ZALL Development

Zall Development Group Ltd.
卓爾發展集團有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 2098)

PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

The board (the "**Board**") of directors (the "**Directors**") of Zall Development Group Ltd. (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2012, together with the comparative amounts for the corresponding period in 2011.

FINANCIAL HIGHLIGHTS

	2012 *RMB'000*	2011 *RMB'000*
Turnover	**1,489,928**	2,454,208
Gross profit	**1,082,880**	1,739,034
Gross profit margin	**72.7%**	70.9%
Profit for the year	**1,168,965**	1,183,875
Earnings per share — Basic (RMB)	**0.33**	0.34
— Diluted (RMB)	**0.33**	0.34
Final dividend proposed	**HK6 cents per share (or equivalent to approximately RMB4.87 cents)**	HK3 cents per share (or equivalent to approximately RMB2.43 cents)

	2012	2011
	RMB'000	*RMB'000*
Total non-current assets	**5,024,147**	3,835,862
Total current assets	**7,656,267**	5,248,102
Total assets	**12,680,414**	9,083,964
Total non-current liabilities	**3,129,288**	1,552,053
Total current liabilities	**4,132,213**	3,225,928
Total liabilities	**7,261,501**	4,777,981
Net assets	**5,418,913**	4,305,983

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2012
(Expressed in Renminbi)

	Note	**2012** *RMB'000*	2011 *RMB'000*
Turnover	3	**1,489,928**	2,454,208
Cost of sales		**(407,048)**	(715,174)
Gross profit		**1,082,880**	1,739,034
Other net loss		**(9,812)**	(44,623)
Other revenue		**8,657**	5,249
Selling and distribution expenses		**(88,347)**	(43,406)
Administrative and other expenses		**(136,805)**	(110,084)
Profit from operations before changes in fair value of investment properties		**856,573**	1,546,170
Increase in fair value of investment properties and non-current assets classified as held for sale		**200,467**	255,881
Fair value gain upon transfer of completed properties held for sale to investment properties		**496,888**	—
Profit from operations after changes in fair value of investment properties		**1,553,928**	1,802,051
Share of profits/(losses) of jointly controlled entities		**119,157**	(2,408)
Finance income	4(a)	**3,407**	5,108
Finance costs	4(a)	**(5,507)**	(6,996)
Profit before taxation		**1,670,985**	1,797,755
Income tax	5(a)	**(502,020)**	(613,880)
Profit for the year		**1,168,965**	1,183,875

	Note	**2012** **RMB'000**	2011 RMB'000
Attributable to:			
Equity shareholders of the Company		**1,150,943**	1,194,732
Non-controlling interests		**18,022**	(10,857)
Profit for the year		**1,168,965**	1,183,875
Earnings per share	6		
Basic (RMB)		**0.33**	0.34
Diluted (RMB)	6	**0.33**	0.34

Details of dividends payable and proposed to equity shareholders of the Company attributable to the profit for the year are set out in note 16(c).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012
(Expressed in Renminbi)

	2012	2011
	RMB'000	*RMB'000*
Profit for the year	**1,168,965**	1,183,875
Other comprehensive income for the year:		
Exchange differences on translation of financial statements of subsidiaries in other jurisdictions, net of nil tax	**(153)**	(21,347)
Total comprehensive income for the year	**1,168,812**	1,162,528
Attributable to:		
Equity shareholders of the Company	**1,150,790**	1,173,385
Non-controlling interests	**18,022**	(10,857)
Total comprehensive income for the year	**1,168,812**	1,162,528

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2012
(Expressed in Renminbi)

	Note	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	7	**133,155**	20,627
Investment properties	8	**4,707,800**	3,773,100
Interests in jointly controlled entities		**161,292**	42,135
Intangible assets		**11,381**	—
Deferred tax assets		**10,519**	—
		5,024,147	3,835,862
Current assets			
Properties under development	9(a)	**3,997,123**	2,695,545
Completed properties held for sale	10	**1,448,542**	449,920
Inventories	11	**5**	248
Current tax assets		**18,870**	3,360
Trade and other receivables, prepayments	12	**853,674**	903,660
Available-for-sale unlisted equity securities		**500**	500
Other financial assets		**—**	10,000
Short term bank deposits		**120,000**	—
Restricted cash		**19,422**	19,329
Cash and cash equivalents	13	**998,131**	970,540
		7,456,267	5,053,102
Non-current assets classified as held for sale		**200,000**	195,000
		7,656,267	5,248,102
Current liabilities			
Trade and other payables	14	**2,390,365**	1,816,584
Bank loans and loan from other financial institution	15	**545,160**	374,454
Current tax liabilities		**492,717**	382,433
Deferred income		**658,497**	608,348
		4,086,739	3,181,819
Liabilities directly associated with non-current assets classified as held for sale		**45,474**	44,109
		4,132,213	3,225,928
Net current assets		**3,524,054**	2,022,174
Total assets less current liabilities		**8,548,201**	5,858,036

