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Zall Development (Cayman) Holding Co., Ltd.

卓爾發展(開曼)控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2098)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

The board (the “**Board**”) of directors (the “**Directors**”) of Zall Development (Cayman) Holding Co., 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 2011, together with the comparative amounts for the corresponding period in 2010.

FINANCIAL HIGHLIGHTS

	2011 RMB'000	2010 RMB'000	Change
Turnover	2,454,208	769,737	218.8%
Gross profit	1,739,034	356,527	387.8%
Gross profit margin	70.9%	46.3%	24.6%
Profit for the year	1,183,875	633,186	87.0%
Earnings per share* — Basic (RMB)	0.34	0.18	88.9%
— Diluted (RMB)	0.34	0.18	88.9%
Final dividend proposed	HK3 cents per share (or equivalent to approximately RMB2.43 cents)	—	N/A

* The calculation of basic earnings per share is based on 3,500,000,000 ordinary shares in issue as at date of this announcement, as if the Global Offering had been completed at the beginning of the years presented.

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Total non-current assets	3,835,862	2,267,963
Total current assets	5,248,102	2,820,055
Total assets	9,083,964	5,088,018
Total non-current liabilities	1,552,053	666,215
Total current liabilities	3,225,928	2,623,000
Total liabilities	4,777,981	3,289,215
Net assets	4,305,983	1,798,803

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2011

(Expressed in Renminbi)

	<i>Note</i>	2011 RMB'000	2010 <i>RMB'000</i>
Turnover	3	2,454,208	769,737
Cost of sales		<u>(715,174)</u>	<u>(413,210)</u>
Gross profit		1,739,034	356,527
Other net (loss)/income	4	(44,623)	216
Other revenue	4	5,249	8,249
Selling and distribution expenses		(43,406)	(25,074)
Administrative and other expenses		<u>(110,084)</u>	<u>(39,854)</u>
Profit from operations before changes in fair value of investment properties		1,546,170	300,064
Increase in fair value of investment properties	12	<u>255,881</u>	<u>626,563</u>
Profit from operations after changes in fair value of investment properties		1,802,051	926,627
Share of losses of a jointly controlled entity	13	(2,408)	(4,755)
Finance income	5(a)	5,108	626
Finance costs	5(a)	<u>(6,996)</u>	<u>(925)</u>
Profit before taxation		1,797,755	921,573
Income tax	6(a)	<u>(613,880)</u>	<u>(288,387)</u>
Profit for the year		<u>1,183,875</u>	<u>633,186</u>
Attributable to:			
Equity shareholders of the Company		1,194,732	635,072
Non-controlling interests		<u>(10,857)</u>	<u>(1,886)</u>
Profit for the year		<u>1,183,875</u>	<u>633,186</u>
Earnings per share	10		
Basic (RMB)		<u>0.34</u>	<u>0.18</u>
Diluted (RMB)		<u>0.34</u>	<u>0.18</u>

The notes on the accompanying pages form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in notes 30(g)(i) and (ii).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

(Expressed in Renminbi)

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Profit for the year	<u>1,183,875</u>	<u>633,186</u>
Other comprehensive income for the year:		
Exchange differences on translation of financial statements of subsidiaries in other jurisdictions, net of nil tax	<u>(21,347)</u>	<u>59</u>
Total comprehensive income for the year	<u><u>1,162,528</u></u>	<u><u>633,245</u></u>
Attributable to:		
Equity shareholders of the Company	<u>1,173,385</u>	<u>635,131</u>
Non-controlling interests	<u>(10,857)</u>	<u>(1,886)</u>
Total comprehensive income for the year	<u><u>1,162,528</u></u>	<u><u>633,245</u></u>

The notes on the accompanying pages form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2011

(Expressed in Renminbi)

	<i>Note</i>	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	11	20,627	18,170
Investment properties	12	3,773,100	2,205,250
Interest in a jointly controlled entity	13	42,135	44,543
		<u>3,835,862</u>	<u>2,267,963</u>
Current assets			
Properties under development	16(a)	2,695,545	1,557,630
Completed properties held for sale	17	449,920	119,127
Inventories	18	248	193
Current tax assets	14(a)	3,360	39,529
Trade and other receivables, prepayments	19	903,660	289,822
Available-for-sale unlisted equity securities		500	500
Other financial assets		10,000	—
Restricted cash	20	19,329	12,800
Cash and cash equivalents	21	970,540	304,874
		<u>5,053,102</u>	<u>2,324,475</u>
Non-current assets classified as held for sale	23	195,000	495,580
		<u>5,248,102</u>	<u>2,820,055</u>
Current liabilities			
Trade and other payables	24	1,816,584	1,730,269
Bank loans	25	374,454	167,000
Current tax liabilities	14(a)	382,433	28,917
Deferred income	26	608,348	566,286
		<u>3,181,819</u>	<u>2,492,472</u>
Liabilities directly associated with non-current assets classified as held for sale	23	44,109	130,528
		<u>3,225,928</u>	<u>2,623,000</u>
Net current assets		<u>2,022,174</u>	<u>197,055</u>

The notes on the accompanying pages form part of these financial statements.

	<i>Note</i>	2011 RMB'000	2010 <i>RMB'000</i>
Total assets less current liabilities		5,858,036	2,465,018
Non-current liabilities			
Bank loans	25	1,003,900	172,693
Long term payable	27	6,376	5,378
Deferred income	26	7,035	10,885
Deferred tax liabilities	14(b)	534,742	477,259
		1,552,053	666,215
NET ASSETS		4,305,983	1,798,803
EQUITY			
Share capital	30	29,071	—
Reserves		3,773,473	1,750,894
Total equity attributable to equity shareholders of the Company		3,802,544	1,750,894
Non-controlling interests		503,439	47,909
TOTAL EQUITY		4,305,983	1,798,803

The notes on the accompanying pages form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

at 31 December 2011

(Expressed in Renminbi)

	<i>Note</i>	2011 RMB'000	2010 RMB'000
Non-current assets			
Interests in subsidiaries	15	<u>979,572</u>	—
Current assets			
Dividends receivable		279,198	—
Cash and cash equivalents		<u>4,305</u>	—
		<u>283,503</u>	—
Current liabilities			
Trade and other payables	24	<u>43,674</u>	—
		<u>43,674</u>	—
Net current assets		<u>239,829</u>	—
Total assets less current liabilities		<u>1,219,401</u>	—
NET ASSETS		<u>1,219,401</u>	—
EQUITY			
Share capital	30	29,071	—
Reserves	30	<u>1,190,330</u>	—
TOTAL EQUITY		<u>1,219,401</u>	—

The notes on the accompanying pages form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								
	Share capital	PRC		Equity-settled	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
		Statutory reserve	Other reserve	share based payment reserve					
Note	RMB'000	30(c)(ii) RMB'000	30(c)(v) RMB'000	30(c)(iv) RMB'000	30(c)(iii) RMB'000	RMB'000	RMB'000	30(d)(ii) RMB'000	RMB'000
At 1 January 2010	212,600	5,410	(3,168)	—	581	1,249,685	1,465,108	70,258	1,535,366
Changes in equity for 2010:									
Profit for the year	—	—	—	—	—	635,072	635,072	(1,886)	633,186
Other comprehensive income	—	—	—	—	59	—	59	—	59
Total comprehensive income	—	—	—	—	59	635,072	635,131	(1,886)	633,245
Acquisition of additional equity interests in subsidiaries	30(d)(ii)	—	4,111	—	—	—	4,111	(20,111)	(16,000)
Deemed contribution arising from disposals of subsidiaries to the controlling equity owners	30(c)(v)	—	2,738	—	—	—	2,738	(348)	2,390
Reorganisation	30(c)(v)	(212,600)	(7,316)	—	—	—	(219,916)	—	(219,916)
Deemed partial disposal of equity interest in a subsidiary	30(c)(v)	—	4	—	—	—	4	(4)	—
Transfer to PRC statutory reserve	—	1,604	—	—	—	(1,604)	—	—	—
Dividend declared during the year	30(g)(ii)	—	—	—	—	(144,975)	(144,975)	—	(144,975)
Equity-settled share based transaction	29	—	—	8,693	—	—	8,693	—	8,693
At 31 December 2010 and 1 January 2011	<u>—</u>	<u>7,014</u>	<u>(3,631)</u>	<u>8,693</u>	<u>640</u>	<u>1,738,178</u>	<u>1,750,894</u>	<u>47,909</u>	<u>1,798,803</u>

The notes on the accompanying pages form part of these financial statements.

Attributable to equity shareholders of the Company

	Note	Share		PRC		Other	Equity-	Exchange	Retained	Total	Non-	Total
		capital	premium	Statutory	reserve	reserve	payment	reserve	profits	interests	equity	
		30(c)(i)	30(c)(ii)	30(c)(v)	30(c)(iv)	30(c)(iii)				30(d)(i)		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011		—	—	7,014	(3,631)	8,693	640	1,738,178	1,750,894	47,909	1,798,803	
Changes in equity for 2011:												
Profit for the year		—	—	—	—	—	—	1,194,732	1,194,732	(10,857)	1,183,875	
Other comprehensive income		—	—	—	—	—	(21,347)	—	(21,347)	—	(21,347)	
Total comprehensive income		—	—	—	—	—	(21,347)	1,194,732	1,173,385	(10,857)	1,162,528	
Transfer to PRC statutory reserve		—	—	68,302	—	—	—	(68,302)	—	—	—	
Capital injection from												
non-controlling interests	30(d)(i)	—	—	—	—	—	—	—	—	80,540	80,540	
Dividends declared during the year	30(g)(i)/(ii)	—	—	—	—	—	—	(242,359)	(242,359)	—	(242,359)	
Equity-settled share based												
transaction	29	—	—	—	—	12,567	—	—	12,567	—	12,567	
Issue of shares,												
net of listing expenses	30(b)(iii)(b)	4,361	1,204,399	—	—	—	—	—	1,208,760	—	1,208,760	
Capitalisation issue	30(b)(iii)(c)	24,710	(24,710)	—	—	—	—	—	—	—	—	
Acquisition of additional												
equity interests in subsidiaries	30(d)(i)	—	—	—	(100,703)	—	—	—	(100,703)	(117,297)	(218,000)	
Acquisition of subsidiaries	35	—	—	—	—	—	—	—	—	503,144	503,144	
At 31 December 2011		<u>29,071</u>	<u>1,179,689</u>	<u>75,316</u>	<u>(104,334)</u>	<u>21,260</u>	<u>(20,707)</u>	<u>2,622,249</u>	<u>3,802,544</u>	<u>503,439</u>	<u>4,305,983</u>	

The notes on the accompanying pages form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2011

(Expressed in Renminbi)

	<i>Note</i>	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Operating activities			
Cash (used in)/ generated from operations	22	(224,586)	467,210
PRC tax paid		(253,129)	(110,524)
		<hr/>	<hr/>
Net cash (used in)/generated from operating activities		(477,715)	356,686
		<hr/>	<hr/>
Investing activities			
Payment for the purchase of property, plant and equipment		(4,442)	(2,236)
Proceeds from sale of property, plant and equipment		—	626
Interest received		5,108	466
Payment for acquisition of subsidiaries	35	(470,815)	—
Payment for acquisition of available-for-sale unlisted equity securities		—	(10,000)
Proceeds received from disposal of available-for-sale unlisted equity securities		—	10,249
Payment for acquisition of other financial assets		(10,000)	—
		<hr/>	<hr/>
Net cash used in investing activities		(480,149)	(895)
		<hr/>	<hr/>

The notes on the accompanying pages form part of these financial statements.

