Zall Group Ltd.
卓爾集團股份有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2098)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board (the "**Board**") of directors (the "**Directors**") of Zall Group Ltd. (the "**Company**" or "**Zall**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2016 (the "**Period**"), together with comparative figures for the preceding period as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2016 — unaudited
(Expressed in Renminbi)

	Note	**Six months ended 30 June** **2016** ***RMB'000***	2015 *RMB'000* Restated
Revenue	*3*	**626,072**	539,360
Cost of sales		**(400,182)**	(273,498)
Gross profit		**225,890**	265,862
Other income	*4*	**930,744**	75,541
Selling and distribution expenses		**(59,621)**	(66,176)
Administrative and other expenses		**(66,846)**	(64,228)
Profit from operations before changes in fair value of investment properties		**1,030,167**	210,999
Increase in fair value of investment properties and non-current assets classified as held for sale		**106,324**	550,708
Fair value gain upon transfer of completed properties held for sale to investment properties		**626,390**	817,901

	Note	Six months ended 30 June 2016 RMB'000	2015 RMB'000 Restated
Profit from operations after changes in fair value of investment properties		**1,762,881**	1,579,608
Share of (losses)/ profits of joint ventures		**(21)**	10,336
Share of losses of associates		**(4,994)**	—
Gain on disposal of subsidiaries		**95,561**	308,551
Fair value change on embedded derivative component of the convertible bonds		—	11,347
Finance income	*5(a)*	**3,120**	1,504
Finance costs	*5(a)*	**(64,670)**	(172,123)
Profit before taxation	*5*	**1,791,877**	1,739,223
Income tax	*6*	**(319,044)**	(568,312)
Profit for the period		**1,472,833**	1,170,911
Attributable to:			
Equity shareholders of the Company		**1,463,367**	1,171,131
Non-controlling interests		**9,466**	(220)
Profit for the period		**1,472,833**	1,170,911
Earnings per share *(Note)*			
Basic (RMB)	*7*	**0.136**	0.112
Diluted (RMB)	*7*	**0.136**	0.111

Note: Earnings per share for six moths ended 30 June 2015 has been retroactively adjusted for the Share Subdivision (note 7) and the adjustments mentioned in note 13.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2016 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
		Restated
Profit for the period	**1,472,833**	1,170,911
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
— financial statements of subsidiaries outside the Mainland China, net of nil tax	**(21,371)**	(3,496)
Other financial assets: net movement on fair value reserve	**—**	4,013
Total comprehensive income for the period	**1,451,462**	1,171,428
Attributable to:		
Equity shareholders of the Company	**1,441,996**	1,171,648
Non-controlling interests	**9,466**	(220)
Total comprehensive income for the period	**1,451,462**	1,171,428

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2016 — unaudited

(Expressed in Renminbi)

	Note	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Non-current assets			
Property, plant and equipment		**164,690**	224,338
Investment properties		**13,658,400**	12,519,200
Interest in associates	*8*	**502,904**	—
Interest in joint ventures		**89,305**	89,326
Deferred tax assets		**227,825**	202,504
Long-term receivables		**220,959**	208,659
		14,864,083	13,244,027
Current assets			
Financial assets at fair value through profit or loss	*9*	**2,014,958**	1,083,176
Properties under development		**3,299,087**	4,010,176
Completed properties held for sale		**4,286,310**	3,736,630
Current tax assets		**29,964**	29,447
Trade and other receivables, prepayments	*10*	**1,495,252**	827,143
Restricted cash		**405,471**	441,650
Cash and cash equivalents		**378,172**	243,470
		11,909,214	10,371,692
Non-current assets classified as held for sale		**153,705**	153,900
		12,062,919	10,525,592
Current liabilities			
Trade and other payables	*11*	**3,865,101**	3,629,542
Bank loans and loans from other financial institutions		**2,610,774**	1,682,081
Current tax liabilities		**237,182**	186,254
Deferred income		**15,725**	15,983
Liabilities directly associated with non-current assets classified as held for sale		**38,311**	38,231
		6,767,093	5,552,091