	Note	**2012**	2011
		RMB'000	*RMB'000*
Non-current liabilities			
Bank loans and loan from other financial institution	15	**2,426,540**	1,003,900
Long term payable		**—**	6,376
Deferred income		**27,851**	7,035
Deferred tax liabilities		**674,897**	534,742
		3,129,288	1,552,053
NET ASSETS		**5,418,913**	4,305,983
EQUITY			
Share capital	16	**29,071**	29,071
Reserves		**4,848,381**	3,773,473
Total equity attributable to equity shareholders of the Company		**4,877,452**	3,802,544
Non-controlling interests		**541,461**	503,439
TOTAL EQUITY		**5,418,913**	4,305,983

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") and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with 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 2 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 Group Ltd. (the "Company", formerly known as Zall Development (Cayman) Holding Co., Ltd) 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 2012 comprise the Company and its subsidiaries and the Group's interests in jointly controlled entities.

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 the following assets and liabilities are stated at their fair value:

— available-for-sale unlisted equity securities;

— other financial assets; and

— investment properties.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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

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

2 Changes in accounting policies

The IASB has issued several amendments to IFRSs 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:

- Amendments to IAS 12, Income taxes — *Deferred tax: Recovery of underlying assets*

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

Amendments to IAS 12, *Income taxes*

Under IAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the assets in question. In this regard, the amendments to IAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under IAS 40, Investment property, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Previously, where investment properties were held under leasehold interests, the Group assumed that the property's value would be recovered through use and measured deferred tax accordingly. In respect of the Group's investment properties located in Mainland China, the Group has determined that each of these properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time and consequently the presumption in the amended IAS 12 is rebutted for these properties. As a result, the Group continues to measure the deferred tax relating to these other properties using the tax rate that would apply as a result of recovering their value through use.

3 Turnover and segment reporting

The principal activities of the Group are development and sales of properties, property management services, development and operation of properties in the People's Republic of China (the "PRC").

Turnover represents income from sales of properties, property management services income, rental 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 year are as follows:

	2012	2011
	RMB'000	*RMB'000*
Sales of properties	**1,462,048**	2,439,121
Property management services	**7,247**	3,609
Rental income	**19,863**	11,051
Others	**770**	427
	1,489,928	2,454,208

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.

4 Profit before taxation

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

	2012	2011
	RMB'000	*RMB'000*
(a) Finance costs/(income):		
Interest on bank loans and loan from other financial institution	**151,609**	47,583
Other borrowing costs	**11,637**	20,656
Less: amounts capitalised into properties under development and investment properties under development (note)	**(159,339)**	(62,729)
	3,907	5,510
Bank charge and others	**1,600**	1,486
Interest income	**(3,407)**	(5,108)
	2,100	1,888

Note: The borrowing costs have been capitalised at rates ranging from 6.15%–9.66% per annum in the year ended 31 December 2012 (2011: 5.67%–9.66% per annum).

	2012	2011
	RMB'000	*RMB'000*
(b) Staff costs:		
Salaries, wages and other benefits	**27,894**	26,369
Contributions to defined contribution retirement plan	**4,942**	1,557
Equity-settled share-based payment expenses	**9,118**	12,567
	41,954	40,493

	2012	2011
	RMB'000	*RMB'000*
(c) Other items:		
Amortisation	**5,711**	—
Depreciation	**9,632**	3,065
Auditors' remuneration — statutory audit services	**2,160**	2,027
Cost of properties sold	**337,405**	713,039

5 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2012	2011
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax ("CIT")	**259,384**	443,021
PRC Land Appreciation Tax ("LAT")	**111,635**	199,794
	371,019	642,815
Deferred tax		
Origination and reversal of temporary differences	**131,001**	(28,935)
	502,020	613,880

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

	2012	2011
	RMB'000	*RMB'000*
Profit before taxation	**1,670,985**	1,797,755
Income tax computed by applying the tax rate of 25% to profit before taxation	**417,746**	449,439
Tax effect of non-PRC entities not subject to PRC CIT	**4,152**	6,978
Tax rate differential	**—**	1,619
Withholding income tax on dividends declared	**9,950**	14,500
Tax effect of non-deductible expenses	**5,221**	2,282
Tax effect of non-taxable share of profits of jointly controlled entities and other income	**(29,802)**	—
Effect on deductible temporary differences not recognised	**—**	1,572
Tax effect of unused tax losses not recognised	**10,064**	4,374
Withholding tax on undistributed profits of PRC subsidiaries	**700**	4,301
LAT in relation to completed properties sold	**109,561**	146,166
LAT in relation to non-current assets classified as held for sale	**2,424**	25,587
Tax effect on LAT	**(27,996)**	(42,938)
Income tax expense	**502,020**	613,880

(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 year.

(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% (2011: 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税暫行條例) 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税暫行條例實施細則) 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 of the Company are of the opinion that the authorised tax valuation method is one of the allowable taxation methods in the PRC and the respective local tax bureaus are the competent tax authorities to approve the authorised tax valuation method in charging 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.