	<i>Note</i>	2011 RMB'000	2010 <i>RMB'000</i>
Financing activities			
Issue of new shares, net of listing expenses	30(b)(iii)	1,208,760	—
Proceeds from new bank loans		1,054,700	151,300
Repayment of bank loans		(171,100)	(78,500)
(Increase)/decrease in restricted cash		(6,529)	18,843
Interest and other borrowing costs paid		(63,178)	(19,909)
Dividends paid to equity shareholders of the Company	30(g)(i)/(ii)	(242,359)	—
Net cash flow from disposal of subsidiaries to the Controlling Equity Owners		—	64,465
(Increase)/decrease in the amount due from the Controlling Equity Owners		(2,718)	21,127
Decrease/(increase) in the amount due from Zall Holding Co., Ltd.		4,761	(51,085)
Acquisition of additional equity interests in subsidiaries		(218,000)	(16,000)
Capital injection from non-controlling equity holders		80,540	—
Deem distribution related to acquisition of subsidiaries from Zall Holding Co., Ltd.		—	(219,916)
		<hr/>	<hr/>
Net cash generated from/(used in) financing activities		1,644,877	(129,675)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net increase in cash and cash equivalents		687,013	226,116
Cash and cash equivalents at 1 January	21	304,874	78,758
Effect of foreign exchange rate changes		(21,347)	—
		<hr/>	<hr/>
Cash and cash equivalents at 31 December	21	970,540	304,874
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The notes on the accompanying pages form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise stated)

1 Significant accounting policies

(a) Statement of compliance

These consolidated 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”). These consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

(b) Basis of preparation and presentation of the consolidated financial statements

Zall Development (Cayman) Holding Co., Ltd. (the “Company”) was incorporated in the Cayman Islands on 22 September 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

Pursuant to a reorganisation of the Company and its subsidiaries (together referred to as the “Group”) to rationalise the group structure in preparation for the listing of the Company’s shares on the Main Board of the Stock Exchange (the “Reorganisation”), the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 30 June 2011 (the “Prospectus”). The Company’s shares were listed on the Main Board of the Stock Exchange on 13 July 2011.

The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries and a jointly controlled entity.

These consolidated financial statements are presented in Renminbi (“RMB”) rounded to the nearest thousand. The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that available-for-sale unlisted equity securities (note 1(f)), other financial assets (note 1(i)) and investment properties (note 1(j)) are measured at their fair value.

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.

Judgements made by management on the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

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

- IAS 24 (revised 2009), *Related party disclosures*
- Improvements to IFRSs (2010)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 37).

The impacts of these developments are discussed below:

- IAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. IAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.
- Improvements to IFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in IFRS 7, *Financial instruments: Disclosures*. The disclosures about the Group's financial instruments in note 31 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(o), (p) or (w) depending on the nature of the liability.

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in a jointly controlled entity (see note 1(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)).

(e) *Jointly controlled entities*

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in a jointly controlled entity is accounted for in the consolidated financial statements under the equity method, unless it 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 (see note 1(k)). 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 year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the jointly controlled entity, 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 jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

In the Company's statement of financial position, jointly controlled entities are stated at cost less impairment losses (see note 1(k)).

(f) *Other investments in available-for-sale unlisted equity securities*

The Group's policies for investments in available-for-sale unlisted equity securities, other than investments in subsidiaries and jointly control entities, are as follows:

Investments in unlisted available-for-sale equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs. At each end of the reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. When these investments are derecognised or impaired (note 1(k)), the cumulative gain or loss is reclassified from equity to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments.

(g) *Property, plant and equipment and construction in progress*

	Years	Estimated residual value as a percentage of costs
Buildings	20–40	5%
Motor vehicles	4–10	5%
Furniture, office equipment and others	3–8	5%

Items of property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (note 1(k)).

Construction in progress is stated in the statement of financial position at cost less impairment losses (note 1(k)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (note 1(w)).

Construction in progress is transferred to property, plant and equipment when it is ready for its intended use. No depreciation is provided against construction in progress.

Gains and losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the consolidated income statement on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other subsequent expenditure is recognised in the consolidated income statement as an expense as incurred.

(h) *Leased assets*

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) *Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases.

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

(ii) *Operating lease charges*

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (note 1(j)) and property under development for sales and completed property held for sale (note 1(l)).

If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss shall be recognised immediately. If the sale price is below fair value, any profit or loss shall be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortised over the period for which the asset is expected to be used.

(i) *Other financial assets*

Other financial assets are classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Other financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

(j) *Investment properties*

Investment properties are land and/or buildings which are owned or held under a leasehold interest (note 1(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the statement of financial position at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for in note 1(u)(ii).

(k) *Impairment of assets*

(i) *Impairment of trade and other receivables*

Current and non-current receivables that are stated at cost or amortised cost are reviewed at each end of the reporting period to determine whether there is objective evidence of impairment.

Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior periods.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at each end of the reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment;
- Investments in subsidiaries;
- Investments in a jointly controlled entity;

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in the consolidated income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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

(l) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

— *Property under development for sale*

The cost of properties under development for sale comprises specifically identified cost, including: land use right (note 1(h)), aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 1(w)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

— *Completed property held for sale*

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(m) Inventories

Inventories mainly include low value consumables. Inventories are stated at cost and comprise all costs of purchase. They are computed on a weighted average basis, less provision for obsolescence. When inventories are consumed, the carrying amount of inventories is recognised as an expense in the year in which the consumption occurs. Any obsolete and damaged inventories are written off to the profit or loss.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(r) Employee benefits

- (i) Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) Obligation for contributions to defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred, except to the extent that they are included in properties for sale not yet recognised as an expense.
- (iii) The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Apart from the above, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted. The carrying amount of a deferred tax asset is reviewed at each end of the reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) *Financial guarantees issued, provisions and contingent liabilities*

(i) *Financial guarantees issued*

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

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) *Other provisions and contingent liabilities*

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of properties

Revenue from sales of properties is recognised when the significant risks and rewards of ownership have been transferred to the buyers. The Group considers that the significant risks and rewards of ownership are transferred when the construction of relevant properties has been completed and the properties have been delivered to the buyers.

Revenue from sales of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the statement of financial position as receipts in advance.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Service fee income

Service fee income in relation to property management service, advertising service and other ancillary services are recognised when such services are provided to customers.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognised as deferred income and subsequently deducted from the carrying amount of the assets upon meeting the relevant conditions, if any, attaching to them.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) *Borrowing costs*

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(x) *Non-current assets held for sale*

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred taxation and investment properties. These items, even if held for sale, would continue to be measured in accordance with the policies set out in note 1(s) and note 1(j).

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(y) *Related parties*

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

- (a) has control or joint control over the Group;
- (b) has significant influence over the Group; or
- (c) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

- (a) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to others);
- (b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (c) both entities are joint ventures of the same third party;
- (d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

- (e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (f) the entity is controlled or jointly-controlled by a person identified in (i).
- (g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(z) ***Segment reporting***

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial 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.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are individually material may be aggregated if they share a majority of these criteria.

2 Accounting judgement and estimates

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

Note 31 contain information about the assumptions and their risk factors relating to the fair value of financial instruments. Key sources of estimation uncertainty are as follows:

(a) ***Impairment***

As explained in note 1(l), the Group's land held for future development, properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject property, the Group makes estimates of the selling price, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties.

If there is an increase in costs to completion or a decrease in net sales value, provision for completed properties held for sale, properties held for future development and under development for sale may be resulted. Such provision requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the distinctive nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

(b) ***Recognition of deferred tax assets***

Deferred tax assets are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgment exercised by the Directors. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(c) Provision for PRC Land Appreciation Tax (“LAT”)

As explained in note 6(b)(iii), the Group has estimated, made and included in tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated. Significant judgment is required in determining the level of provision, as the calculation of which depends on the ultimate tax determination. Given the uncertainties of the calculation basis of LAT as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated at the end of the reporting period. Any increase or decrease in the actual outcomes/estimates will impact the income tax provision in the period in which such determination is made.

(d) Recognition and allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management’s best estimates.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

When the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

(e) Valuation of investment properties

As described in note 1(j), investment properties are stated at fair value based on the valuation performed by an independent firm of professional surveyors after taking into consideration the comparable market transactions and the net rental income allowing for reversionary income potential.

In determining the fair value, the valuer have based on a method of valuation which involves, inter-alia, certain estimates including current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation report, management has exercised its judgment and is satisfied that the method of valuation is reflective of the current market condition.

(f) Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management on determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after their completion, whereas, the properties are accounted for as investment properties under construction if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale, while the properties held to earn rentals and/or for capital appreciation are transferred to investment properties.

(g) Fair value of non-derivative financial instruments

Fair value of non-derivative financial instruments carried at amortised costs, which is determined for disclosure purpose, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

3 Turnover and segment reporting

The principal activities of the Group are development and sales of properties, property management services, development and operation of retail properties and advertising services in the PRC.

Turnover represents income from sales of properties, property management services income, rental income, advertising income and other ancillary services income, net of business tax and other sales related taxes and is after deduction of any trade discounts.

The amounts of each significant category of revenue recognised in turnover during the period are as follows:

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Sales of properties	2,439,121	750,762
Property management services	3,609	681
Rental income	11,051	4,133
Advertising income	427	12,301
Other ancillary services income	—	1,860
	<u>2,454,208</u>	<u>769,737</u>

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 principally engaged in one segment in the PRC. The Group does not operate in any other geographical or business segment during the period.

4 Other net (loss)/income and other revenue

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Other net (loss)/income		
Loss on disposal of non-current assets held for sale	(44,623)	—
Gain on sale of property, plant and equipment	—	216
	<u>(44,623)</u>	<u>216</u>
Other revenue		
Government grant	3,500	8,000
Forfeited deposits and compensation from customers	1,481	—
Investment income from available-for-sale unlisted equity securities	—	249
Others	268	—
	<u>5,249</u>	<u>8,249</u>

5 Profit before taxation

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

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
(a) Finance costs/(income):		
Interest on bank loans	47,583	14,877
Other borrowing costs	20,656	2,970
Less: amounts capitalised into properties under development and investment properties (note)	(62,729)	(17,847)
	<u>5,510</u>	<u>—</u>
Bank charge and others	1,486	925
Interest income	(5,108)	(626)
	<u>1,888</u>	<u>299</u>

Note: The borrowing costs have been capitalised at rates ranging from 5.67%–9.66% per annum in the year ended 31 December 2011 (2010: 5.60%–7.02% per annum).

2011	2010
<i>RMB'000</i>	<i>RMB'000</i>

(b) Staff costs:

Contributions to defined contribution retirement plan	1,557	1,037
Salaries, wages and other benefits	26,369	18,413
Equity-settled share-based payment expenses	12,567	8,693

	<u>40,493</u>	<u>28,143</u>
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2011	2010
<i>RMB'000</i>	<i>RMB'000</i>

(c) Other items:

Depreciation	3,065	2,689
Amortisation	—	25
Auditors' remuneration — statutory audit services	2,027	354
Cost of properties sold	713,039	404,530

	<u>713,039</u>	<u>404,530</u>
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6 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

2011	2010
<i>RMB'000</i>	<i>RMB'000</i>

Current tax

PRC Corporate Income Tax ("CIT")	443,021	57,056
PRC Land Appreciation Tax ("LAT")	199,794	27,316

	<u>642,815</u>	84,372
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Deferred tax

Origination and reversal of temporary differences	(28,935)	204,015
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	<u>(28,935)</u>	<u>204,015</u>
	<u>613,880</u>	<u>288,387</u>

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

	2011 RMB'000	2010 RMB'000
Profit before taxation	<u>1,797,755</u>	<u>921,573</u>
Income tax computed by applying the tax rate of 25% to profit before taxation	449,439	230,393
Tax effect of non-PRC entities not subject to PRC CIT	6,978	2,503
Tax rate differential	1,619	—
Withholding income tax on dividends declared	14,500	—
Tax effect of non-deductible expenses	2,282	1,572
Effect on deductible temporary differences not recognised	1,572	4,293
Tax effect of unused tax losses not recognised	4,374	3,121
Withholding tax on undistributed profits of PRC subsidiaries	4,301	—
LAT in relation to completed properties sold	146,166	27,316
LAT in relation to non-current assets classified as held for sale	25,587	34,691
Tax effect on LAT	<u>(42,938)</u>	<u>(15,502)</u>
Income tax expense	<u>613,880</u>	<u>288,387</u>

- (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.

(ii) *PRC CIT*

The provision for 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 CIT rate applicable to the Group's subsidiaries located in the PRC is 25% (2010: 25%).

(iii) *PRC LAT*

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value.

In addition, certain subsidiaries of the Group were subject to LAT which is calculated based on 3% to 7% of their revenue in accordance with the authorised tax valuation method approved by respective local tax bureau.