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Net current assets	**5,295,826**	4,973,501
Total assets less current liabilities	**20,159,909**	18,217,528
Non-current liabilities		
Bank loans and loans from other financial institutions	**4,938,867**	4,712,680
Deferred income	**11,835**	19,569
Deferred tax liabilities	**3,447,214**	3,174,748
	8,397,916	7,906,997
NET ASSETS	**11,761,993**	10,310,531
CAPITAL AND RESERVES		
Share capital	**29,727**	29,727
Reserves	**10,880,737**	9,438,741
Total equity attributable to equity shareholders of the Company	**10,910,464**	9,468,468
Non-controlling interests	**851,529**	842,063
TOTAL EQUITY	**11,761,993**	10,310,531

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1. Basis of preparation

(a) The interim financial information have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, Interim Financial Reporting,issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 31 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for 1) new accounting policy applied by the Group as set out in note 1(b); and 2) the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Zall Group Ltd. (the "Company") and its subsidiaries (together the "Group") since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

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

(b) Associates

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

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

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

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

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

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

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

2. Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group.

— Annual Improvements to IFRSs 2012-2014 Cycle

— Amendments to IAS 1, Presentation of financial statements: Disclosure initiative

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

Annual Improvements to IFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, IAS 34, Interim financial reporting, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

Amendments to IAS 1, Presentation of financial statements: Disclosure initiative

The amendments to IAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

3. Revenue and segment reporting

The principal activities of the Group are the development and operating of large-scale consumer product-focused wholesale shopping malls and the related value-added business, such as warehousing, logistic, e-commerce and financial services in the People's Republic of China (the "PRC").

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

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

The Group's customer base is diversified and none of the customers of the Group with whom transactions have exceeded 10% of the Group's revenue.

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

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial data and information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. No segment information is presented in respect of the Group's operating segment as the Group is mainly engaged in one segment in the PRC. The Group started to develop its e-commerce, internet finance and logistics information and data services in the second half of 2015. Since these operations were newly set up, the revenue and profit generated from these operations are less than 10% of the combined revenue and profits of all reporting segments. The total assets of these operations are also less than 10% of the combined assets of all reporting segments. Hence management did not separately disclose segment information regarding these operations.

4. Other income

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
		Restated
Loss on early redemption of convertible bonds	—	(10,642)
Loss on disposal of non-current assets classified as held for sale	**(597)**	—
Fair value change on financial assets at fair value through profit or loss	**924,254**	70,133
Dividend from financial assets at fair value through profit or loss	**6,805**	—
Government grants	**32**	2,500
Football club related revenue	—	12,374
Others	**250**	1,176
	930,744	75,541

5. Profit before taxation

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
		Restated
(a) Finance (income)/costs		
Finance income		
Interest income	**(3,120)**	(1,504)
Finance costs		
Interest on convertible bonds	**—**	151,435
Interest on bank loans and loans from other financial institutions	**280,342**	254,211
Other borrowing costs	**9,404**	3,113
Less: Amounts capitalised into properties under development and investment properties under development	**(229,387)**	(239,981)
	60,359	168,778
Bank charge and others	**3,832**	3,900
Net foreign exchange loss/(gain)	**479**	(555)
	64,670	172,123
(b) Staff costs		
Salaries, wages and other benefits	**30,966**	20,621
Contributions to defined contribution retirement plans	**4,712**	4,553
Equity settled share-based payment expenses	**—**	1,733
	35,678	26,907
(c) Other items		
Amortisation	**—**	4,223
Depreciation	**8,901**	5,108
Operating lease charges	**14,373**	18,080
Cost of construction contract	**12,299**	—
Cost of properties sold *(i)*	**358,476**	255,342

(i) Cost of properties sold is after netting off benefit from government grants of Nil (six months ended 30 June 2015: RMB5,697,000).