6 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 RMB1,150,943,000 (2011: RMB1,194,732,000) and 3,500,000,000 ordinary shares in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company of RMB1,150,943,000 (2011: RMB1,194,732,000) divided by the weighted average number of ordinary shares of 3,515,034,000 shares (2011: 3,529,750,000 shares), calculated as follows:

	2012	2011
Weighted average number of ordinary shares at 31 December	**3,500,000,000**	3,500,000,000
Effect of deemed issue of shares under the Company's Pre-IPO Share Option Scheme for nil consideration	**15,034,000**	29,750,000
Weighted average number of ordinary shares (diluted) at 31 December	**3,515,034,000**	3,529,750,000

7 Property, plant and equipment

	Buildings *RMB'000*	Motor vehicles *RMB'000*	Furniture, office equipment and others *RMB'000*	Total *RMB'000*
Cost:				
At 1 January 2011	8,752	11,723	3,344	23,819
Additions	329	2,498	1,615	4,442
Additions through acquisition of subsidiaries	—	942	138	1,080
At 31 December 2011/1 January 2012	**9,081**	**15,163**	**5,097**	**29,341**
Additions	6,341	416	2,003	8,760
Transfer from investment properties	113,400	—	—	113,400
At 31 December 2012	**128,822**	**15,579**	**7,100**	**151,501**
Accumulated depreciation:				
At 1 January 2011	(1,565)	(3,251)	(833)	(5,649)
Charge for the year	(329)	(2,132)	(604)	(3,065)
At 31 December 2011/1 January 2012	**(1,894)**	**(5,383)**	**(1,437)**	**(8,714)**
Charge for the year	(5,011)	(3,557)	(1,064)	(9,632)
At 31 December 2012	**(6,905)**	**(8,940)**	**(2,501)**	**(18,346)**
Net book value:				
At 31 December 2012	**121,917**	**6,639**	**4,599**	**133,155**
At 31 December 2011	7,187	9,780	3,660	20,627

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

On 31 July 2012, the Group transferred certain of its investment properties to owner-occupied buildings at a deemed cost of RMB113,400,000 (2011: Nil) according to a valuation report issued 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. In valuing the property interest in the PRC, Savills has adopted the direct comparison approach and made reference to the recent transactions for similar premises in the proximity.

As at 31 December 2012, certain buildings of the Group with carrying value of RMB24,720,000 was without building ownership certificate (2011: RMB2,420,000). The Group was in progress of applying for the relevant building ownership certificates.

8 Investment properties

	Investment properties *RMB'000*	Investment Properties under development *RMB'000*	Total *RMB'000*
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 classified as held for sale	—	(1,785)	(1,785)
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
	2,142,000	1,631,100	3,773,100
At 1 January 2012	**2,142,000**	**1,631,100**	**3,773,100**
Additions	**—**	**295,595**	**295,595**
Transfer from completed properties held for sale	**102,579**	**—**	**102,579**
Fair value adjustments	**597,376**	**109,505**	**706,881**
Transfer to investment properties	**173,500**	**(173,500)**	**—**
Transfer to property, plant and equipment	**(41,500)**	**(71,900)**	**(113,400)**
Transfer to non-current assets classified as held for sale	**(56,955)**	**—**	**(56,955)**
At 31 December 2012	**2,917,000**	**1,790,800**	**4,707,800**
Representing:			
Cost	**564,773**	**1,438,636**	**2,003,409**
Fair value adjustments	**2,352,227**	**352,164**	**2,704,391**
	2,917,000	**1,790,800**	**4,707,800**
Book value:			
At 31 December 2012	**2,917,000**	**1,790,800**	**4,707,800**
At 31 December 2011	2,142,000	1,631,100	3,773,100

The Group's investment properties were revalued as at 31 December 2012 by Savills. 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.

During the year ended 31 December 2012, the Group transferred certain completed properties held for sale to investment properties upon there was an actual change in use from sale to earning rental income purpose, which were evidenced by commencement of operating lease as stipulated in the lease agreements entered into by the Group. Correspondingly a fair value gain amounting to RMB496,888,000 upon transfer was recognised.

Certain bank loans granted to the Group were jointly secured by investment properties and investment properties under development with an aggregate book value of RMB532,500,000 (2011: RMB2,671,534,000) (note 15).

The Group's investment properties are held on leases of between 40 to 70 years in the PRC.

9 Properties under development

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

	2012	2011
	RMB'000	*RMB'000*
Expected to be recovered within one year		
Properties under development for sale	**1,948,394**	1,057,527
Expected to be recovered after more than one year		
Properties held for future development for sale	**146,256**	298,040
Properties under development for sale	**1,902,473**	1,339,978
	2,048,729	1,638,018
	3,997,123	2,695,545

As at 31 December 2012, certain properties under development of the Group, which amounted to RMB42,154,000 (2011: RMB41,610,000), 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 2012.

As at 31 December 2012, certain properties under development with an aggregate carrying value of RMB757,588,000 (2011: RMB151,357,000) was pledged for certain bank loans granted to the Group (note 15).