The directors 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 CIT and LAT to the respective PRC subsidiaries of the Group, and the risk of being challenged by the State Tax Bureau or any tax bureau of higher authority is remote.

(iv) *Withholding tax*

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

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

7 Directors' remuneration

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	For the year ended 31 December 2011				
	Directors' fee <i>RMB'000</i>	Salaries allowances and benefits in kind <i>RMB'000</i>	Retirement scheme contributions <i>RMB'000</i>	Equity-settled share-based payment (note) <i>RMB'000</i>	Total <i>RMB'000</i>
Chairman:					
Yan Zhi	—	360	9	6,284	6,653
Executive directors:					
Wang Danli	—	360	9	565	934
Cui Jinfeng	—	75	9	628	712
Fang Li	—	60	9	503	572
Non-executive director:					
Fu Gaochao	—	81	9	628	718
Independent non-executive directors*:					
Yang Qiongzhen	—	83	—	—	83
Cheung Ka Fai	—	83	—	—	83
Peng Chi	—	83	—	—	83
	—	1,185	45	8,608	9,838

* The independent non-executive directors were appointed on 20 June 2011.

	For the year ended 31 December 2010				
	Directors' fee <i>RMB'000</i>	Salaries allowances and benefits in kind <i>RMB'000</i>	Retirement scheme contributions <i>RMB'000</i>	Equity-settled share-based payment (note) <i>RMB'000</i>	Total <i>RMB'000</i>
Chairman:					
Yan Zhi	—	360	4	4,346	4,710
Executive directors:					
Wang Danli	—	210	2	391	603
Cui Jinfeng	—	75	4	435	514
Fang Li	—	60	3	348	411
Non-executive director:					
Fu Gaochao	—	81	4	435	520
	—	786	17	5,955	6,758

Note: These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(r)(iii), and the details are disclosed in note 29.

During the year ended 31 December 2011, no amount was paid or payable by the Company to the Directors or any of the 5 highest paid individuals set out in note 8 as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a Director waived or agreed to waive any remuneration (2010: Nil).

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2010: three) are directors whose emoluments are disclosed in note 7. The emoluments in respect of the other three (2010: two) individual are as follows:

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Salaries and other emoluments	1,437	333
Retirement scheme contributions	17	4
Equity-settled share-based payment expenses	<u>679</u>	<u>470</u>
	<u>2,133</u>	<u>807</u>

The emoluments of the three (2010: two) individual with the highest emoluments are within the following bands:

	2011 <i>Number of individuals</i>	2010 <i>Number of individuals</i>
HK\$		
Nil–1,000,000	2	2
1,000,001–1,500,000	<u>1</u>	<u>—</u>

9 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss for the year of RMB20,794,000 (2010: Nil) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Amount of consolidated loss attributable to equity shareholders dealt with in the Company's financial statements	(20,794)	—
Dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	<u>271,581</u>	<u>—</u>
Company's profit for the year (note 30(a))	<u>250,787</u>	<u>—</u>

Details of dividends paid and payable to equity shareholders of the Company are set out in note 30(g).

10 Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company of RMB1,194,732,000 (2010: RMB635,072,000) and 3,500,000,000 ordinary shares in issue as at date of these financial statements, as if the public offering had been completed at the beginning of the years presented.

(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 RMB1,194,732,000 (2010: RMB635,072,000) divided by the weighted average number of ordinary shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's Pre-IPO Share Option Scheme (note 29), calculated as follows:

	2011	2010
Number of share assumed to be in issue at 1 January	3,500,000,000	3,500,000,000
Effect of deemed issue of ordinary shares under the Company's Pre-IPO Share Option Scheme	<u>29,750,000</u>	<u>29,750,000</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u><u>3,529,750,000</u></u>	<u><u>3,529,750,000</u></u>

11 Property, plant and equipment

	Buildings <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Furniture, office equipment and others <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:				
At 1 January 2010	9,081	10,350	2,628	22,059
Other additions	—	1,373	957	2,330
Disposals of subsidiaries	—	—	(241)	(241)
Disposals	(329)	—	—	(329)
At 31 December 2010/1 January 2011	<u>8,752</u>	<u>11,723</u>	<u>3,344</u>	<u>23,819</u>
Additions	329	2,498	1,615	4,442
Additions through acquisition of subsidiaries	—	942	138	1,080
At 31 December 2011	<u>9,081</u>	<u>15,163</u>	<u>5,097</u>	<u>29,341</u>
Accumulated depreciation:				
At 1 January 2010	1,220	1,475	404	3,099
Charge for the year	424	1,776	489	2,689
Disposals of subsidiaries	—	—	(60)	(60)
Written back on disposals	(79)	—	—	(79)
At 31 December 2010/1 January 2011	<u>1,565</u>	<u>3,251</u>	<u>833</u>	<u>5,649</u>
Charge for the year	329	2,132	604	3,065
At 31 December 2011	<u>1,894</u>	<u>5,383</u>	<u>1,437</u>	<u>8,714</u>
Net book value:				
At 31 December 2011	<u>7,187</u>	<u>9,780</u>	<u>3,660</u>	<u>20,627</u>
At 31 December 2010	<u>7,187</u>	<u>8,472</u>	<u>2,511</u>	<u>18,170</u>

The buildings are all situated on land in the PRC held under medium-term leases.

As at 31 December 2011, certain building of the Group with carrying value of RMB2,420,000 was without building ownership certificate (2010: RMB2,571,000). The Group was in progress of applying for the relevant building ownership certificates.

12 Investment properties

	Investment Properties <i>RMB'000</i>	Investment properties under development <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2010	514,000	1,398,800	1,912,800
Additions	—	161,467	161,467
Fair value adjustments	45,582	580,981	626,563
Transfer to investment properties	569,248	(569,248)	—
Transfer to non-current assets held for sale	(116,380)	(379,200)	(495,580)
	<u>1,012,450</u>	<u>1,192,800</u>	<u>2,205,250</u>
Representing:			
Cost	220,398	121,692	342,090
Fair value adjustments	792,052	1,071,108	1,863,160
	<u>1,012,450</u>	<u>1,192,800</u>	<u>2,205,250</u>
At 1 January 2011	1,012,450	1,192,800	2,205,250
Additions through acquisition of subsidiaries	—	1,059,752	1,059,752
Additions	—	243,584	243,584
Fair value adjustments	135,350	130,949	266,299
Transfer to investment properties	994,200	(994,200)	—
Transfer to non-current assets held for sale	—	(1,785)	(1,785)
	<u>2,142,000</u>	<u>1,631,100</u>	<u>3,773,100</u>
At 31 December 2011	2,142,000	1,631,100	3,773,100
Representing:			
Cost	453,565	1,191,331	1,644,896
Fair value adjustments	1,688,435	439,769	2,128,204
	<u>2,142,000</u>	<u>1,631,100</u>	<u>3,773,100</u>
Book value:			
At 31 December 2011	<u>2,142,000</u>	<u>1,631,100</u>	<u>3,773,100</u>
At 31 December 2010	<u>1,012,450</u>	<u>1,192,800</u>	<u>2,205,250</u>

The Group's investment properties were revalued as at 31 December 2011 by an independent firm of surveyors, Savills Valuation and Professional Services Limited ("Savills") whom have recent experience in the location and category of property being valued. The valuation were carried out by Savills with reference to market value of property interest, which intended to be the estimated amount for which a property should be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. In valuing the property interest in the PRC, Savills has adopted the investment approach (income approach) by taking into account the current rental income of the property interest and the reversionary potential of the tenancy, and also adopted the direct comparison approach and made reference to the recent transactions for similar premises in the proximity. Adjustments have been made for the differences in transaction dates, building age, floor area etc, between the comparable properties and the subject property.

Certain bank loans granted to the Group were jointly secured by investment properties and investment properties under development with an aggregate book value of RMB2,671,534,000 (2010: RMB691,831,000) (note 25).

The Group's investment properties are held on leases of between 40 to 70 years in the PRC as at 31 December 2011 and 31 December 2010.

13 Interest in a jointly controlled entity

	The Group	
	2011	2010
	RMB'000	RMB'000
Share of net assets	<u>42,135</u>	<u>44,543</u>
Representing:		
Share of net assets as at 1 January	44,543	49,298
Share of losses	<u>(2,408)</u>	<u>(4,755)</u>
Share of net assets as at 31 December	<u>42,135</u>	<u>44,543</u>

The Group has the following interests in a jointly controlled entity:

Name of company	Date and place of establishment	Registered/ paid-in capital	Effective interest held registered by the Group		Principal activity
			2010	2011	
Wuhan Big World Investment Development Co., Ltd. ("Wuhan Big World Investment") 武漢大世界投資發展有限公司 * (note)	12 May 2008 PRC	100,000,000	50%	50%	Property development

* This entity is a PRC limited liability company. The English translation of the company name is for reference only. The official name of this company is in Chinese.

Summary financial information on the jointly controlled entity

	Assets	Liabilities	Equity	Revenue	Loss for the year
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2011					
100 per cent	752,907	(668,637)	84,270	—	(4,816)
Group's effective interest	<u>376,454</u>	<u>(334,319)</u>	<u>42,135</u>	<u>—</u>	<u>(2,408)</u>
2010					
100 per cent	96,578	(7,493)	89,085	—	(9,510)
Group's effective interest	<u>48,289</u>	<u>(3,746)</u>	<u>44,543</u>	<u>—</u>	<u>(4,755)</u>

14 Income tax in the consolidated statement of financial position

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

	The Group	
	2011	2010
	RMB'000	RMB'000
Current tax recoverable:		
PRC Corporate Income Tax	420	—
PRC Land Appreciation Tax	2,940	39,529
	<u>3,360</u>	<u>39,529</u>
Current tax payable:		
PRC Corporate Income Tax	364,993	27,615
PRC Land Appreciation Tax	17,440	1,302
	<u>382,433</u>	<u>28,917</u>

(b) Deferred tax assets and liabilities recognised:

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

	Provision for PRC Land Appreciation Tax RMB'000	Fair value adjustments for investment properties RMB'000	Withholding tax on profits of PRC subsidiaries RMB'000	Temporary difference on promotion expense RMB'000	Others RMB'000	Total RMB'000
Deferred tax arising from:						
At 1 January 2010	781	(413,659)	—	9,025	81	(403,772)
Charged to the consolidated income statement	(36,334)	(156,641)	—	(9,025)	(2,015)	(204,015)
Transfer to liabilities directly associated with non-current assets classified as held for sale	26,018	104,510	—	—	—	130,528
At 31 December 2010	<u>(9,535)</u>	<u>(465,790)</u>	<u>—</u>	<u>—</u>	<u>(1,934)</u>	<u>(477,259)</u>
At 1 January 2011	(9,535)	(465,790)	—	—	(1,934)	(477,259)
Credited/(charged) to the consolidated income statement	13,108	(66,575)	(4,301)	—	(29)	(57,797)
Transfer to liabilities directly associated with non-current assets classified as held for sale	—	314	—	—	—	314
At 31 December 2011	<u>3,573</u>	<u>(532,051)</u>	<u>(4,301)</u>	<u>—</u>	<u>(1,963)</u>	<u>(534,742)</u>

	The Group	
	2011	2010
	RMB'000	RMB'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>534,742</u>	<u>477,259</u>

(c) *Deferred tax assets not recognised*

In accordance with the accounting policy set out in note 1(s), the Group has not recognised deferred tax assets in respect of unused tax losses of RMB36,987,000 as at 31 December 2011 (2010: RMB19,490,000). The directors consider it is not probable that future taxable profits against which the losses can be utilised will be available from these subsidiaries.

The unrecognised tax losses will expire in the following years:

	The Group	
	2011	2010
	RMB'000	RMB'000
2013	556	1,586
2014	3,842	5,406
2015	10,446	12,498
2016	<u>22,143</u>	<u>—</u>

(d) *Deferred tax liabilities not recognised*

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 Agreement, 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.

As at 31 December 2011, the aggregate amounts of PRC undistributed profits of the Group’s PRC subsidiaries in respect of which the Group has not provided for dividend withholding tax were approximately RMB946,138,000 (2010: RMB53,299,000).

15 Interests in subsidiaries

	The Company	
	2011	2010
	RMB'000	RMB'000
Unlisted investment, at cost	—	—
Capital contribution to subsidiaries	15,811	—
Amounts due from subsidiaries	<u>963,761</u>	<u>—</u>
	<u>979,572</u>	<u>—</u>

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The balances are expected to be recovered after more than one year.