6. Income tax

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax ("PRC CIT")	**37,603**	32,832
PRC Land Appreciation Tax ("PRC LAT")	**34,215**	37,763
	71,818	70,595
Deferred tax		
Origination and reversal of temporary differences	**247,226**	497,717
	319,044	568,312

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

No provision for Hong Kong Profits Tax was made as the Group did not earn any income subject to Hong Kong Profits Tax for the period (six months ended 30 June 2015: Nil).

(ii) PRC CIT

The provision for PRC CIT has been calculated at the applicable tax rates on the estimated assessable profits of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The PRC CIT rate applicable to the Group's subsidiaries located in the PRC is 25% (2015: 25%).

(iii) PRC LAT

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

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

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

(iv) Withholding tax

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

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

(v) The Group has reviewed the investment properties project, namely Tianjin Zall E-Commerce Mall held by Zall Development (Tianjin) Co.,Ltd and determined that the part of the properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time as these part of properties will be operated through selling the operating right for a term of 20 years. As a result, no deferred LAT relating to these properties amounting are accrued during the six months ended 30 June 2016 accordingly.

7. Earnings per share

The par value of the ordinary shares of the Company was initially at HKD0.01 per share. With effect from 19 October 2015, each of the then existing issued and unissued shares of the Company was subdivided into 3 subdivided shares of HKD0.003$\dot{3}$ each (each defined as "Subdivided Share"), after an ordinary resolution was passed at the annual general meeting of the Company held on 16 October 2015 and with an approval obtained from the Stock Exchange of Hong Kong Limited (the "Share Subdivision"). Upon the Share Subdivision became effective, the authorised capital of the Company became HKD80,000,000, divided into 24,000,000,000 Subdivided Shares of HKD0.003$\dot{3}$ each.

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ("EPS") for the period ended 30 June 2015 has been retroactively adjusted for the Share Subdivision.

(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 RMB1,463,367,000 (six months ended 30 June 2015: RMB1,171,131,000, as restated) and the weighted average of 10,745,577,750 ordinary shares (six months ended 30 June 2015: 10,500,000,000 ordinary shares, as restated).

(b) Diluted earnings per share

There were no diluted potential shares in existence during the period ended 30 June 2016. The calculation of diluted earnings per share for the period ended 30 June 2015 is based on the consolidated profit attributable to ordinary equity shareholders of the Company of RMB 1,171,131,000 divided by the weighted average number of ordinary shares of 10,559,403,000 shares after adjusting for the effects of deemed issue of shares under the Company's Pre-IPO Share Option Scheme and the effect of Share Subdivision.

For the period ended 30 June 2015, the effect of conversion of convertible bonds was anti-dilutive.

8. Interest in associates

The movement of carrying amount of associates is as below:

Name of associate	Note	Balance at 31 December 2015	Initial investment	Aggregate amounts of the Group's share of those associates' losses	Balance at 30 June 2016
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
LightInTheBox Holding Co., Ltd. ("LightInTheBox")	*(a)*	—	501,198	(3,968)	497,230
SCITECH (Shanghai) Business Management Limited ("SCITECH Shanghai")	*(b)*	—	6,700	(1,026)	5,674
Total amount		—	507,898	(4,994)	502,904

(a) On 17 March 2016, Zall Cross-border E-commerce Investment Company Limited ("Zall Cross-border E-commerce", an indirect wholly-owned subsidiary of the Company) and the LightInTheBox (a company incorporated under the laws of the Cayman Islands with limited liability, whose American Depositary Shares are listed on the New York Stock Exchange) entered into the subscription agreement, pursuant to which LightInTheBox conditionally agreed to issue and Zall Cross-boarder E-commerce conditionally agreed to subscribe for the subscription securities which comprise, in aggregate, (i) 42,500,000 shares of LightInTheBox (to be issued pursuant to the Subscription Agreement) and (ii) the warrants to be issued by LightInTheBox pursuant to the Subscription Agreement entitling the holder thereof to subscribe up to 7,455,000 shares of LightInTheBox.