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

	2012	2011
	RMB'000	*RMB'000*
In the PRC, with lease term of 50 years or more:	**378,763**	586,947

10 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 RMB370,707,000 as at 31 December 2012 (2011: RMB117,796,000) were pledged for certain bank loan granted to the Group (note 15).

11 Inventories

Inventories are low-value consumables stated at cost.

12 Trade and other receivables, prepayments

	2012	2011
	RMB'000	*RMB'000*
Current	**24,078**	22,795
More than 3 months but less than 12 months past due	**4,350**	19,163
More than 12 months past due	**21,650**	43,010
Trade receivables	**50,078**	84,968
Prepaid business tax and other tax	**32,522**	32,116
Deposits, prepayments and other receivables	**771,074**	786,576
	853,674	903,660

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, 30%–50% of the purchase price is required upon executing the contract with the balance payable by date of signing the contract.

13 Cash and cash equivalents

Cash and cash equivalents comprise:

	2012	2011
	RMB'000	*RMB'000*
Cash at bank and in hand	**998,131**	970,540

As at 31 December 2012, 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:

	2012	2011
	'000	*'000*
In original currency		
Hong Kong Dollar (HK$)	**1,978**	52,537

14 Trade and other payables

	2012	2011
	RMB'000	*RMB'000*
Amounts due to third parties		
Trade payables (note)	**640,986**	477,868
Receipts in advance	**1,256,938**	956,646
Other payables and accruals	**492,441**	382,070
	2,390,365	1,816,584

Note:

Included in trade and other payables are trade creditors, based on invoice date, with the following aging analysis as at the end of the reporting period:

	2012	2011
	RMB'000	*RMB'000*
Within 3 months	**194,734**	193,526
Over 3 months but less than 12 months	**433,651**	232,406
Over 12 months	**12,601**	51,936
	640,986	477,868

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 RMB12,601,000 (2011: RMB51,936,000).

15 Bank loans and loan from other financial institution

As at 31 December 2012, the Group's bank loans and loan from other financial institution were repayable as follows:

	2012	2011
	RMB'000	*RMB'000*
Current		
Secured		
Bank loans (notes (i) and (ii))	**473,160**	374,454
Loan from other financial institution		
— current portion (notes (i) and (iii))	**50,000**	—
Unsecured		
Bank loans (note (i))	**22,000**	—
	545,160	374,454
Non-current		
Secured		
Bank loans (note (i))	**1,260,540**	1,003,900
Loan from other financial institution		
— non-current portion (notes (i) and (iii))	**200,000**	—
Unsecured		
Bank loans (note (i))	**966,000**	—
	2,426,540	1,003,900
	2,971,700	1,378,354

As at 31 December 2012, the bank loans and loan from other financial institution are all denominated in functional currency of respective subsidiaries now comprising the Group.

The bank loans and loan from other financial institution bear interest ranging from 6.15% to 9.66% per annum for the year ended 31 December 2012 (2011: 5.67% to 9.66% per annum), and are secured by the following assets:

	2012	2011
	RMB'000	*RMB'000*
Restricted cash	**19,422**	19,329
Investment properties	**470,736**	1,627,534
Investment properties under development	**61,764**	1,044,000
Leasehold land held for development for sale	**—**	21,270
Properties under development for sale	**757,588**	130,087
Completed properties held for sale	**370,707**	117,796
	1,680,217	2,960,016

Notes:

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

(ii) As at 31 December 2012, the Group was not in compliance with the covenants imposed in certain bank loans and other borrowings. Such non-compliances as at 31 December 2012 were primarily related to: (1) an operating subsidiary failed to achieve certain statement of financial position ratios at the 2012 year end, and (2) an operating subsidiary distributed profits during the year ended 31 December 2012, which was restricted in the corresponding loan agreements. Accordingly, the related aggregate loans balance of RMB330,000,000 (2011: Nil) was classified as current liabilities in the consolidated statement of financial position as at 31 December 2012.

(iii) In relation to a loan from other financial institution of RMB250,000,000 (2011: Nil), which requires early repayment of principal when 70% of the gross sellable area for the underlying property project are sold (referred thereafter as the "70% triggering point"), the directors consider that it is a non-current liability as at 31 December 2012. It is because as at the end of reporting period, less than 55% of the gross sellable area were contracted for sale. Furthermore, pursuant to a written confirmation letter dated 31 December 2012, the corresponding financial institution had confirmed that the Group would not be regarded as breaching the covenant even if it does not make early repayment of principal upon reaching the 70% triggering point.

16 Share capital and reserves

(a) Share capital

	2012		**2011**	
	No. of shares	Amount	**No. of shares**	Amount
	'000	*HK$'000*	***'000***	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**8,000,000**	80,000	**8,000,000**	80,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At 1 January	**3,500,000**	35,000	**10**	—
Issue of shares by public offering	**—**	—	**525,000**	5,250
Capitalisation issue	**—**	—	**2,974,990**	29,750
At 31 December	**3,500,000**	35,000	**3,500,000**	35,000

(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 1 January 2011 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.

