attracting over 100,000 citizens to visit. The Group actively organized the "2018 Wuhan Online Shopping Festival" to gain access to the online marketing resources, and cooperated with Taobao to create the "Taobao Live Broadcast Industry with Live Broadcast Base" and held the "Taobao Industry with Live Broadcast Wuhan Event". Through various exhibition activities, popularity and prosperity of the markets were greatly promoted and a large number of merchants have been attracted.

In 2018, the Group strengthened the pilot construction of the national market procurement and trading mode and comprehensively deepened the development of new foreign trading business and achieved an annual export amount of USD1.277 billion with a year-on-year increase of 66.28%. In November 2018, North Hankou officially launched the "GSP Global Suppliers Platform" at the China International Import Expo, which has shared more than 100,000 entries of information for international suppliers and more than 600,000 entries of information for Chinese suppliers and built a bridge for worldwide trading. In December 2018, China (Wuhan) cross-border E-commerce comprehensive pilot zone implementation plan was introduced in which North Hankou was listed as a priority area for cross-border E-commerce development. In addition, the Zall Wanguo City and the Nordic Pavilion were completed in North Hankou and the Nordic Goods Cross-border O2O Trading Exhibition Center was established by the Group. A new development journey for the global import commodity distribution center has begun.

Tianjin E-commerce Mall is the Group's flagship project in Northern China. Portions of the commercial, trade and e-commerce zones of Phase I have commenced operation gradually. Against a background of cooperative development in the Beijing-Tianjin-Hebei region and the easing of Beijing's non-capital core function, Tianjin E-commerce Mall has been absorbing an increasing number of Beijing's large wholesale markets. As of 31 December 2018, over 6,000 merchants were stationed at Tianjin

E-commerce Mall. 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) of Tianjin E-commerce Mall Phase I has commenced operation in April 2018. Tianjin E-commerce Mall grasped the opportunities following the trend of Beijing easing and established procurement routes to Tianjin Old DaHutong (天津老大胡同), different areas of Tianjin and Beijing as well as the long-distance procurement bus routes to Inner Mongolia, Northeastern China, Shanxi, Shandong, Hebei etc. The passengers transportation system of Tianjin Old wholesale markets was completely undertaken by the Group and has formed a logistics network that covering Eastern China, Southern China, Central China, Northern China, Northeastern China, Northwestern China regions respectively. The Group's position of the largest clothing wholesale and procurement central market in Northern China was gradually strengthened.

Supply chain management and trading

As the Group continues to strengthen and expand its e-commerce, internet and intelligent trading businesses, the Group has acquired and established various companies in the industrial internet sector focusing on the construction and operation of intelligence transactions and services platforms. The Group has established B2B trading platform matrix for agricultural products, chemicals and plastic raw material, black metal and non-ferrous metal, etc.

Shenzhen Sinoagri E-commerce Co., Ltd. ("**Shenzhen Sinoagri**") has devoted in the agricultural products B2B vertical e-commerce sector for years and is mature in B2B trading platform and supply chain management. In 2018, prices of bulk commodities including white sugar continued to decrease. Despite such unfavourable market environment, Shenzhen Sinoagri has maintained a stable growth in transaction amount. In 2018, Shenzhen Sinoagri has provided whole supply chain service solutions in the fields of trading, information, settlement, finance and logistics to over 70,000 manufacturers, processing enterprises, suppliers and terminal suppliers in both upstream and downstream. In 2018, the new product variety of Shenzhen Sinoagri, the dried fruit and vegetable business operated smoothly and 11 warehouses were set up in different places such as Shandong, Jiangsu, Inner Mongolia and Gansu with transaction scale exceeded RMB100 million. Meanwhile, Shenzhen Sinoagri has completed the preparation for the launch of soybean variety and has provided whole supply chain services for both upstream and downstream clients of the soybean industry. A breakthrough was made in overseas export business with a cross-border trading scale of USD12.36 million which was achieved in the exports to countries such as Thailand, Vietnam and India etc. As of 31 December 2018, the registered members of Shenzhen Sinoagri reached 78,901. The brand value of Shenzhen Sinoagri was further recognized by the government and the industry. Shenzhen Sinoagri was honoured as Top 500 Chinese Enterprises (ranked the 486th), and it has successively entered Top 100 Chinese B2B Industry List (ranked the 7th) and listed in the Top 500 Shenzhen Enterprises (ranked the 37th). As of 31 December 2018, the annual revenue of Shenzhen Sinoagri amounted to approximately RMB35 billion, representing an increase of approximately 7.36% as compared to the corresponding period of 2017.