The following list contains the particulars of principal subsidiaries of the Group at 31 December 2011. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective interest	held by the Company	held by a subsidiary	
Zall Development (BVI) Holding Company Limited (卓爾發展 (BVI) 控股有限公司)	10 September 2010 British Virgin Islands ("BVI")	HK\$1	100%	100%	—	Investment holding
Zall Development (HK) Holding Company Limited ("Zall Hong Kong" or 卓爾發展 (香港) 控股有限公司)	25 March 2003 Hong Kong	HK\$100	100%	—	100%	Investment holding
Zall Development (Wuhan) Co., Ltd. ("Zall Development China" or 卓爾發展 (武漢) 有限公司 *)	23 October 1998 The PRC	HK\$2,800,000	100%	—	100%	Investment holding
North Hankou Group Co., Ltd. ("North Hankou Group" or 漢口北集團有限公司 *)	11 February 2009 The PRC	RMB59,600,000	100%	—	100%	Investment holding
Zall Investment Group Co., Ltd. ("Zall Investment Group" or 卓爾投資集團有限公司 *)	31 December 2004 The PRC	RMB100,000,000	100%	—	100%	Investment holding and property Development
Wuhan Logistics Enterprise Community Investment Development Co., Ltd. (武漢物聯港投資開發有限公司 *)	3 March 2011 The PRC	RMB30,000,000	100%	—	100%	Property development
Wuhan North Hankou International Goods Trading Center Co., Ltd. (武漢漢口北國際商品交易中心有限公司 *)	6 April 2011 The PRC	RMB1,000,000	100%	—	100%	Property development
Wuhan North Hankou Trade Market Investment Co., Ltd. (武漢漢口北商貿市場投資有限公司 *)	16 April 2007 The PRC	RMB55,000,000	100%	—	100%	Property development
Wuhan North Hankou Market Management Co., Ltd. (武漢漢口北市場管理有限公司 *)	14 March 2008 The PRC	RMB1,000,000	100%	—	100%	Property management
Wuhan North Hankou Logistics Co., Ltd. (武漢漢口北物流有限公司 *)	14 January 2009 The PRC	RMB10,000,000	100%	—	100%	Logistics management

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective interest	held by the Company	held by a subsidiary	
Wuhan North Hankou Commercial Services Co., Ltd. (武漢漢口北商業服務有限公司*)	12 March 2009 The PRC	RMB1,000,000	100%	—	100%	Property management
Wuhan North Hankou Shangqing Advertising Co., Ltd. (武漢漢口北商情廣告有限公司*)	11 December 2008 The PRC	RMB1,500,000	100%	—	100%	Advertising services
Wuhan North Hankou Xincheng Construction Co., Ltd. (武漢漢口北新城建設有限公司*)	4 January 2010 The PRC	RMB1,000,000	100%	—	100%	Property development
Wuhan Zongbu Jidi Construction Co., Ltd. (武漢總部基地建設有限公司*)	9 January 2007 The PRC	RMB20,000,000	100%	—	100%	Property development
Wuhan Zall Center Investment Co., Ltd. (武漢卓爾中心投資有限公司*)	12 August 1996 The PRC	RMB30,000,000	100%	—	100%	Property development
Wuhan Eastern Zall Properties Co., Ltd. (“Wuhan Zall Easter Properties” or 武漢東方卓爾置業有限公司*)	10 October 2007 The PRC	RMB30,000,000	100%	—	100%	Property development
Wuhan Salon Investment Co., Ltd. (武漢客廳投資有限公司*)	27 April 2010 The PRC	RMB30,000,000	100%	—	100%	Property development
Wuhan Zall City Investment and Development Co., Ltd. (“Zall City Investment and Development” or 武漢卓爾城投資發展有限公司*)	8 April 2010 The PRC	RMB50,000,000	100%	—	100%	Property development
Wuhan Zall Property Management Co., Ltd. (“Wuhan Zall Property Management” or 武漢卓爾物業管理有限公司*)	24 October 2005 The PRC	RMB3,000,000	100%	—	100%	Property management
Hubei Zhuohua Real Estate Co., Ltd. (“Zhuohua Real Estate” or 武漢卓華地產有限公司*)	2 September 2009 The PRC	RMB246,000,000	100%	—	100%	Property development

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective interest	held by the Company	held by a subsidiary	
Hubei Hu Pan Hao Ting Real Estate Development Co., Ltd. (湖北湖畔豪庭房地產開發有限公司*)	26 April 2004 The PRC	RMB50,000,000	100%	—	100%	Property development
Wuhan Xinrui Real Estate Development Co., Ltd. (武漢新銳房地產開發有限公司*)	22 June 2004 The PRC	RMB20,000,000	100%	—	100%	Property development
Wuhan Panlong Zall Properties Co., Ltd. ("Wuhan Panlong Properties" or 武漢盤龍卓爾置業有限公司*)	29 December 2009 The PRC	RMB10,000,000	100%	—	100%	Property development
Wuhan Development (Xiangyang) Co., Ltd. (卓爾發展(襄陽)有限公司*)	8 April 2011 The PRC	HK\$20,000,000/ HK\$3,000,000	100%	—	100%	Advertising services
Zheng An Wuhan Company Limited (“Zheng An Wuhan” or 正安實業(武漢)有限公司*)	18 October 1996 The PRC	USD17,500,000	51%	—	51%	Property development
Zall Development (Shenyang) Co., Ltd. (卓爾發展(瀋陽)有限公司)	25 October 2011 The PRC	USD192,765,000/ USD65,540,731	100%	—	100%	Property development
Wuhan Zall Football Club Co., Ltd. (武漢卓爾職業足球俱樂部有限公司)	9 February 2011 The PRC	RMB15,000,000	100%	—	100%	Football Club
Shaanxi Zall Western Regions Industrial Development Ltd. (“Zall Shaanxi”) (陝西卓爾西域實業發展有限公司*)	22 December 2011 The PRC	RMB100,000,000/ RMB30,000,000	70%	—	70%	Property development
Zhen An Properties Limited (“Zhen An Properties” or 正安資產(開曼群島)實業股份有限公司)	21 November 1997 Cayman Island	USD10,000,000/ USD8,010,000	100%	—	100%	Investment holding

* These entities are all PRC limited liability companies. The English translation of the company names is for reference only. The official names of these companies are in Chinese.

16 Properties under development

(a) *Properties under development in the consolidated statement of financial position comprise:*

	The Group	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Expected to be recovered within one year		
Properties under development for sale	<u>1,057,527</u>	<u>515,381</u>
Expected to be recovered after more than one year		
Properties held for future development for sale	<u>298,040</u>	889,905
Properties under development for sale	<u>1,339,978</u>	<u>152,344</u>
	<u>1,638,018</u>	<u>1,042,249</u>
	<u>2,695,545</u>	<u>1,557,630</u>

As at 31 December 2011, certain properties under development of the Group, which amounted to RMB41,610,000 (2010: RMB36,311,000), were designated only for the Group's own use according to the relevant land use right agreement. They were not freely transferable and were not able to let out for rental income purpose. The Group is in progress of negotiating with the relevant land bureau for changing the designated use of the properties as at 31 December 2011.

(b) *The analysis of carrying value of leasehold land included in properties under development is as follows:*

	The Group	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
In the PRC, with lease term of 50 years or more:	<u>586,947</u>	<u>1,027,128</u>

As at 31 December 2011, properties under development with an aggregate carrying value of RMB151,357,000 (2010: RMB108,953,000) was pledged for certain bank loans granted to the Group (note 25).

17 Completed properties held for sales

All completed properties held for sale are located in the PRC on leases between 40 to 70 years. All completed properties held for sale are stated at cost.

Completed properties held for sale with an aggregate carrying value of RMB117,796,000 as at 31 December 2011 (2010: RMB Nil) and were pledged for certain bank loan granted to the Group (note 25).

18 Inventories

Inventories are low-value consumables stated at cost.

19 Trade and other receivables, prepayments

	The Group		The Company	
	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Amounts due from third parties				
Trade receivables	84,968	72,337	—	—
Prepaid business tax and other tax	32,116	57,404	—	—
Deposits, prepayments and other receivables	786,576	132,015	—	—
Amounts due from related parties				
Amounts due from Controlling Equity Owners	—	932	—	—
Amounts due from other Directors	—	22,109	—	—
Amounts due from Zall Holding Co., Ltd. ("Zall Holding")	—	5,025	—	—
	903,660	289,822	—	—

During the year ended 31 December 2011, the maximum amount outstanding due from directors is RMB22,109,000 (2010: RMB93,810,000).

Trade receivables are primarily related to proceeds from the sale of properties. Proceeds from the sale of properties are made in lump-sum payments or paid by installments in accordance with the terms of the corresponding sale and purchase agreements. If payment is made in lump-sum payment, settlement is normally required by date of signing the sales contract. If payments are made in installments, 50% of the purchase price is required upon executing the contract with the balance payable by date of signing the contract.

The remaining balance of trade receivables are expected to be recovered within one year.

All trade and other receivables are denominated in Renminbi and are neither past due nor impaired.

Amounts due from related parties are unsecured, interest free and have no fixed terms of repayment.

The details on the Group's credit policy are set out in note 31(a).

20 Restricted cash

Restricted cash with an aggregate carrying value of RMB19,329,000 as at 31 December 2011 (2010: RMB12,800,000) were pledged for certain bank loans granted to the Group (note 25).

21 Cash and cash equivalents

Cash and cash equivalents comprise:

	The Group	
	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Cash at bank and in hand	970,540	304,874

As at 31 December 2011, the cash and bank balances of PRC subsidiaries comprising the Group is not freely convertible into other currencies and subject to Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Included in cash at bank and in hand are the following amounts denominated in a currency other than the functional currency of the major operating subsidiaries of the Group:

	The Group	
	2011	2010
	'000	'000
In original currency		
Hong Kong Dollar (HK\$)	<u>52,537</u>	<u>1,248</u>

22 Cash generated from operations

Reconciliation of profit before taxation to cash generated from operations:

	<i>Note</i>	2011	2010
		RMB'000	RMB'000
Profit before taxation		1,797,755	921,573
Adjustments for:			
Amortisation	5(c)	—	25
Depreciation	5(c)	3,065	2,689
Loss on disposal of asset held for sale		44,623	—
Gain on sale of property, plant and equipment		—	(216)
Interest income	5(a)	(5,108)	(626)
Interest expense and other borrowing cost	5(a)	5,510	—
Investment income from available-for-sale unlisted equity securities		—	(249)
Increase in fair value of investment properties and non-current assets classified as held for sale		(255,881)	(626,563)
Share of profit less losses of a jointly controlled entity	14	2,408	4,755
Equity settled share based payment	5(b)	12,567	8,693
Amortisation of deferred income	26(ii)	(6,287)	—
		1,598,652	310,081
Increase in properties under development, completed properties held for sale, inventories, investment properties		(1,402,294)	(1,072,581)
Increase in trade and other receivables, prepayments		(618,657)	(120,552)
Increase in trade and other payables		153,214	790,262
Increase in government grants received		44,499	560,000
Cash (used in)/generated from operations		<u>(224,586)</u>	<u>467,210</u>

23 Non-current assets classified as held for sale/liabilities directly associated with non-current assets classified as held for sale

During the year ended 31 December 2010, the directors revisited the Group's investment property portfolio and committed to a plan to sell certain units of its investment properties. Such investment properties are available for immediate sale in its present condition and the directors consider that its sales is highly probable within one year of the classification of assets as held for sale. As at 31 December 2011, the non-current assets classified as held for sale and the liabilities directly associated with such assets are as follows:

Non-current assets classified as held for sale

	The Group	
	2011	2010
	RMB'000	RMB'000
Investment properties	195,000	495,580

Liabilities directly associated with non-current assets classified as held for sale

	The Group	
	2011	2010
	RMB'000	RMB'000
Deferred tax liabilities	44,109	130,528

As at 31 December 2010, certain non-current assets classified as held for sale were pledged for certain bank loans granted to the Group (note 25). There was no such pledge of assets as at 31 December 2011.