After the completion of the subscription, the Group owned 30% of the issued share capital of LightInTheBox. During June 2016, Zall Development (HK) Holding Company Limited ("Zall Hong Kong", an indirect wholly-owned subsidiary of the Company) purchased another 1,126,930 shares of LightInTheBox in the public market, which made the Group's equity interest in LightInTheBox increase to 30.8%. The directors of the Company considered the Group was able to exert a significant influence over LightInTheBox, thus, the investment was accounted for as an investment in associate and subsequently accounted for using the equity method.

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

9. Financial assets at fair value through profit or loss

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Financial assets held for trading		
— Listed equity securities	**2,000,655**	1,083,176
Derivative financial instrument		
— Warrant *(note 8(a))*	**14,303**	—
	2,014,958	1,083,176

As at 30 June 2016, financial assets held for trading with an aggregate carrying value of RMB2,000,655,000 (31 December 2015: Nil) were pledged for certain bank loan granted to the Group.

10. Trade and other receivables, prepayments

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Amounts due from third parties		
Trade and bill receivables	**211,380**	142,162
Prepaid business tax and other tax	**60,228**	62,876
Prepayments and other receivables	**1,223,644**	622,105
	1,495,252	827,143

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

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Within 3 months	**64,802**	79,663
3 to 12 months	**87,618**	35,357
Over 12 months	**58,960**	27,142
	211,380	142,162

Trade receivables are primarily related to proceeds from the sale of properties and rental income. Proceeds from the sale of properties are made in bank mortgage, lump-sum payments or paid by instalments in accordance with the terms of the corresponding contracts.

The directors are of the view that all trade and bill receivables are neither individually nor collectively considered to be impaired as at 30 June 2016.

Credit risk of trade and bill receivables is minimised as the Group normally receives full payment from buyers before the transfer of property ownership.

11. Trade and other payables

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Amounts due to third parties		
Trade payables *(i)*	**1,300,019**	1,343,703
Receipts in advance *(ii)*	**905,967**	925,132
Other payables and accruals	**899,727**	639,364
	3,105,713	2,908,199
Amounts due to related parties		
Amounts due to a joint venture	**148,400**	148,400
Amounts due to the Ultimate Controlling Party	**610,988**	572,943
	3,865,101	3,629,542

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

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Due within 3 months	**104,436**	283,872
Due after 3 months but within 12 months	**507,842**	161,692
Due after 12 months	**687,741**	898,139
	1,300,019	1,343,703

Trade payables mainly represent amounts due to contractors. Payment to contractors is in installments according to progress and agreed milestones.

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

12. Dividends

No dividend was declared during the six months ended 30 June 2016. A special dividend in the total amount of RMB582,785,000 (equivalent to HKD739,414,800) was approved and paid after the completion of the disposal of Zhen An Properties Limited and Zhen An (Wuhan) Company Limited during the six months ended 30 June 2015.

13. Comparative figures

In the course of the preparation of the Group's annual financial statements for the year ended 31 December 2015 ("2015 annual financial statements"), the directors made certain adjustments which impacted the amounts reported in the Group's interim financial report for the six months ended 30 June 2015. The following tables disclose the impact of these adjustments on the amounts reported for the six months ended 30 June 2015.

Consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2015

	Six months ended 30 June 2015 (as previously reported in the 2015 interim financial report)	Adjustments with respect to equity swap and disposal of subsidiaries (see notes 32, 36(b)(ii) and (iii) to the 2015 annual financial statements)	Adjustments with respect to classification of investment (see note 15 to the 2015 annual financial statements)	Six months ended 30 June 2015 (as restated)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	539,711	(351)	—	539,360
Other income	6,408	(1,000)	70,133	75,541
Administrative and other expenses	(68,717)	4,489	—	(64,228)
Gain on disposal of subsidiaries	79,598	228,953	—	308,551
Finance income	1,619	(115)	—	1,504
Finance costs	(172,130)	7	—	(172,123)
Other comprehensive income for the period (after tax and reclassification adjustments):				
Exchange differences on translation of:				
— financial statements of subsidiaries outside the Mainland China, net of nil tax	4,322	(7,818)	—	(3,496)
Other financial assets: net movement on fair value reserve	74,146	—	(70,133)	4,013
Total amount		224,165	—	