(b) 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 with 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.

(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.

(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.

(c) Dividends

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

	2012	2011
	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$0.06 per ordinary share (2011: HK$0.03 per ordinary share)	**170,289**	85,124
	170,289	285,902

No interim dividend has been declared during the year ended 31 December 2012 (2011: HK$0.07 per ordinary share).

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

	2012	2011
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year of HK$0.03 per share (2011: HK$50,000,000 to its the then shareholder before the listing of the Company)	**85,000**	41,581

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

North Hankou Project

The North Hankou International Trade Center (the "**North Hankou Project**") is the Group's flagship project and the largest wholesale shopping mall in Central China focusing on consumer products. It is designed to capture the business opportunities arising from the relocation of the traditional wholesale trade center at Hanzheng Street in Wuhan. The North Hankou Project has a total site area of approximately over 1.8 million sq.m. Its wholesale mall units have a total gross floor area ("**GFA**") of over 3.5 million sq.m. It consists of more than 20 separate wholesale shopping malls which sell a variety of consumer products and over one million kinds of merchandise. The Group aims to develop it into an integrated business platform for suppliers, manufacturers, distributors and small to medium enterprises for domestic consumer products. During the year, the Group has accelerated the construction progress of the North Hankou Project and the total scale of the North Hankou Project is expected to exceed the renowned Yiwu wholesale market in 2014.

During the year under review, the Wuhan municipal government continued to provide strong support for the development of North Hankou Project. During the sessions of the National People's Congress and Chinese People's Political Consultative Conference, the mayor of Wuhan explained that the development of North Hankou Project is of great importance to Wuhan as the traditional market on Hanzheng Street will be relocated to North Hankou. As a result, the municipal government will continue to support the North Hankou Project to develop into China's leading professional wholesale market. The standing committee of the Wuhan government has adopted in principle the Development Plan for Wuhan Logistics Industry (武漢物流業空間發展規劃), which illustrated the blueprint for the development of logistics industry in Wuhan for the upcoming eight years. Pursuant to the development plan, an integrated logistics park will be established in North Hankou to enhance the transportation and supporting facilities of the area and accelerate the development of North Hankou Project.

In 2012, approximately 20 markets on Hanzheng Street had been closed, with most of the original occupants having moved to North Hankou Project. In order to facilitate the planning and construction for the relocation of Hanzheng Street market to North Hankou Project, the local governments completed the renovation of Tazihu East Road（塔子湖東路）and Daijiashan Bridge（岱家山橋樑）during the year under review. The extension of light rail No. 1 connecting North Hankou Project and the extension of Jiefang Avenue （解放大道） are expected to be completed in 2013 and 2014, respectively. With the extensive expressways, highways, roads to the airports and railway network, the North Hankou Project will become a traffic hub for the area.

For the year ended 31 December 2012, North Hankou Project contributed sales revenue of RMB1,451.0 million to the Group, representing a decrease of 39.6% as compared with the corresponding period in 2011, mainly attributable to the decrease in the GFA delivered in 2012 as compared with the corresponding period in 2011. During the year under review, the total GFA sold and delivered in North Hankou Project amounted to 119,797 sq.m., at an average selling price of RMB12,112 per sq.m., representing an increase of 34.9% in average selling price as compared with 2011.

For the year ended 31 December 2012, the total leased area of North Hankou Project amounted to approximately 138,486 sq.m., and the total rental income was RMB19.9 million, representing an increase of 79.7% in total rental income as compared with 2011.

No. 1 Enterprise Community — Wuhan

No. 1 Enterprise Community — Wuhan is a unique business park within three kilometres of the North Hankou Project. It provides offices in close proximity to the occupants of the North Hankou Project. The project is located at the Panlongcheng Economic and Technology Development Zone in Wuhan. Its major target customers are small and medium enterprises which are in need of business headquarters. No. 1 Enterprise Community — Wuhan has a total GFA of 1,100,000 sq.m. and is expected to have three high-rise office towers, several hundreds low-rise modern individual office buildings and retail shops.

As of 31 December 2012, construction of phases I to III and No. 1 high-rise office tower has been completed with a total GFA of approximately 400,000 sq.m.. Phase IV is expected to be completed in the first half of 2016.

No. 1 Enterprise Community — Changsha

In January 2012, the Group acquired a parcel of land in Kaifu District in Changsha, which is planned to be developed into "Zall No. 1 Enterprise Community — Changsha（卓爾第一企業社區 • 長沙總部基地）". The project replicates the successful model the No. 1 Enterprise Community in Wuhan and is expected to become a base of headquarters and enterprises for boosting the development of logistics industry and corporate headquarters in Changsha area.

The construction of No. 1 Enterprise Community — Changsha has commenced in 2012, with a total GFA of 76,000 sq.m. Phase I is expected to be completed in 2013, and is expected to attract many branches of major PRC enterprises and medium-sized enterprises in Hunan Province.