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 whole industrial chain for chemical and plastics raw materials and constructing a new ecosystem for entire chemical and plastics raw materials industry industrial chain. In 2018, HSH adjusted the operating structure and focused on developing large and medium-sized quality suppliers. With further focusing on the main products, HSH gradually optimized some non-main SKU commodities and devoted to strengthen the main products which increased market share. In 2018, the number of self-operated orders amounted to 15,464, representing a year-on-year increase of approximately 10.03%; the number of clients reached 39,295, representing a year-on-year increase of approximately 14.61%; and the annual revenue amounted to RMB13.5 billion, representing a year-on-year increase of approximately 93.13%.

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. Zall Steel mainly provides overall integrated supply chain services and solutions for trading, warehousing and processing, supply chain finance and other services to upstream and downstream supply chain partners. Since its establishment on 23 March 2018, Zall Steel has formed business partnerships with approximately 1,500 upstream and downstream customers. As of 31 December 2018, Zall Steel has realized operating revenue of RMB5.7 billion.

In April 2018, the Group 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 provides an integrated one-stop platform for 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 new corporation, Commodities Intelligence Centre Pte. Ltd., ("**CIC**") in Singapore. CIC 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. Since the launch of the platform in October and up to 31 December 2018, the matched transaction amounted to USD1.75 billion and the proprietary transaction amount reached USD124 million. CIC discussed with Marubeni Corporation in Japan, one of the Global 500 enterprises, for cooperation in the late 2018 and officially entered into a strategic cooperation agreement in the early 2019. The parties will carry out in-depth cooperation in sectors such as agricultural industrial internet, international supply chain finance, food deep processing. Relying on each other's advantages in globalized business and resource and technology accumulation, the parties will jointly expand the Chinese and the world market.

Through the integration online and offline of development in recent years, the Group has set up and operated B2B trading platforms which have significant impacts on agricultural products, chemicals, plastics raw materials, black metal 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, continue to enrich and enhance Zall's intelligent trading ecosphere and to further improve operating efficiency.

Finance, warehousing and logistics services

Zall Financial Services Group Limited ("**Zall Jinfu**") focuses on the strategic objectives of the Group's, relies on the blockchain to provide the underlying technology of the Group's intelligent commercial trading ecosphere to create products and solutions that are differentiated from traditional financial institutions, connects completely with the commerce, logistics, and e-commerce platform systems of the Group to provide all-rounded diversified financial services. For the year ended 31 December 2018, Zall Jinfu has accumulated handling approximately RMB1.733 billion of financial loans for upstream and downstream enterprises of the supply chain based on the transactions and supply chain trading management platforms such as North Hankou market (漢口北市場), Zall Cloud Market (卓爾雲市) and Zall Commerce (卓爾雲商) etc.

In respect of warehousing services, Zall Cloud Warehouse (卓爾雲倉), a subsidiary of the Group, focuses on the provision of offline warehouse goods custody services, warehouse leasing and financial products regulatory services for enterprises and their downstream distributors, wholesale markets 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. As of 31 December 2018, Zall Cloud Warehouse has successfully linked with multiple enterprises within the Group with businesses distributed in 40 cities such as Shanghai, Shenzhen, Qingdao, Ningbo, etc. The number of regulatory inventory warehouses reached 260 with an area of over 12 million square meters and a total inventory of approximately 1.06 million tons. Moreover, Zall Cloud Warehouse has strategically cooperated with industries such as maternal and child, electrical appliances, clothing, fast-moving consumer goods and reached cooperation intentions with over 20 merchants.

In respect of logistics services, Zallsoon (卓集送), a subsidiary of the Group, mainly focuses on city distribution freight, intercity long-distance freight and cold chain specialized vehicles. It provides customized logistics solutions to customers by using big data technology 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 (e.g. 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 31 December 2018, Zallsoon has accomplished the layout in 37 core logistics cities including Wuhan, Shanghai, Nanjing, Guangzhou, Shenzhen, Tianjin, Xuzhou, Dongguan, Zhengzhou, Beijing, etc. Zallsoon focused on the industry customers and expanded business scopes to e-commerce, express delivery, O2O, new retail, fresh food, etc. and reached national transportation cooperation with many globally well-known enterprises. As of 31 December 2018, Zallsoon provides services to approximately 200,000 cargo owners with over 100,000 active drivers on its platform. Accumulated number of orders in aggregate amounted to nearly 67 million, with over 120,000 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 31 December 2018 and 31 December 2017 were as follows:

As at 31 December 2018

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

Note: The unrealised holding gain included the exchange gain of approximately RMB44.52 million for the year ended 31 December 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 year ended 31 December 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 unrealised holding loss included the exchange loss of approximately RMB146.5 million for the year ended 31 December 2017.