24 Trade and other payables

	The Group		The Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to third parties				
Trade payables (note ii)	477,868	277,001	—	—
Receipts in advance	956,646	1,344,103	—	—
Other payables and accruals	382,070	105,251	1,200	—
	1,816,584	1,726,355	1,200	—
Amounts due to related parties (note i)				
Amounts due to the Controlling Equity Owners	—	3,914	—	—
Amounts due to subsidiaries	—	—	42,474	—
	—	3,914	42,474	—
	1,816,584	1,730,269	43,674	—

Notes:

- (i) Amounts due to related parties are unsecured, interest free and have no fixed terms of repayment.

- (ii) Included in trade and other payables are trade creditors with the following aging analysis as at the end of the reporting period:

	The Group	
	2011	2010
	RMB'000	RMB'000
Due within 1 months or on demand	364,018	179,914
Due after 1 month but within 3 months	4,615	1,517
Due after 3 months	104,235	95,570
	<u>477,868</u>	<u>277,001</u>

Trade payables mainly represent amounts due to contractors. Payment to contractors is in installments according to progress and agreed milestones. The Group normally retains 2% to 5% as retention payment.

Included in trade payables were retention payables which were expected to be settled after more than one year amounted to RMB51,936,000 (2010: RMB21,308,000).

25 Bank loans

At 31 December 2011, the Group's secured bank loans were repayable as follows:

	The Group	
	2011	2010
	RMB'000	RMB'000
Current		
Current portion of non-current bank loans	<u>374,454</u>	<u>167,000</u>
Non-current		
Bank loans	1,378,354	339,693
Less: current portion of non-current bank loans	<u>(374,454)</u>	<u>(167,000)</u>
	<u>1,003,900</u>	<u>172,693</u>
	<u>1,378,354</u>	<u>339,693</u>

At 31 December 2011, the bank loans are all denominated in functional currency of respective subsidiaries now comprising the Group.

At 31 December 2010, secured bank loans with value of RMB31,500,000 were guaranteed by Ms. Chen Lifan, one of the Controlling Equity Owners. According to a written confirmation issued by China Construction Bank Wuhan Huang Pi Branch 中國建設銀行股份有限公司武漢黃陂支行, this guarantee was released upon the listing of the Company's shares on the Main Board of Stock Exchange, being 13 July 2011.

The bank loans bear interest ranging from 5.67% to 9.66% per annum for the year ended 31 December 2011 (2010: 5.60% to 7.02% per annum), and are secured by the following assets:

	The Group	
	2011	2010
	RMB'000	RMB'000
Restricted cash	19,329	12,800
Investment properties	1,627,534	286,979
Investment properties under development	1,044,000	404,852
Leasehold land held for development for sale	21,270	49,630
Properties under development for sale	130,087	59,323
Non-current assets classified as held for sale	—	378,493
Completed properties held for sale	117,796	—
	2,960,016	1,192,077

At 31 December 2011, RMB170,000,000 (2010: RMB Nil) of the Group's current bank loans are subject to the fulfilment of covenants relating to certain of the Group's ratio. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants and no non-compliance is noted during the period. Further details of the Group's management of liquidity risk are set in note 31(b).

26 Deferred income

	The Group	
	2011	2010
	RMB'000	RMB'000
At 1 January	577,171	—
Movement during the year		
Government grants received (note (i))	44,499	560,000
Deferred revenue in relation to certain sale and leaseback arrangement (note (ii))	—	23,423
Amortisation during the year	(6,287)	(6,252)
	615,385	577,171
Less: amount included under "current liabilities"	(608,348)	(566,286)
	7,035	10,885

Notes:

- (i) During the year ended 31 December 2010, the Group received an advance of RMB560,000,000 from a local government office, namely 武漢市東西湖區人民政府將軍路街道辦事處. Pursuant to a written notice issued by 武漢市東西湖區人民政府將軍路街道辦事處財政所 dated 2 April 2011, such grant is for subsidising the infrastructure construction of a project undertaken by one of the Group's subsidiaries, namely Zall City Investment and Development. During the year ended 31 December 2011, the Group further received RMB44,499,000 from the same government office for the above mentioned project.

- (ii) In conjunction with certain sale contracts entered into by the Group for sale of properties, the Group subsequently leased back certain sold properties from the respective buyers under operating leases for a term of 5 years at an agreed rental rate. Under the terms of those lease agreements (collectively referred as the “Leaseback Agreements”) entered into between the Group (as lessee) and the respective buyers (as lessors), the agreed rental rate was above the then prevailing market rents for similar properties. The directors have confirmed that the leased properties under such Leaseback Agreements are for sublease purpose and the Group has subleased certain of such properties to external tenants at the then prevailing market rents during the year ended 31 December 2010. Upon recognition of the sale of such properties, a portion of the sale proceeds, which represents the present value of the difference between the agreed rents under the Leaseback Agreements and the then prevailing market rents as determined at the inception of the Leaseback Agreements, is deferred and amortised over the respective lease terms of the Leaseback Agreements as a subsidy for subsequent rental expenses. For the year ended 31 December 2011, the deferred revenue arising from such sale and leaseback arrangements amounted to RMB23,423,000 and the amount credited to “rental expense” in the year ended 31 December 2011 was RMB6,287,000 (2010: RMB6,252,000). For the balance of deferred revenue as at 31 December 2011, RMB3,849,000 of which is expected to be settled within one year and the remaining RMB7,035,000 is expected to be settled in July 2012 through 2015. No revenue was recognised from sales of such properties for the year ended 31 December 2011 (2010: RMB104,708,000).

27 Long term payable

The Group’s long term payable represents the rental deposits received from the tenants which are expected to be settled after more than one year.

28 Employee retirement benefits

Defined contribution retirement plans

The Group operates a Mandatory Provident Fund Scheme (“the MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$20,000. Contributions to the plan vest immediately.

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at 20% of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member’s retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

29 Equity settled share based payments

On 1 June 2010, Zall Development Hong Kong, a wholly owned subsidiary of the Group, adopted a share option scheme (the “2010 Share Option Scheme”) to invite certain eligible participants to take up options (the “2010 Share Options”) to subscribe for 1% shares of the to-be-listed company that will be incorporated as part of the Reorganisation of the Company at an exercise price of RMB227,047 per share and total number of outstanding share options is 100. Pursuant to the 2010 Share Option Scheme documents, the 2010 Share Options cannot be vested until after an initial public offering occurs.

Pursuant to the relevant terms of the 2010 Share Option Scheme, the 2010 Share Options will be converted into share options of the Company with the exercise price and number of employee share options to be adjusted proportionately upon the exchange of the options.

Pursuant to the option exchange letters executed by each of the grantees in favour of the Company and Zall Development Hong Kong on 20 June 2011 (the date of modification), the 2010 Share Options were converted into share options of the Company. Accordingly, 100 share options under the 2010 Share Option Scheme were converted into 29,750,000 share options of Pre-IPO Share Option Scheme issued by the Company with same terms and conditions, except that the respective exercise prices were adjusted on a proportionate basis. The conversion of the share options was considered a modification to the 2010 Share Options. The modification did not result in any incremental value in respect of the fair value of the share option at the date of modification.

The terms and conditions of the Pre-IPO Share Options Scheme on an as adjusted basis that existed during the period are as follows:

Date granted	Vesting date	Expiry date	Directors	Number of pre-IPO Share options granted employees	Total
1 June 2011	13 July 2011	12 July 2012	2,037,875	937,125	2,975,000
1 June 2011	13 July 2012	12 July 2013	3,056,812	1,405,688	4,462,500
1 June 2011	13 July 2013	12 July 2014	4,075,750	1,874,250	5,950,000
1 June 2011	13 July 2014	12 July 2015	5,094,688	2,342,812	7,437,500
1 June 2011	13 July 2015	12 July 2016	6,113,625	2,811,375	8,925,000
			<u>20,378,750</u>	<u>9,371,250</u>	<u>29,750,000</u>

(i) *The number and weighted average exercise price of Pre-IPO Share Option Scheme on an as adjusted basis are as follows:*

	Exercise price per share HK\$	Weighted average Number of options
On 21 June 2011 and as at 31 December 2011	<u>0.871</u>	<u>29,750,000</u>

The weighted average remaining expected life of Pre-IPO Share Option is 5 years.

(ii) *Valuation of the options granted under the Pre-IPO Share Option Scheme*

The fair value of services received in return for the 2010 Share Option is measured by reference to the fair value of 2010 Share Options granted. The estimated fair value of the 2010 Share Options is measured based on a binomial (Cox, Ross, Rubinstein) option pricing model with the following assumptions:

Expected volatility (expressed as weighted average volatility used in the modelling under Binomial model)	56%
Option life	6 years
Expected dividends	Nil
Risk-free interest rate	1.92%

The expected volatility is based on past few years' historical price volatility of similar listed companies. Expected dividends are based on management's best estimation. The risk-free rate is referenced to the yields of Hong Kong Exchange Fund Bills/Notes.

Except for the conditions mentioned above, there were no other market conditions and service conditions associated with the Pre-IPO Share Options.

30 Share capital and reserves

(a) Movements in components of equity

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

	Note	Share capital RMB'000	Share premium RMB'000	Equity settled share based payment reserve RMB'000 30(c)(iv)	Exchange reserve RMB'000 30(c)(iii)	Retained profits RMB'000	Total equity RMB'000
At 22 September 2010 (date of incorporation)		—	—	—	—	—	—
Changes in equity for the period from 22 September 2010 to 31 December 2010:							
Total comprehensive income for the period		—	—	—	—	—	—
At 31 December 2010 and 1 January 2011		—	—	—	—	—	—
Changes in equity for the year ended 31 December 2011:							
Total comprehensive income for the year		—	—	—	(19,047)	250,787	231,740
Issue of shares, net of listing expenses	30(b)(iii)(b)	4,361	1,204,399	—	—	—	1,208,760
Capitalisation issue	30(b)(iii)(c)	24,710	(24,710)	—	—	—	—
Equity-settled share based transaction		—	—	21,260	—	—	21,260
Dividends declared during the year	31(g)(i)/(ii)	—	—	—	—	(242,359)	(242,359)
At 31 December 2011		<u>29,071</u>	<u>1,179,689</u>	<u>21,260</u>	<u>(19,047)</u>	<u>8,428</u>	<u>1,219,401</u>

(b) *Share capital*

	2011		2010	
	No. of shares '000	Amount HK\$'000	No. of shares '000	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	<u>8,000,000</u>	<u>80,000</u>	<u>380</u>	<u>380</u>
Issued and fully paid:				
Ordinary shares of HK\$0.01 each				
At 1 January	10	—	10	—
Issue of shares by public offering	525,000	5,250	—	—
Capitalisation issue	<u>2,974,990</u>	<u>29,750</u>	<u>—</u>	<u>—</u>
At 31 December	<u>3,500,000</u>	<u>35,000</u>	<u>10</u>	<u>—</u>

- (i) 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.
- (ii) With the completion of the Reorganisation on 13 October 2010, the share capital as at 31 December 2010 represents the issued share capital of the Company comprising 10,000 shares of HK\$0.01 each.
- (iii) During the year ended 31 December 2011:
- (a) Pursuant to the written resolution of the Company's shareholder passed on 20 June 2011, the authorised share capital of the Company was increased from HK\$380,000 to HK\$80,000,000;
- (b) The shares of the Company were listed on the Stock Exchange on 13 July 2011, with a total number of 3,500,000,000 shares, among which 525,000,000 shares (15% of the total number of shares of the Company) were issued to the public. The gross proceeds received by the Company from the public offering were approximately HK\$1,517,250,000.
- (c) In addition, 2,974,990,000 ordinary shares of HK\$0.01 each were issued at par value to the shareholders of the Company as of 13 July 2011 by way of capitalisation of HK\$29,749,900 (equivalent to RMB24,710,000) from the Company's share premium account.
- (iv) During the year ended 31 December 2010:
- (a) Zall Investment Group paid a cash consideration of RMB3,000,000 to Zall Holding for the acquisition of the entire equity interests in Wuhan Zall Property Management. For the purpose of these financial statements, it is regarded as a deemed distribution to the Controlling Equity Owners.
- (b) Zall Investment Group disposed of 北京卓爾基業投資有限公司 ("Zall Jiye Investment") and 湖北卓爾生態工業城建設有限公司 ("Zall Biotech Construction") to Zall Holding at cash considerations of RMB50,000,000 and RMB15,000,000 respectively. North Hankou Group disposed of 武漢眾邦網信息產業有限公司 ("Wuhan Zhongbang Network") to Zall Holding at a cash consideration of RMB4,500,000. The considerations received less the net assets of the subsidiaries disposed of were recognised as deemed distributions to the Controlling Equity Owners in the consolidated statements of changes in equity.
- (c) Zall Development China paid a cash consideration of RMB74,500,000 to Zall Holding for the acquisition of the entire equity interests in North Hankou Group. For the purpose of these financial statements, it is regarded as a deemed distribution to the Controlling Equity Owners.
- (d) Zall Development China paid a cash consideration of RMB92,416,000 to Zall Holding for the acquisition of the entire equity interests in Zall Investment Group. For the purpose of these financial statements, it is regarded as a deemed distribution to the Controlling Equity Owners.
- (e) Zall Investment Group paid a cash consideration of RMB50,000,000 to Zall Holding for the acquisition of the entire equity interests in Zhuohua Real Estate. For the purpose of these financial statements, it is regarded as a deemed distribution to the Controlling Equity Owners.