Wuhan Salon

Wuhan Salon is a multi-structural and multi-functional cultural center near Wuhan downtown with a total GFA of approximately 800,000 sq.m., aiming to provide diversified cultural experience for customers. It is the Group's key large-scaled city complex project which equips with Chinese cultural and art exhibitions, arts trading center, cultural and creative center and hotel facilities.

Wuhan Salon was recognized as one of the Major Cultural Construction Projects in Hubei Province（湖北省重大文化建設項目名錄） by the Hubei Department of Culture in 2012. It was also listed as one of the major cultural investment projects for the "12th Five Year Plan" of Wuhan. The Group will develop it as an innovative platform for Chinese cultural exchange and a cultural demonstrative park to support the business requirements and growth of our existing and potential customers.

Wuhan Salon will be developed in three phases, Phase I is expected to commence operation in 2013. In addition, the first four blocks of high-rise service apartments of Wuhan Salon has launched for pre-sale during the year.

North Hankou • Zall Life City

North Hankou • Zall Life City consists of two residential development projects, including Zall Hupan Haoting Residences and Zall Zhujinyuan Residences in the Panlongcheng Economic and Technology Development Zone of Wuhan.

Zall Hupan Haoting Residences

North Hankou • Zall Life City (Hupan Haoting Residences) is the first large living and services center of the Group. It was officially launched in May 2012. Zall Hupan Haoting Residences is a tailor-made residential area for North Hankou and has a total site area of approximately 180,000 sq.m. and a GFA of over 300,000 sq.m. The project will be completed in two phases and is scheduled to be fully completed by 2015.

Zall Zhujinyuan Residences

Zall Zhujinyuan Residences is scheduled to be completed in two phases and is located in the Panlongcheng Economic and Technology Development Zone of Wuhan. It has a total site area of approximately 60,000 sq.m. and a GFA of approximately 170,000 sq.m. The project is scheduled to be fully completed by 2015.

Zall International Finance Center

Zall International Finance Center, is a joint development project between the Group and Huiyu Real Estate Company Limited（惠譽房地產股份有限公司）located in the financial center of Wuhan. The Group plans to develop it into a premier commercial center and Grade A office building. The project has a total GFA of over 97,000 sq.m. and a total site area of approximately 10,000 sq.m.. During the year under review, the Group accelerated the construction and the project is expected to be fully completed in 2014.

Shenyang Salon

Shenyang Salon is an integrated high-end urban complex project with a cultural theme located in Shenyang. The project includes eco-apartments, commercial SOHO, luxury hotels, brand stores, cultural market, media complex and central park. The project will be developed in two phases. Phase I of the project has a planned total GFA of over 300,000 sq.m. and a total site area of approximately 150,000 sq.m.. The Group plans to develop the project into a new cultural landmark in Shenyang and Northeast China. During the year under review, construction work has started and Phase I of the project is expected to be completed in 2014.

Wuhan Zall Football Club

As one of the top 10 private enterprises in Hubei Province located in Wuhan, in addition to its focus on the development of North Hankou Project as a national commercial center, the Group also endeavors to promote local culture and sports. In December 2011, the Group acquired a 100% equity interest in Hubei Zhong Bo Football Club (湖北中博足球俱樂部) at a consideration of RMB10,000,000 to support local football development. Upon completion of the acquisition, the football club was renamed to Wuhan Zall Professional Football Club Co., Ltd. (武漢卓爾職業足球俱樂部有限公司) ("**Zall Football Club**") and became a wholly-owned subsidiary of the Group.

Zall Football Club participated in the China League One of the Chinese Football Association in 2012 and achieved excellent results. At the end of the football season for the year 2012, the team ranked second in the China League One and was promoted to the Super League of the Chinese Football Association in 2013.

Results of Operation

Turnover

Turnover decreased by 39.3% from RMB2,454.2 million for the year ended 31 December 2011 to RMB1,489.9 million for the year ended 31 December 2012. The decrease was primarily due to the decrease in the Group's revenue from sales of properties. The Group's revenue from rental income for the year ended 31 December 2011 increased by 79.7% from RMB11.1 million to RMB19.9 million for the year ended 31 December 2012, which was mainly attributable to the increase in the total leased area of North Hankon Project.

Sales of properties

Revenue from sales of properties decreased by 40.1% from RMB2,439.1 million for the year ended 31 December 2011 to RMB1,462.0 million for the year ended 31 December 2012.