The performance and prospects of the listed equity investments during the year are as follows:

As at 31 December 2018, the Group held approximately 613,880,000 (31 December 2017: 695,497,500) shares in Fullshare, representing approximately 3.11% of its entire issued share capital (31 December 2017: 3.53%). Fullshare is listed on the main board of the Stock Exchange. Its principle activities are property development, tourism, investment, provision of healthcare products and services business and new energy business. The Group recognised an unrealised holding loss of approximately RMB879.1 million, including exchange gain of approximately RMB44.52 million for the year ended 31 December 2018 (31 December 2017: unrealised holding loss of RMB149.6 million including exchange loss of approximately RMB146.5 million). The carrying amount of investment in Fullshare accounts for approximately 1.82% of the Group's total assets as at 31 December 2018 (31 December 2017: 4.42%). The Group is of the view that the unrealised holding loss: (i) did not cover other items of the Group's results for the year ended 31 December 2018 and (ii) is non-cash in nature and relates to the change in fair value of the Group's investment in Fullshare that are volatile in nature, the unrealised holding loss will not adversely affect the Group's operating financial positions. The Group will closely monitor the performance of its investment and adjust its investment plan and portfolio when necessary.

Results of Operation

Revenue

Revenue of the Group increased significantly by approximately 152.2% from RMB22,249.2 million for the year ended 31 December 2017 to approximately RMB56,116.1 million for the year ended 31 December 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 decrease in revenue from E-commerce and financial service business; (iv) the decrease 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 96.8% of the Group's total revenue for the year ended 31 December 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 year impact in the year ended 31 December 2018 as compared to the consolidation of the financial results of six month upon completion of such acquisition in June 2017 during the year ended 31 December 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 81.8% from RMB486.3 million for the year ended 31 December 2017 to RMB884.2 million for the year ended 31 December 2018. The increase was primarily due to an increase in rental areas in the North Hankou Project.

Revenue from financing income

The Group's financing income increased by 62.5% from RMB195.2million for the year ended 31 December 2017 to RMB317.2million for the year ended 31 December 2018. The increase was mainly due to full year impact of Shenzhen Sinoagri consolidation.

Revenue from E-commerce and financial services business

The Group's revenue from e-commerce and financial services business decreased by approximately 10.6% from RMB118.6 million for the year ended 31 December 2017 to RMB106.1 million for the year ended 31 December 2018. The decrease was mainly due to the slightly reduction in volume of E-commerce transactions in 2018.

Revenue from construction contract

The Group's revenue from construction contract to build certain properties on behalf of a third party decreased significantly by approximately 83.8% from RMB30.9 million for the year ended 31 December 2017 to RMB5.0 million for the year ended 31 December 2018. The revenue was recognised according to the actual cost incurred for the year ended 31 December 2018. The decrease for the year 2018 was primarily due to projects being at their completion stage in the year under review.

Sales of properties and related services

Revenue from sales of properties decreased by approximately 10.1% from RMB759.5 million for the year ended 31 December 2017 to RMB682.8 million for the year ended 31 December 2018.

The Group's revenue from sales of properties was generated from the sales of auxiliary facilities units, office and retails units and residences. The decrease in revenue from sales of properties was mainly attributed to the decrease in the gross floor area delivered in 2018.

Cost of sales

Cost of sales of the Group increased significantly by approximately 156.9% from approximately RMB21,237.0 million for the year ended 31 December 2017 to approximately RMB54,556.5 million for the year ended 31 December 2018. The increase is primarily due to full year impact of Shenzhen Sinoagri and completion of acquisition of HSH, cost of inventories of approximately RMB45,531.4 million incurred from the supply chain management and trading business.

Gross profit

Gross profit of the Group increased by approximately 54.1% from approximately RMB1,012.3 million for the year ended 31 December 2017 to approximately RMB1,559.6 million for the year ended 31 December 2018. The Group's gross profit margin decreased from 4.5% for the year ended 31 December 2017 to 2.8% for the year ended 31 December 2018 which is mainly due to the changes of the revenue portfolio of the Group since the 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 gross profit margin.