(c) Reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

(ii) PRC statutory reserve

Pursuant to the Articles of Association of the Group's PRC subsidiaries and relevant statutory regulations, appropriations to the statutory reserve fund were made at 10% of profit after tax determined in accordance in accounting rules and regulations of the PRC until the reserve balance reaches 50% of the registered capital. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the PRC subsidiaries provided that the balance after such conversion is not less than 25% of their registered capital, and is non-distributable other than in liquidation.

(iii) Exchange reserve

The exchange reserve comprises all relevant exchange differences arising from the translation of the financial statements of operations with functional currency other than Renminbi. The reserve is dealt with in accordance with the accounting policy set out in note 1(v).

(iv) Equity settled share-based payment reserve

Equity-settled share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group in accordance with the accounting policy adopted for share-based payments in note 1(r)(iii).

(v) Other reserve

Other reserve is resulted from transactions with owners in their capacity as the equity owners. The balance comprises capital reserve surplus/deficit arising from the difference between the disposal/acquisition consideration and its net assets value at the respective date of disposal/acquisition. The movement for the year ended 31 December 2011 mainly represents the difference between the fair value and book value of the acquirees' net assets at the dates of acquisitions of non-controlling interests.

As part of the Reorganisation, Zall Holding transferred its equity interests in Wuhan Zall Property Management, Zhuohua Real Estate, North Hankou Group and Zall Investment Group to the Group during the year ended 31 December 2010. For the purpose of these financial statements, a capital contribution of RMB7,316,000 was resulted from these transfers.

As part of the Reorganisation, North Hankou Group and Zall Investment Group transferred their equity interests in Wuhan Zhongbang Network, Zall Biotech Construction and Zall Jiye Investment to Zall Holding during the year ended 31 December 2010. For the purpose of these financial statements, a deemed contribution of RMB2,738,000 was resulted from these transfers.

(d) Non-controlling interests

(i) During the year ended 31 December 2011:

The paid-up capital of Zhuohua Real Estate, a non-wholly owned subsidiary increased by RMB146,000,000, of which RMB71,540,000 was paid up by the non-controlling equity holder.

The Group acquired the non-controlling interests in Zhuohua Real Estate at a consideration of RMB218,000,000. Accordingly, the Group's effective interest in Zhuohua Real Estate has increased to 100%.

The Group established Zhuoer Shaanxi, a non-wholly owned subsidiary. The paid-up capital is RMB30,000,000, of which RMB9,000,000 was paid up by the non-controlling equity holders.

(ii) *During the year ended 31 December 2010:*

- (a) The Group acquired the non-controlling interests in Wuhan Eastern Zall Properties at a cash consideration of RMB15,000,000.
- (b) The Group disposed of its remaining 90% interests in Wuhan Zhongbang Network to Zall Holding for a consideration of RMB4,500,000.
- (c) Zall Investment Group paid a cash consideration of RMB50,000,000 to Zall Holding for the acquisition of 50% equity interests in Zhuohua Real Estate. Zall Investment Group then further acquired 1% equity interests in Zhuohua Real Estate from the non-controlling equity holder at a cash consideration of RMB1,000,000. Accordingly the Group's effective interest in Zhuohua Real Estate has increased to 51%.
- (d) Zhuohua Real Estate acquired the entire equity interest in Wuhan Panlong Properties from Zall Holding. This resulted in a partial disposal of the Group's effective interest in Wuhan Panlong Properties from 100% to 51%.

(e) **Capital management**

The Group's primary objective when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its property development projects, provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and securities afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(f) **Distributable reserve**

As at 31 December 2011, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB1,188,117,000 (2010: Nil). It represents the Company's share premium account of approximately RMB1,179,689,000 and retained earnings of approximately RMB8,428,000 in aggregate as at 31 December 2011, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

(g) **Dividends**

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

	2011	2010
	RMB'000	RMB'000
Interim dividend declared and paid of HK\$0.07 per ordinary share	200,778	—
Final dividend proposed after the end of the reporting period of HK\$0.03 per ordinary share	85,124	—
	285,902	—

The interim dividend of HK\$245,000,000 (equivalent to approximately RMB200,778,000) was declared and paid during the year ended 31 December 2011.

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

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

	2011 RMB'000	2010 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year	<u>41,581</u>	<u>144,975</u>

(a) During the year ended 31 December 2010, North Hankou Group declared dividends of approximately RMB144,975,000 to Zall Holding.

(b) Pursuant to the resolutions passed at the board of directors' meeting on 31 May 2011, dividends of HK\$50,000,000 (equivalent to approximately RMB41,581,000) were declared by the Company to its shareholder.

31 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below:

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, and trade and other receivables. The Group maintains a defined credit policy and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

In respect of rental income from leasing properties, sufficient rental deposits are held to cover potential exposure to credit risk. An aging analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables. Adequate impairment losses have been made for estimated irrecoverable amounts.

The Group has no concentrations of credit risk in view of its large number of customers. The Group did not record significant bad debts losses during the year. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. Except for the financial guarantees given by the Group as set out in note 33, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 33.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

(b) Liquidity risk

The Group management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor the Group's liquidity requirements in the short and longer terms. The Group's policy is to regularly monitor liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Details of maturity analysis for financial liabilities are disclosed in notes 24 and 25.

The Group:

	2011					Carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Bank loans	<u>479,187</u>	<u>319,787</u>	<u>809,195</u>	<u>—</u>	<u>1,608,169</u>	<u>1,378,354</u>
	2010					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	<u>190,757</u>	<u>185,422</u>	<u>—</u>	<u>—</u>	<u>376,179</u>	<u>339,693</u>

(c) Interest rate risk

The Group's interest rate risk arises primarily from cash and cash equivalents, restricted pledged deposits and borrowings issued at variable rates.

The Group does not anticipate significant impact to cash and cash equivalents and the pledged deposits because the interest rates of bank deposits are not expected to change significantly.

The interest rates and terms of repayment of bank loans of the Group are disclosed in note 25 to the consolidated financial statements. The Group does not carry out any hedging activities to manage its interest rate exposure.

Sensitivity analysis

At 31 December 2011, it is estimated that a general increase/decrease of 54 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and total equity attributable to equity shareholders of the Company by approximately RMB1,653,000 (2010: decrease/increase profit after tax by approximately RMB89,000).

Other components of consolidated equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit/loss after tax and retained profits and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to interest rate risk at the end of each reporting period. The analysis is performed on the same basis for the year ended 31 December 2010.

(d) Currency risk

The Group's businesses are located in the PRC and all sales transactions are conducted in RMB. Most of the Group's sales transactions are conducted in RMB.

The Group has not entered into any forward exchange contract.

(e) *Fair value*

Amounts due to related parties are unsecured, interest free and have no fixed repayment terms. Given these terms it is not meaningful to disclose their fair values.

All other significant financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2011.

32 Commitments

(a) *Operating lease commitment*

— *Lessor*

The Group leases out a number of building facilities under operating leases. The leases typically run for an initial period of 1 to 5 years, with an option to renew the leases after that date at which time all terms are renegotiated. Further details of the carrying value of the investment properties are contained in note 12.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Within 1 year	12,793	4,847
After 1 year but within 5 years	40,022	16,827
Above 5 years	26,245	—
	<u>79,060</u>	<u>21,674</u>

— *Lessee*

The Group leases a number of building facilities under operating leases. The leases typically run for an initial period of 5 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

During the year ended 31 December 2011, RMB7,827,000 (2010: RMB2,320,000) were recognised as an expense in the consolidated income statement in respect of leasing of building facilities.

The Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Within 1 year	7,809	7,802
After 1 year but within 5 years	16,926	24,680
	<u>24,735</u>	<u>32,482</u>

(b) *Capital commitments on development costs*

As at 31 December 2011, the Group's capital commitments in respect of investment properties under development and properties under development are as follows:

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Contracted but not provided for		
— Investment properties under development	12,391	74,265
— Properties under development	1,677,162	183,822
— Non-current assets classified as held for sale	<u>—</u>	<u>10,787</u>
	<u>1,689,553</u>	<u>268,874</u>

33 **Contingent liabilities**

Guarantees

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owned 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 buyer obtained the individual property ownership certificate and the full settlement of mortgage loans by the buyer.

The amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at the end of each reporting period is as follows:

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	<u>998,763</u>	<u>489,417</u>

The directors consider that it is not probable that the Group will sustain a loss under these guarantees as during the periods under guarantees as the Group can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default payments to the banks.

The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the Directors.

34 Material related party transactions

(a) Transactions with key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 is as follows:

	2011 RMB'000	2010 RMB'000
Wages, salaries and other benefits	1,406	1,333
Contribution to defined benefit contribution retirement scheme	90	34
Equity-settled share-based payment expenses (note 29)	<u>12,567</u>	<u>8,693</u>
	<u><u>14,063</u></u>	<u><u>10,060</u></u>

The above remuneration to key management personnel is included in "staff costs" (note 5(b)).

(b) Balances with related parties

Balance with related parties were mainly resulting from the funding arrangements between these parties. Balances at 31 December 2011, and major terms of these balances are disclosed in notes 19 and 24.

The directors consider that all related party transactions during the year ended 31 December 2011 were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

Controlling Equity Owners refers to Mr. Yan Zhi and Ms. Chen Lifen.

(c) Other related party transaction

During the year ended 31 December 2011, the Group received rental income of RMB12,000 (2010: RMB12,000) from Zall Holding. As the percentage ratios for this related party transaction is less than 0.1%, the transaction is exempted from the reporting, annual review, announcement and independent shareholders' approval requirements applicable under Chapter 14A of the Listing Rules as it falls within the de minimis threshold under Rule 14A.33 of the Listing Rules.

35 Acquisition of subsidiaries

On 21 August 2011 (i) Zall Hong Kong, a wholly owned subsidiary of the Company, entered into the Zheng An Acquisition Agreement with an independent third party in relation to the acquisition of the entire issued share capital of Zhen An Properties, which in turn owns 48% equity interest in Zheng An Wuhan; and (ii) Zall Development China, a wholly owned subsidiary of the Company, entered into the Equity Transfer Agreement with Huiyu Real Estate Co., Ltd. in relation to the acquisition of 3% equity interest in Zheng An Wuhan.

Upon completion of the above acquisitions on 26 October 2011, the Group has effectively acquired 51% equity interests in Zheng An Wuhan which hold a property development project in Wuhan. The aggregate consideration for the above acquisitions is RMB523,680,000 (equivalent to approximately HK\$637,755,000).

The acquisition of these subsidiaries have the following combined effect on the Group's assets and liabilities upon the date of acquisition:

	Carrying amount <i>RMB'000</i>	Adjustments <i>RMB'000</i>	Recognised values on acquisitions <i>RMB'000</i>
Current assets	132,414	—	132,414
Non-current assets	144,370	915,382	1,059,752
Current liabilities	(15,342)	—	(15,342)
Non-current liabilities	(150,000)	—	(150,000)
Non-controlling interests	(54,606)	(448,538)	(503,144)
	<u>56,836</u>	<u>466,844</u>	<u>523,680</u>
Group's share of net identifiable assets and liabilities			
Total consideration, satisfied in cash			523,680
Total cash and cash equivalents acquired			<u>(52,865)</u>
Net cash outflow			<u><u>470,815</u></u>

The above acquired subsidiaries major assets are investment properties under development. The directors consider that the purpose of acquiring the subsidiaries are solely to acquire the underlying properties.