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 selling prices of the respective projects during the year together with the comparative figures in 2011 are set forth below:

	For the year ended 31 December					
	2012			2011		
	GFA Sold *(sq.m.)*	**Average selling price (net of business tax) RMB/sq.m.**	**Turnover** *(RMB'000)*	GFA Sold *(sq.m.)*	Average selling price (net of business tax) RMB/sq.m.	Turnover *(RMB'000)*
North Hankou Project	**119,797**	**12,112**	**1,450,954**	267,694	8,979	2,403,652
No. 1 Enterprise Community	**3,470**	**3,197**	**11,094**	7,253	4,890	35,469
Total	**123,267**		**1,462,048**	274,947		2,439,121

The Group's turnover from sales of properties decreased during the year ended 31 December 2012 mainly due to the decrease in the total GFA delivered during the year. The total GFA sold in North Hankou Project decreased by 55.2% from 267,694 sq.m. for the year ended 31 December 2011 to 119,797 sq.m. for the year ended 31 December 2012. On the other hand, the average selling price of North Hankou Project increased by 34.9% from RMB8,979 per sq.m. for the year ended 31 December 2011 to RMB12,112 per sq.m. for the year ended 31 December 2012.

Rental income

The Group's rental income increased significantly by 79.7% from RMB11.1 million for the year ended 31 December 2011 to RMB19.9 million for the year ended 31 December 2012. The increase was primarily due to the increase in the number of wholesale shopping mall units in the North Hankou Project retained for leasing.

Cost of sales

Cost of sales decreased by 43.1% from RMB715.2 million for the year ended 31 December 2011 to RMB407.0 million for the year ended 31 December 2012, primarily due to the decrease in the sales of properties.

Gross profit

Gross profit decreased by 37.7% from RMB1,739.0 million for the year ended 31 December 2011 to RMB1,082.9 million for the year ended 31 December 2012, primarily as a result of the decrease in the sales of properties. The Group's gross profit margin increased from 70.9% in 2011 to 72.7% in 2012 mainly due to the increase in the average selling prices of the wholesale shopping mall units in the North Hankou Project.

Other net loss

For the year ended 31 December 2012, certain non-current assets held for resale has been disposed of and a loss on disposal of RMB9.8 million (2011: RMB44.6 million) has been incurred.

Selling and distribution expenses

Selling and distribution expenses increased by 103.5% from RMB43.4 million for the year ended 31 December 2011 to RMB88.3 million for the year ended 31 December 2012. The increase was primarily due to a RMB45.2 million increase in advertising and promotional campaigns and other costs related to North Hankou Project and Zall Football Club.

Administrative and other expenses

Administrative and other expenses of the Group increased by 24.3% from RMB110.1 million for the year ended 31 December 2011 to RMB136.8 million for the year ended 31 December 2012. The increase was primarily due to (i) a RMB23.1 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; and (ii) a RMB19.3 million increase in entertainment and related expenses. Such increase was partially off-set by a RMB18.3 million decrease in legal and professional fees in relation to the listing of the Company on 13 July 2011 on the Main Board of the Stock Exchange (the "**Listing**").

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

The Group 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 2012, the Group recorded increases in fair value of investment properties and non-current assets classified as held for sale of RMB200.5 million (2011: RMB255.9 million) and fair value gain upon transfer of completed properties held for sale to investment properties of RMB496.9 million (2011: Nil). The significant increase in fair value of the Group's investment properties during the years ended 31 December 2012 and 2011 reflected a rise in the property prices in Wuhan over the period under review.

Share of profits/(losses) of jointly controlled entities

Share of profits of jointly controlled entities consisted primarily of RMB119.2 million (2011: loss of RMB2.4 million) from Wuhan Big World Investment Development Co., Ltd., which reflected the Group's 50% equity interest share of profit of this entity for the year ended 31 December 2012.

Finance income/(costs)

For the year ended 31 December 2012, the Group incurred a net finance cost of RMB2.1 million charged to the income statement (2011: RMB1.9 million).

Income tax

Income tax decreased by 18.2% from RMB613.9 million for the year ended 31 December 2011 to RMB502.0 million for the year ended 31 December 2012. The decrease was primarily due to the decrease in PRC Corporate Income Tax as a result of the decrease in operating profits of the Group and the decrease in PRC Land Appreciation Tax. The Group's effective tax rate was decreased from 34.1% for the year ended 31 December 2011 to 30.0% for the year ended 31 December 2012.

Profit for the year

For the year ended 31 December 2012, the Group recorded a net profit of RMB1,169.0 million. Profit attributable to equity shareholders of the Company was RMB1,150.9 million, representing a decrease of 3.7% over the amount of RMB1,194.7 million for the year ended 31 December 2011.

Liquidity and capital resources

As at 31 December 2012, cash and cash equivalents of the Group was RMB998.1 million (2011: RMB970.5 million). The Group's cash and cash equivalents consist primarily of cash on hand and bank balances which are primarily held in RMB denominated accounts with banks in the PRC.

Capital expenditure

For the year ended 31 December 2012, the Group's total expenditure in respect of property, plant and equipment and investment properties under development amounted to RMB8.8 million and RMB295.6 million (2011: RMB4.4 million and RMB243.6 million), respectively.

Bank loans and loan from other financial institution

As at 31 December 2012, the Group's total long-term and short-term loans was 2,971.7 million, representing an increase of RMB1,592.3 million over the amount of RMB1,378.4 million as at 31 December 2011. All the loans were denominated in RMB, being the functional currency of the Group.

Details of the Group's interest-bearing loans are set out in note 15 to the financial statements.