Other net loss

Other net loss of the Group increased by approximately 1,229.6% from approximately RMB39.9 million for the year ended 31 December 2017 to approximately RMB530.5 million for year ended 31 December 2018. The increase was mainly due to the decrease in the fair value change on listed equity securities of approximately RMB879.1 million.

Selling and distribution expenses

Selling and distribution expenses of the Group increased by approximately 8.8% from RMB196.4 million for the year ended 31 December 2017 to approximately RMB213.7 million for the year ended 31 December 2018. The increase was primarily due to the increase in staff costs of approximately RMB17.6 million.

Administrative and other expenses

Administrative and other expenses of the Group increased by approximately 54.5% from RMB492.5 million for the year ended 31 December 2017 to approximately RMB760.8 million for the year ended 31 December 2018. The increase was primarily due to (i) the increase in staff cost of approximately RMB59.8 million; (ii) increase in amortisation and depreciation of approximately RMB29.4 million; (iii) increase in other tax expenses (e.g. stamp duty, property tax, etc.) of approximately RMB42.1 million; (iv) increase in share-based payment expenses of approximately RMB47.1 million.; and (v) increase in donation of approximately RMB15.0 million.

Net valuation gain on investment properties

The Group holds a portion of properties developed for rental income and/or capital appreciation purposes. The Group's investment properties are revaluated at the end of the respective review period on an open market value or existing use basis by an independent property valuer. The net valuation gain on investment properties increased by approximately 27.9% from RMB3,021.3 million for the year ended 31 December 2017 to approximately RMB3,865.2 million for the year ended 31 December 2018. The increase was primarily due to the increased number of shopping mall units retained for rental purposes. The return of investment properties remains stable and the Group will closely monitors the performance of its investment and adjust investment plan when neecssary.

Share of net (losses)/profits of joint ventures

Share of net profits of joint ventures of the Group decreased by 422.3% from share of net profits of approximately RMB727.0 thousand for the year ended 31 December 2017 to approximately share of net losses of RMB2,343.0 thousand for the year ended 31 December 2018. The decrease 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 379.4% from approximately RMB36.1 million for the year ended 31 December 2017 to approximately RMB172.9 million for the the year ended 31 December 2018. The increase is mainly due to the increase in share of losses from material associate of LightInTheBox comparing to the year ended 31 December 2017.

Finance income and costs

Finance income of the Group increased by approximately 131.5% from RMB89.0 million for the year ended 31 December 2017 to approximately RMB206.0 million for the year ended 31 December 2018. The increase was mainly attributable to interest income from the pledged bank deposits due to the full year impact of Shenzhen Sinoagri.

A net finance cost of the Group increased by approximately 30.5% from RMB534.4 million for the year ended 31 December 2017 to approximately RMB697.2 million for the year ended 31 December 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 year impact of Shenzhen Sinoagri consolidation.

Income tax

Income tax increased by approximately 140.3% from RMB447.1 million for the year ended 31 December 2017 to RMB1,074.2 million for the year ended 31 December 2018. The increase was mainly due to the increase in deferred tax of RMB542.9 million as result of the increase of fair value gain from investment properties in 2018. The Group's effective tax rate increased from approximately 15.9% for the year ended 31 December 2017 to approximately 45.7% for the year ended 31 December 2018.

Profit for the year

For the year ended 31 December 2018, the Group recorded a net profit of RMB1,273.9 million, representing a decrease of approximately 45.9% over the amount of RMB2,356.5 million for the year ended 31 December 2017. For the year ended 31 December 2018, profit attributable to equity shareholders of the Company was RMB1,371.3 million (31 December 2017: 2,379.1 million).

Liquidity and capital resources

As at 31 December 2018, the Group had net current assets of approximately RMB605.7 million (31 December 2017: approximately RMB3,996.7 million) and net assets of approximately RMB19,608.8 million (31 December 2017: approximately RMB18,660.9 million). As at 31 December 2018, the total equity attributable to equity shareholders of the Company amounted to approximately RMB18,779.6 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 RMB18,747.2 million (31 December 2017: approximately RMB17,748.9 million). The Group's financial position is healthy with a stable well-managed working capital.

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 decreased by approximately 12.9% from approximately RMB1,283.6 million as at 31 December 2017 to approximately RMB1,118.6 million as at 31 December 2018. The Group's cash and cash equivalents remain stable. The Group regularly and closely monitors its funding and treasury position to meet the funding requirements of the Group.