The effect of restatements on the Group's basic and diluted earnings per share for the six months ended 30 June 2015 is as follows:

	Six months ended 30 June 2015 (as previously reported in the 2015 interim financial report)	**Adjustements with respect to equity swap, disposal of subsidiaries, classification of investment (see note 32, 36(b)(ii), 36b(iii) and 15 to the 2015 annual financial statements) and share subdivision (see note 7)**	**Six months ended 30 June 2015 (as restated)**
	RMB	*RMB*	*RMB*
Basic earnings per share	0.248	(0.136)	0.112
Dulited earnings per share	0.247	(0.136)	0.111

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

On-going Strategic Transformation

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

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

(2) In March 2016, the Group announced the acquisition of 30% equity interests in LightInTheBox (蘭亭集勢). Being the Group's first move in its pursuit of the cross-border e-commerce business, such acquisition was expected to promote the integration of the domestic and international trading businesses of both parties, and realise the combination and link-up of the parties' online and offline resources. The acquisition was completed during the period;

(3) In April 2016, the Group announced the acquisition of the controlling interests in Zall Fintech Co., Ltd (深圳卓爾智聯科技股份有限公司) ("Zall Fintech") (formerly Sinocan International Technologies Co., Ltd (深圳市匯茂科技股份有限公司). The principal business activities of Zall Fintech are mobile payment system, touchscreen display system and intelligent POS terminal solution. The Group is of the view that Zall Fintech can enhance the Group's existing value-added services, particularly in the areas of e-commence and financial services, and enlarge the Group's future client base, and hence boost the Group's revenue and value in the long run. Such acquisition is not completed yet and pending upon the satisfaction of the conditions precedent;

(4) In June 2016, the Group announced the acquisition of the entire equity interests in Harvest Financial Leasing Co., Ltd.* (嘉實融資租賃有限公司) ("HFL") and Hangzhou Jiuyu Asset Management Co., Ltd.* (杭州九魚資產管理有限公司) and 90% equity interests in Harvest

* *for identification purpose only*

Financial Information Services (Hangzhou) Co., Ltd.*(嘉實金融信息服務(杭州)有限公司) ("HFS"). At the same time, the Group also announced the establishment of Zall Financial Services Group(卓爾金融服務集團)as a professional financial platform for the provision of relevant financial services. The acquisitions, the completion of which is taking place, will allow the Group to obtain the supply chain financial leasing license and, thus, will support the rapid growth of the Group's supply chain financial service business.

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

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

Offline businesses

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

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

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

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

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

Online businesses

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

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

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

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

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

Results of Operation

Operating revenue

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

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

Sales of properties

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

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

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

Rental income

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

Cost of sales

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

Gross profit

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

Other income

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

Selling and distribution expenses

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

Administrative and other expenses

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

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

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

Share of (losses)/profits of joint ventures

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

Share of losses of associates

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

Gain on disposal of subsidiaries

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

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

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

Finance income and costs

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

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

Income tax

Income tax decreased by approximately 43.9% from RMB568.3 million for the six months ended 30 June 2015 to RMB319.0 million for the six months ended 30 June 2016. The decrease was mainly due to the offsetting effect of (i) the increase in current PRC corporate income tax of RMB4.8 million as the taxable profit increased; (ii) the decrease of current PRC LAT of RMB 3.5 million due to the decrease in profit on properties sales; and (iii) the decrease of deferred tax of RMB250.5 million mainly due to the decrease in temporary differences from fair value changes of investment properties. As a result, the Group's effective tax rate was decreased from approximately 32.7% for the six months ended on 30 June 2015 to approximately 17.8% for the six months ended on 30 June 2016.