The above subsidiaries contributed an aggregate turnover of RMB nil and loss attributable to the equity shareholders of the Company of RMB9,062,000 to the Group for the year ended 31 December 2011. Should the acquisitions had occurred on 1 January 2011, the consolidated turnover and the consolidated loss attributable to the equity shareholders of the Company for the year ended 31 December 2011 would have been RMB nil and RMB9,999,000 respectively.

36 Immediate and ultimate controlling party

At 31 December 2011, the directors consider the immediate parent and ultimate controlling party of the Group to be Zall Development Investment Company Limited and Mr. Yan Zhi respectively. Zall Development Investment Company Limited does not produce financial statements available for public use.

37 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2011

Up to the date of issue of these consolidated financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group:

	Effective for accounting period beginning on or after
— Amendments to IFRS 7, Financial Instruments: Disclosures — Transfers of financial assets	1 July 2011
— Amendments to IAS 12, Income taxes — Deferred tax: Recovery of underlying assets	1 January 2012
— Amendments to IAS 1, Presentation of financial statements — Presentation of items of other comprehensive income	1 July 2012
— IFRS 10, Consolidated financial statements Basis for conclusions on IFRS 10	1 January 2013
— IFRS 11, Joint arrangements — Basis for conclusions on IFRS 11 Basis for conclusions on IFRS 9 (2010)	1 January 2013
— IFRS 12, Disclosure of interests in other entities Basis for conclusions on IFRS 12	1 January 2013
— IFRS 13, Fair value measurement	1 January 2013
— IAS 27, Separate financial statements (2011)	1 January 2013
— IAS 28, Investments in associates and joint ventures (2011)	1 January 2013
— Revised IAS 19, Employee benefits	1 January 2013
— Amendments to IFRS 7, Financial instruments: Disclosures — Offsetting financial assets and financial liabilities	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

North Hankou Project

The North Hankou International Trade Center (the “North Hankou Project”), the Group’s flagship project, is located in Wuhan, which has been known as “thoroughfare to nine provinces” (“九省通衢”). With such a prime location for China’s major business center boasts excellent geographical advantages and strategic competitive edges. As the largest wholesale shopping mall in Central China focusing on consumer products, the North Hankou Project is of a large scale with a total site area of approximately over 1.8 million sq.m. Its wholesale mall units have a total GFA of over 3.5 million sq.m. and its ancillary facilities cover an area of approximately 0.8 million sq.m. It consists of 20 separate wholesale shopping malls, each serving a particular consumer product sector. Featuring over one million kinds of merchandise, it will become a versatile international marketplace for trading, exhibition, logistics, entertainment, service provision, etc. During the year under review, the progress of the North Hankou Project was satisfactory, with construction of its first phase expected to be completed in 2013 as scheduled.

The design of the North Hankou Project was inspired by the traditional wholesale trading district on Hanzheng Street in Wuhan, from which tenants have been relocated starting in 2011. With the auspices of the Wuhan government and its favourable policies, the North Hankou Project will become the fourth generation of innovative wholesale market integrating comprehensive logistic ancillaries, transport network, trading platform and amenities. The relocation of Hanzheng Street has been expedited since the issuance of an order of the general relocation by the government in August 2011, which in turn boosted sales growth of the North Hankou Project. During the year under review, the Group sold and delivered a total GFA of 267,694 sq.m., at an average sale price of RMB8,979 per sq.m. The North Hankou Project contributed sales revenue of RMB2,403.7 million to the Group, representing an increase of 295.9% over the corresponding period last year. As at 31 December 2011, construction of a total GFA of approximately 850,000 sq.m. at the North Hankou Project was completed.

In 2011, the North Hankou Project entered into lease agreements with occupants for a total leased area of approximately 52,000 sq.m.. During the year 2011, rental income amounted to RMB11.1 million, representing an increase of 167.4% over the corresponding period last year.

As at 31 December 2011, over 5,000 occupants of the North Hankou Project started their operations, of which approximately 60% had relocated from Hanzheng Street. Haining Leather Mall (海寧皮革城) officially opened for business at the footwear and leather products mall of the North Hankou Project in September 2011. The initial lease agreements in respect of the tenants from Haining Leather Mall have a term of three years and contributed a total rental income of approximately RMB2.0 million. As at 31 December 2011, Haining Leather Mall has a total of over 300 occupants with an operating area extending to over 20,000 sq.m.

To cope with the development needs of the North Hankou Project, the Integrated Development Plan of North Hankou Xincheng (漢口北新城綜合發展規劃) was implemented in Huangpi District, Wuhan, in October 2011. It capitalized on projects under construction such as the extension of Metro Line 1 and the extension of Jiefang Avenue (解放大道), as well as the completed Wuhan Boulevard (武漢大道), to form an express network with three channels to access the North Hankou Project. Together with the North Hankou Passenger Terminal, the largest passenger terminal of Wuhan which commenced construction at the end of 2011, the development of North Hankou Xincheng is expected to be boosted. After the implementation of the plan, an extensive logistic network between the North Hankou Project and the city of Wuhan will be formed and will bolster the integration of the North Hankou Project into the city to facilitate its promising development.

No. 1 Enterprise Community

No. 1 Enterprise Community is a unique business park located in the Panlongcheng Economic and Technology Development Zone (盤龍城經濟技術開發區) of Wuhan. It comprises low-density, low-rise, single-tenant office buildings and high-rise office towers. Its major targets are small and medium enterprises which are in need of business headquarters. Located within three kilometres of the North Hankou Project, No. 1 Enterprise Community complements the North Hankou Project by offering offices in close proximity for its North Hankou occupants.

No. 1 Enterprise Community, which consists of four phases, has a total site area of approximately 767,000 sq.m. and a total planned GFA of approximately 1.1 million sq.m.. It is expected to be fully completed by 2015.

As at 31 December 2011, construction of phases I and II and No. 1 high-rise office tower has been completed with a total GFA of approximately 170,000 sq.m.. For the year ended 31 December 2011, the total GFA sold and delivered was 7,253 sq.m., accounted for a total sales revenue of RMB35.5 million with an average sale price of RMB4,890 per sq.m., representing an increase of 68.7% as compared with the corresponding period last year.

Construction of phase III is expected to be completed by end of 2012 whereas the construction of No. 2 and No. 3 high-rise office towers of No. 1 Enterprise Community commenced in March 2011 and is expected to be completed by December 2013.

In January 2012, the Group entered into an agreement for the acquisition of a parcel of land in Kaifu District, Changsha, Hunan Province (湖南省長沙市開福區), at a total consideration of RMB38.7 million. The land use right covers an area of over 64,000 sq.m. and a planned GFA of 77,000 sq.m. The Group will develop the parcel of land as Zall No. 1 Enterprise Community • Changsha (卓爾第一企業社區 • 長沙總部基地). The project will comprise various types of commercial buildings, such as a business hotel, Grade A office buildings and single-tenant office buildings, to provide comprehensive ancillary facilities for its customers.

Wuhan Salon

In 2010, the PRC Government designated Wuhan as the key regional center for Central China in its strategic Central China Revitalization Plan, and the government intended to develop the cultural industry in Central China. In March 2010, the Group entered into an investment agreement with the People's Government of Dongxihu District (東西湖區人民政府) of Wuhan Municipality for the development of Wuhan Salon. Pursuant to the agreement, the Group obtained parcels of land for the development of Wuhan Salon and intended to transform it into a multi-structure and multi-function cultural center in the vicinity of the city center of Wuhan.

The Group planned to develop Wuhan Salon in three phases. The total site area of Wuhan Salon (Phase I) is approximately 270,000 sq.m. with a total GFA of approximately 613,000 sq.m., including retail facilities, convention center facilities, high-end office space, restaurants and other supporting facilities. Construction of the project commenced in July 2011 and is expected to be completed by December 2013.

During the year 2011, the Group obtained another parcel of land in Dongxihu District, Wuhan, at a total consideration of RMB63.7 million for the development of hotels and residential properties of Wuhan Salon (Phase II). The parcel of land has a site area of 16,000 sq.m. and a planned GFA of 48,000 sq.m. Construction of this project is expected to commence in June 2013 and is expected to be completed by June 2015.

North Hankou • Zall Life City-Zhujinyuan Residences

North Hankou • Zall Life City-Zhujinyuan Residences is a residential development project in the Panlongcheng Economic and Technology Development Zone of Wuhan. The project has a total site area of approximately 60,000 sq.m. and a total GFA of approximately 170,000 sq.m.

North Hankou • Zall Life City-Hupan Haoting Residences

North Hankou • Zall Life City-Hupan Haoting Residences is a residential development project of the Group in the Panlongcheng Economic and Technology Development Zone of Wuhan. The project has a total site area of approximately 180,000 sq.m. and a total GFA of over 330,000 sq.m. The project will be developed in two phases. Construction of Phase I and II commenced in March 2011 and March 2012, respectively and the entire project is expected to be completed by the end of 2013.

Zall Yulong International Finance Center

In August 2011, the Group acquired a 51% equity interest in 正安實業（武漢）有限公司 (Zhen An Wuhan Company Limited) (“Zhen An”) at a total consideration of RMB523,680,000. Zhen An owns the land use rights of a parcel of land with a total site area of approximately 10,000 sq.m. in the city center of Wuhan with a total planned GFA of over 97,000 sq.m.

The Group intends to develop the parcel of land into Zall Yulong International Finance Center (卓爾鈺龍國際金融中心), which will be positioned as a premier commercial center and Grade A office building. The project is strategically located in the financial center of Wuhan, surrounded by China Construction Bank Building to the north, Bank of China Building to the south, New World Trade Centre and New World Department Store to the west and China Minsheng Bank Building to the east. Construction of the project is expected to be fully completed in 2014.

Results of Operation

Turnover

Turnover increased by 218.8% from RMB769.7 million for the year ended 31 December 2010 to RMB2,454.2 million for the year ended 31 December 2011. The increase was primarily due to an increase in the Group’s revenue from sales of properties. Also, the Group’s revenue from rental income for the year ended 31 December 2010 increased by 167.4% from RMB4.1 million to RMB11.1 million for the year ended 31 December 2011.

Sales of properties

Revenue from sales of properties increased by 224.9% from RMB750.8 million for the year ended 31 December 2010 to RMB2,439.1 million for the year ended 31 December 2011.

The Group’s revenue from sales of properties was mainly generated from sales of wholesale shopping mall units in the North Hankou Project and the offices and retail units in the No. 1 Enterprise Community Project. The GFA and average sale prices of the respective projects during the period under review are set forth below:

	For the year ended 31 December					
	2011 Average sale price (net of business tax)	2010 Average sale price (net of business tax)	Turnover (RMB'000)	GFA Sold (sq.m.)	Turnover (RMB'000)	GFA Sold (sq.m.)
North Hankou Project	8,979	5,122	2,403,652	118,546	607,149	267,694
No. 1 Enterprise Community	4,890	2,899	35,469	49,539	143,613	7,253
Total	<u>274,947</u>	<u>168,085</u>	<u>2,439,121</u>	<u>168,085</u>	<u>750,762</u>	<u>274,947</u>

The Group's turnover from sales of properties increased significantly during the year ended 31 December 2011 mainly due to the significant increase in both the total GFA and the average sale price of North Hankou Project. The total GFA sold in North Hankou Project increased by 125.8% from 118,546 sq.m. for the year ended 31 December 2010 to 267,694 sq.m. for the year ended 31 December 2011. In addition, the average sale price of North Hankou Project increased by 75.3% from RMB5,122 per sq.m. for the year ended 31 December 2010 to RMB8,979 per sq.m. for the year ended 31 December 2011.

Rental income

The Group's rental income increased significantly for the year ended 31 December 2011 as it started to retain an increasing number of wholesale shopping mall units in the North Hankou Project for leasing.