Interest-bearing borrowings

The Group's total long-term and short-term interest-bearing borrowings increased by approximately 29.4% from approximately RMB10,994.4 million as at 31 December 2017 to approximately RMB14,225.9 million as at 31 December 2018. The increase was mainly attributable to (i) the completion of the Completed Acquisitions as mentioned, resulting the financial results of HSH being consolidated into the financial results of the Group; (ii) the increase of short-term loans to improve the liquidity of the Group. Majority of the loans were denominated in RMB, being the functional currency of the Group. Details of the interest rates during the year ended 31 December 2018 are set out in note 5(a) of the consolidated financial statements in this announcement.

Net gearing ratio

The Group's net gearing ratio increased from 39.5% as at 31 December 2017 to 52.4% as at 31 December 2018. The increase in net gearing ratio was mainly due to the increase of total short-term and long-term interest-bearing borrowings as at 31 December 2018. The net gearing ratio is calculated by dividing interest-bearing borrowings, net of cash and cash equivalents, pledged bank deposits and fixed deposits with banks with original maturity over three months, by total equity attributable to equity shareholders of the Company.

Foreign exchange risk

The Group's sales were primarily denominated in RMB, being the functional currency of the Group's major operating subsidiaries. Accordingly, the Board expects any future exchange rate fluctuation will not have any material effect on the Group's business. As at 31 December 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 31 December 2018, the Group had pledged certain of its assets with a total book value of RMB22,832.9 million (31 December 2017: RMB17,390.1 million) and a total book value of RMB5,282.2 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

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.

In 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.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries and associates during the year ended 31 December 2018 and up to the date of this announcement.

Segment reporting

Details of the segment reporting of the Group for the year ended 31 December 2018 are set out in note 3(b) of the consolidated financial statements in this announcement.

Contingent liabilities

In accordance with industrial practice, the Group has made arrangements with various PRC banks to provide mortgage facilities to the purchasers of its pre-sold properties. Pursuant to the terms of the guarantees, if there is a 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 31 December 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 RMB268.1 million (2017: RMB141.7 million) and RMB688.8 million (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 year ended 31 December 2018, certain of which are related to the Group's financial statements for the year ended 31 December 2018. For details, please refer to Note 2 to the consolidated results of the Company in this announcement.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group employed a total of 1,919 full time employees (2017: 1,714). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2018, the employees benefit expenses were RMB477.7 million (2017: RMB244.2 million). The increase is mainly due to the first completion of acquisition of Shenzhen Sinoagri in June 2017 and completion 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 such as shares and options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires.

The Group has also adopted a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants, including the Directors, and full-time or part-time employees, executives or officers of the Group who had contributed to the success of the Group's operations. In relation to the Share Option Scheme, 94,367,950 share options were outstanding as at 31 December 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 from code provision A.2.1 described below, the Company had complied with the code provisions as set out in the CG Code throughout the year ended 31 December 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.

Before July 2018, Dr. Yan Zhi acted as the co-chairman of the Board and the chief executive officer of the Company. The Board believes that vesting the two roles in Dr. 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 Dr. Yan Zhi. Accordingly, Dr. Yan Zhi has been redesignated as the co-chief executive officer of the Company. The Company has therefore complied with Code Provision A.2.1 since July 2018. 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 year ended 31 December 2018. The Board confirms that, having made specific enquiries with all Directors, all Directors have complied with the required standards of the Model Code for the year ended 31 December 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has been established in compliance with Rules 3.21 and 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 has reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters of the Group. The annual results of the Group for the year ended 31 December 2018 have also been reviewed by the Audit Committee.

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

SCOPE OF WORK OF KPMG

The financial figures in respect of the announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor on the result announcement.

FINAL DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2018 (2017: HK$2.58 cents per share).

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on Thursday, 30 May 2019. A notice convening the AGM will be published and dispatched to the shareholders in accordance with the requirements of the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS TO ASCERTAIN SHAREHOLDERS' ENTITLEMENT TO ATTEND AND VOTE AT THE AGM

In order to determine who are eligible to attend and vote at the AGM, the Company's register of members will be closed from Friday, 24 May 2019 to Thursday, 30 May 2019 (both days inclusive), during which no transfer of shares of the Company will be effected. In order to be qualified to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 23 May 2019.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of Stock Exchange at http://www.hkexnews.hk and on the Company's website at http://www.zallcn.com. The annual report for the year ended 31 December 2018 of the Group containing all the information required by the Listing Rules will also be published on the same websites and be dispatched to the shareholders in due course.

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

Hong Kong, 29 March 2019

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