Profit for the period

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

Liquidity and capital resources

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

Capital expenditure

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

Bank loans and loans from other financial institutions

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

Net gearing ratio

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

Foreign exchange risk

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

Charge on assets

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

Contingent liabilities

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

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

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

EMPLOYEES AND REMUNERATION POLICY

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

PROSPECTS

The launch of a series of policy incentives and the promotion of "Internet +" by the Chinese government have helped to ignite the new round of economic growth and enhance the real economic efficiency in China. "Internet +" builds on the technologies and platforms of the Internet such as cloud computing, big data, internet of things and mobile internet to catalyze the organic integration of the internet with a specific industry and thereby changes the operating model of such industry through upgrading the level of intelligentization and efficiency of the industry. "Internet +" also helps companies in the exploration of new markets and lowering of operating costs.

The Group will continue the efforts in proactively promoting and implementing the "Zall Cloud Market" that embeds a wholesale market and the internet in one plan. This plan leverages on the properties, clients, logistics and data basis and advantages of the offline entity trading markets with North Hankou International Trade Centre, Tianjin Zall E-commerce Mall, Jingzhou Zall City, etc. as representation, to achieve full integration of various entity wholesale markets across the country with e-commerce. It also reduces supply chain costs of China's wholesale segment, improves operating efficiency, and build China's largest integrated online and offline wholesale trading platform.

With the domestic economic growth being supported by the expected introduction of more economic stimulus measures, the Chinese economy will continue to grow in a sustained, albeit slightly slower, pace despite a volatile financial market with the successive launch of more reformative and stimulus measures. The supply chain reform will be advantageous to China's long-term economic development. In the short run, the property market in China will continue to benefit from the loose monetary policy. With the anticipation for the continued improvement of the sentiment in the property market under the government's policies to eliminate inventories and stimulate demand, the Group is confident in the long-term prospects of the domestic economy and the property market in China.

The Group will strive to capitalize on the opportunities brought by the market environment to enhance property sales and maintain its leading position on the wholesale market and property development market. The recurring revenue of the Group is likely to remain on the growth track with the successive commencement of operation of various projects, which will also complement the Group's long-term operating strategies. The Group's vision is to organize an intelligent and synergized commercial trading ecology (the "Ecology") as the largest commodity trading platform in China with the aim of lowering the trading costs. Rooted in the circulation of commodities and linking up logistics, finance, data, software and services, the formation of the Ecology seeks to connect online and offline business and the world.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintain a stringent corporate governance practices and procedures and has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its corporate governance code upon its listing on the Stock Exchange. In the opinion of the Board, save for the deviations as disclosed below, the Company has complied with the code provisions as set out in the CG Code throughout the period ended 30 June 2016.

Code Provision A.2.1

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

During the period ended 30 June 2016, the Company did not separate the roles of chairman and chief executive officer of the Company and Mr. Yan Zhi acted as the co-chairman and also acts as the chief executive officer of the Company. The Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies currently and in the foreseeable future. The Group will nevertheless review the structure from time to time in light of the prevailing circumstances.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**") as the code for dealing in securities of the Company by the Directors. The Board confirms that, having made specific enquiries with all Directors, all Directors have complied with the required standards of the Model Code throughout the period ended 30 June 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period ended 30 June 2016, neither the Company nor its subsidiaries has 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 Rule 3.21 and Rule 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The primary responsibilities of the Audit Committee are to review and monitor the financial reporting and internal control principles of the Company and to assist the Board to fulfill its responsibilities over audit.

The Audit Committee has reviewed the Group's unaudited condensed consolidated interim results and financial report for the six months ended 30 June 2016 and has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters. The Audit Committee consists of three independent non-executive Directors: Mr. Cheung Ka Fai, Mr. Wu Ying and Mr. Wei Zhe. David. Mr. Cheung Ka Fai serves as the chairman of the Audit Committee.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016. (six months ended 30 June 2015: Nil).

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and on the website of the Company at http://www.zallcn.com. The interim report of the Company for the six months ended 30 June 2016 containing all the information required by the Listing Rules will also be published on the same websites and dispatched to the shareholders of the Company in due course.

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

Hong Kong, 31 August 2016

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