Cost of sales

Cost of sales increased by 73.1% from RMB413.2 million for the year ended 31 December 2010 to RMB715.2 million for the year ended 31 December 2011, primarily as a result of the increase in the sales of properties.

Gross profit

Gross profit increased by 387.8% from RMB356.5 million for the year ended 31 December 2010 to RMB1,739.0 million for the year ended 31 December 2011, primarily as a result of the increase in the sales of properties. The Group's gross profit margin increased from 46.3% in 2010 to 70.9% in 2011 mainly due to the increase in the average sale prices of the wholesale shopping mall units in the Group's North Hankou Project.

Other net (loss)/income

For the year ended 31 December 2011, certain non-current assets held for resale has been disposed of and a loss on disposal of RMB44.6 million has been incurred.

Selling and distribution expenses

Selling and distribution expenses increased by 73.1% from RMB25.1 million for the year ended 31 December 2010 to RMB43.4 million for the year ended 31 December 2011. The increase was primarily due to the increased advertising and promotional campaigns for the Group's North Hankou Project in 2011.

Administrative expenses

Administrative expenses increased by 176.2% from RMB39.9 million for the year ended 31 December 2010 to RMB110.1 million for the year ended 31 December 2011. The increase was primarily due to (i) a RMB11.2 million increase in staff related costs resulting from an increase in the number of the Group's administrative and management personnel and an increase in salaries; (ii) a RMB3.9 million increase in equity-settled share-based payment expenses in relation to the share options granted under the Pre-IPO Share Option Scheme; (iii) a RMB16.3 million increase in legal and professional fees in relation to the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"); (iv) a RMB3.0 million increase in charitable and other donations; (v) a RMB3.0 million increase in travelling expenses; (vi) a RMB4.1 million increase in entertainment and related expenses; and (vii) a RMB1.7 million increase in auditors' remuneration.

Increase in fair value of investment properties

The Group hold a portion of properties developed for rental income and/or capital appreciation purposes. The Group's investment properties are revaluated at the end of the respective review period on an open market value or existing use basis by an independent property valuer. For the year ended 31 December 2011, the Group recorded increases in fair value of investment properties of RMB255.9 million (2010: RMB626.6 million). The significant increase in fair value of the Group's investment properties during the years ended 31 December 2011 and 2010 reflected a rise in the property prices in Wuhan over the period under review.

Share of losses of a jointly controlled entity

Share of losses of a jointly controlled entity consisted primarily of losses from Wuhan Big World Investment Development Co., Ltd., which reflected the Group's 50% equity interest share of losses of this entity for the years ended 31 December 2011 and 2010.

Finance income/(costs)

For the year ended 31 December 2011, the Group incurred a net finance cost of RMB1.9 million charged to the income statement (2010: RMB0.3 million).

Income tax

Income tax increased by 112.9% from RMB288.4 million for the year ended 31 December 2010 to RMB613.9 million for the year ended 31 December 2011. The increase was primarily due to the increase in PRC Corporate Income Tax as a result of increase in operating profits of the Group and the increase in PRC Land Appreciation Tax due to the increase in property values. The Group's effective tax rate was increased from 31.3% for the year ended 31 December 2010 to 34.1% for the year ended 31 December 2011.

Profit for the year

For the year ended 31 December 2011, the Group recorded a net profit of RMB1,183.9 million. Net profit attributable to shareholders of the Company was RMB1,194.7 million, representing an increase of 88.1% over the amount of RMB635.1 million for the corresponding year in 2010.

Liquidity and capital resources

As at 31 December 2011, cash and cash equivalents of the Group was RMB970.5 million (2010: RMB304.9 million). The Group's cash and cash equivalents consist primarily of cash on hand and bank balances which are primarily held in RMB denominated accounts with banks in the PRC.

Capital expenditure

For the year ended 31 December 2011, the Group's total expenditure in respect of property, plant and equipment and investment properties under development amounted to RMB4.4 million and RMB243.6 million (2010: RMB2.3 million and RMB161.5 million), respectively.

Interest-bearing bank borrowings

As at 31 December 2011, the Group's total long-term and short-term bank borrowings was 1,378.4 million, representing an increase of RMB1,038.7 million over the amount of RMB339.7 million as at 31 December 2010. All bank borrowings were denominated in RMB, being the functional currency of the Group.

Details of the Group's interest-bearing bank borrowings are set out in note 25 to the financial statements.

Gearing ratio

As at 31 December 2011, the gearing ratio (calculated by dividing total bank borrowings by total equity) of the Group remained at a low level of 32.0% (2010: 18.9%).

Foreign exchange risk

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

Charge on assets

As at 31 December 2011, the Group had pledged certain of its assets with a total book value of RMB2,960.0 million (2010: RMB1,192.1 million) for the purpose of securing certain of the Group's bank borrowings. Details of which are set out in note 25 to the financial statements.

Contingent liabilities

In accordance with market 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 is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owned 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 buyer obtained the individual property ownership certificate and the full settlement of mortgage loans by the buyer.

As at 31 December 2011, the guarantees provided to banks in relation to mortgage facilities granted to purchasers of the Group's properties amounted to RMB998.8 million (2010: RMB489.4 million).

Material acquisition

On 21 August 2011, (i) Zall Development (HK) Holding Company Limited, a wholly-owned subsidiary of the Company, entered into an acquisition agreement with an independent third party in relation to the acquisition of the entire issued share capital of Zhen An Properties Limited, which in turn owns 48% interest in 正安實業 (武漢) 有限公司 (Zhen An Wuhan Company Limited), a company established under the PRC with limited liability on 18 October 1996 (hereafter "Zhen An"); and (ii) 卓爾發展 (武漢) 有限公司 (Zall Development (Wuhan) Co., Ltd.), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with 惠譽房地產股份有限公司 (Huiyu Real Estate Company Limited) in relation to the acquisition of 3% interest in Zhen An.

Upon completion of the acquisitions, the Group owns a 51% equity interest in Zhen An and Zhen An is accounted for as a subsidiary in the consolidated financial statements of the Company, details of which are set out in note 35 to the financial statements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2011, the Group employed a total of 598 full time employees (2010: 450). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2011, the employees benefit expenses were RMB40.5 million (2010: RMB28.1 million). The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The Company's shares were listed on the Stock Exchange in July 2011 and the Company raised net proceeds of HK\$1,449.3 million (equivalent to RMB1,208.8 million).

For the year ended 31 December 2011, the Group had utilized RMB868.2 million of the net proceeds as follows:

- RMB205.6 million for the construction and/or extension of our wholesale shopping malls and supporting facilities in North Hankou Project;
- RMB57.5 million for the construction of the low rise office building, high rise office tower and service center in No. 1 Enterprise Community;
- RMB264.4 million for the construction of Wuhan Salon (Phase I);
- RMB58.7 million for the construction of residential projects such as Zall Hupan Haoting Residences and Zall Zhujinyuan Residences; and
- RMB282.0 million for the land acquisition and preliminary construction of Northeastern China (Shenyang) International Trade Center, No. 1 Enterprise Community Northeastern China Headquarters Business Park and Northeastern Logistic Enterprise Community.

Such utilization of the net proceeds was in accordance with the proposed allocations as set out in the section headed “Use of Proceeds” of the prospectus of the Company dated 30 June 2011 (the “**Prospectus**”) for the Company’s listing on the Main Board of the Stock Exchange on 13 July 2011 (the “**Listing**”). The unutilized portion of the net proceeds is currently held in cash and cash equivalents and it is intended that it will also be applied in a manner consistent with the proposed allocations in the Prospectus.

PROSPECTS

Looking ahead, in order to capture the ample business opportunities arising from the central government policy of stimulating domestic demand, the Group will continue to develop existing projects and seize opportunities to expand its successful wholesale shopping mall business model to other areas in China.

Since the start of the relocation of the traditional market on Hanzheng Street, more effort has been made by the local government to expedite the relocation of Hanzheng Street to the North Hankou Project. The development of the transportation infrastructure is also in full swing to facilitate the development of the North Hankou Project. Capitalizing on these substantial opportunities, the North Hankou Project will complete construction in accordance with its development plan and will continue to be the major growth driver of the Group.

In order to increase the popularity, traffic and transaction volumes of the North Hankou Project, the Group launched various promotion activities during the year in the traditional prime wholesale market locations of different sectors all over China. Benefiting from the rapid growth of traffic and business flow, the transaction volume of the North Hankou Project’s occupants has continued to rise since the launch of the project. In particular, the hotel products and supplies mall and the footwear and leather products mall market have already become the largest markets, enjoying the highest transaction volumes in Central China their respective industries over the year.

As of 31 December 2011, the Group has land reserves of approximately 5.7 million sq.m., which have been granted land use rights, certificates by the government authorities. The land reserves are expected to be able to meet the development needs of the Group over the coming three to five years. Leveraging its unique wholesale market business model, the Group experienced significant growth in 2011. Looking forward, the Group will continue to identify projects with great development potential. By negotiating and entering into master agreements, cooperation or investment agreements with local government authorities, new development projects in Xiangyang, Tianjin and Shenyang will be carried out in the near future. These projects will contribute to the significant and sustainable growth of the Group and will create maximum value for the shareholders of the Company.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has adopted the Code on Corporate Governance Practices (the “**CG Code**”) contained in Appendix 14 to the Listing Rules as its corporate governance code of practices upon Listing. In the opinion of the Board, save as disclosed below, the Company has complied with the code provisions as set out in the CG Code for the year ended 31 December 2011.

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 separate and should not be performed by the same individual.

During the year ended 31 December 2011, the Company has not separated the roles of chairman and chief executive officer of the Company and Mr. Yan Zhi was the chairman and also the chief executive officer of the Company responsible for overseeing the operations of the Group during such period. 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 upon the Listing. The Board confirms that, having made specific enquiries with all Directors, from the date of Listing to 31 December 2011, all Directors have complied with the required standards of the Model Code.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period from the date of Listing to 31 December 2011, 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 consolidated financial statements for the year ended 31 December 2011 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. Peng Chi and Ms. Yang Qiongzhen. Mr. Cheung Ka Fai serves as the chairman of the Audit Committee.

FINAL DIVIDEND

At the Board meeting held on 20 March 2012, it was proposed that a final dividend of HK3 cents per share (or equivalent to approximately RMB2.43 cents per share) (the "**Final Dividend**") be paid to the shareholders of the Company, whose names appear on the Company's register of members on Wednesday, 16 May 2012. The Final Dividend is expected to be paid in Hong Kong dollars on or about 31 May 2012, subject to the approval by the shareholders of the Company at the forthcoming annual general meeting to be held on 8 May 2012 (the "**AGM**").

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

(a) For determining the entitlement to attend and vote at the AGM

The Company's register of members will be closed for three days from Friday, 4 May 2012 to Tuesday, 8 May 2012 (both days inclusive), during which no transfer of shares of the Company will be effected. In order to qualify to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 3 May 2012.

(b) For determining the entitlement to the Final Dividend

The Final Dividend is subject to the approval of shareholders at the AGM. The record date for the determination of entitlement to the Final Dividend for the year ended 31 December 2011 will be on Wednesday, 16 May 2012, that is, the Final Dividend will be paid to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 16 May 2012. The Company's register of members will be closed for three days from Monday, 14 May 2012 to Wednesday, 16 May 2012 (both days inclusive), during which no transfer of shares of the Company will be effected. In order to qualify for the Final Dividend, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 11 May 2012.

ANNUAL GENERAL MEETING

The AGM will be held on Tuesday, 8 May 2012. A notice convening the AGM will be published and dispatched to shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final 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 2011 of the Group containing all the information required by the Listing Rules will also be published on the same websites and dispatched to the shareholders of the Company in due course.

By Order of the Board
Zall Development (Cayman) Holding Co., Ltd.
Yan Zhi
Chairman

For the purpose of this announcement, the exchange rate of HK\$1 = RMB0.81070 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rates or any other rates or at all on the date or dates in question or any other date.

Hong Kong, 20 March 2012

As at the date of this announcement, the Board comprises Mr. Yan Zhi, Mr. Cui Jinfeng, Mr. Fang Li and Ms. Wang Danli, as executive Directors; Mr. Fu Gaochao, as non-executive Director; Ms. Yang Qiongzhen, Mr. Cheung Ka Fai and Mr. Peng Chi, as independent non-executive Directors.