Gearing ratio

As at 31 December 2012, the gearing ratio (calculated by dividing total bank borrowings by total equity) of the Group was 54.8% (2011: 32.0%).

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 2012, the Group had pledged certain of its assets with a total book value of RMB1,680.2 million (2011: RMB2,960.0 million) for the purpose of securing certain of the Group's bank borrowings. Details of which are set out in note 15 to the financial statements.

Contingent liabilities

In accordance with industrial practice, the Group has made arrangements with various PRC banks to provide mortgage facilities to the purchasers of its pre-sold properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group 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 2012, the guarantees provided to banks in relation to mortgage facilities granted to purchasers of the Group's properties amounted to RMB1,575.5 million (2011: RMB998.8 million).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2012, the Group employed a total of 842 full time employees (2011: 598). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2012, the employees benefit expenses were RMB41.9 million (2011: RMB40.5 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 Main Board of the Stock Exchange in July 2011 and the Company raised net proceeds of HK$1,449.3 million (equivalent to RMB1,208.8 million) from the initial public offering.

Up to 31 December 2012, the Group had utilized RMB894.4 million, representing 74.0% of the net proceeds as follows:

- RMB211.5 million for the construction and/or extension of our wholesale shopping malls and supporting facilities in North Hankou Project;

- RMB60.4 million for the construction of the low rise office building, high rise office tower and service center in No. 1 Enterprise Community;

- RMB272.0 million for the construction of Wuhan Salon (Phase I);

- RMB60.4 million for the construction of residential projects such as Zall Hupan Haoting Residences and Zall Zhujinyuan Residences; and

- RMB290.1 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 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

As the U.S. fiscal cliff and European debt crisis were under control and the 18th National Congress in China successfully held in the year, the global economy and the domestic political environment were relatively stable as compared with last year. In addition, the Chinese government increased market liquidity through measures such as interest rate cut in the second half of the year to stimulate the property market in China. Therefore, the Group is optimistic towards the commercial property market in 2013.

In the 18th National Congress, the Politburo and Central Economic Work Conference, urbanization was regarded as one of the greatest drivers for boosting domestic demands and it will become a major source of future economic growth. Benefitting from the upcoming urbanization planning and favorable economic factors, the Group is expecting to seize market demands and opportunities to expand its business and achieve a win-win situation with its customers.

In order to attract more occupants, North Hankou Project will continue to improve logistics and ancillary supporting facilities. The North Hankou Passenger Terminal and extension of light rail No. 1 will commence operation by the end of 2013, which will form a convenient transportation network to raise traffic and business flow.

Looking forward, the Group will benefit further from the strong domestic demand in China. The Group will continue to focus on developing its unique business model of wholesale market and will replicate its successful model to other regions in China. In 2012, the Group started construction of certain new projects, including Zall No. 1 Enterprise Community • Changsha, Shenyang Salon and the planning of the apparel processing industry park in North Hankou.

As of 31 December 2012, the Group had land reserves of approximately 5.1 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. Based on the successful business model of the Group, the Group will expand into other areas in China at a suitable time in order to grasp opportunities brought by the increasing domestic demand in China.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has adopted the Corporate Governance Code (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 throughout the year ended 31 December 2012.

Code Provision A.2.1

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

During the year ended 31 December 2012, 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 the year. 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.

Code Provision A.6.7

Under code provision A.6.7 of the CG Code, the independent non-executive Directors and the non-executive Director should attend the general meetings of the Company. However, due to other business commitment, an independent non-executive Director, Mr. Peng Chi and a non-executive Director, Mr. Fu Gaochao did not attend the annual general meeting of the Company held on 8 May 2012.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**") as the code for dealing in securities of the Company by the Directors during the year ended 31 December 2012. The Board confirms that, having made specific enquiries with all Directors, all Directors have complied with the required standards of the Model Code for the year ended 31 December 2012.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2012, 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 2012 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 Friday, 22 March 2013, it was proposed that a final dividend of HK6 cents per share (or equivalent to approximately RMB4.87 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, 22 May 2013. The Final Dividend is expected to be paid in Hong Kong dollars before end of June 2013, subject to the approval by the shareholders of the Company at the forthcoming annual general meeting to be held on Monday, 13 May 2013 (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 Thursday, 9 May 2013 to Monday, 13 May 2013 (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 Wednesday, 8 May 2013.

(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 2012 will be on Wednesday, 22 May 2013, 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, 22 May 2013. The Company's register of members will be closed for three days from Monday, 20 May 2013 to Wednesday, 22 May 2013 (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 Thursday, 16 May 2013.

ANNUAL GENERAL MEETING

The AGM will be held on Monday, 13 May 2013. 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 2012 of the Group containing all the information required by the Listing Rules will also be published on the same websites and be dispatched to the shareholders of the Company in due course.

By Order of the Board
Zall Development Group Ltd.
Yan Zhi
Chairman

For the purpose of this announcement, the exchange rate of HK$1 = RMB0.81085 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, 22 March 2013

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.