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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

The board (the "**Board**") of directors (the "**Directors**") of Zall Development Group Ltd. (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2013.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2013 — unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
	Note	**2013**	2012
		RMB'000	*RMB'000*
Turnover	3	**860,268**	526,513
Cost of sales		**(456,829)**	(114,329)
Gross profit		**403,439**	412,184
Other net loss	4	**(41,944)**	(5,127)
Other revenue	4	**15,577**	2,028
Selling and distribution expenses		**(60,732)**	(47,241)
Administrative and other expenses		**(71,203)**	(52,854)
Profit from operations before changes in fair value of investment properties		**245,137**	308,990
Increase in fair value of investment properties and non-current assets classified as held for sale		**165,797**	102,079
Fair value gain upon transfer of completed properties held for sale to investment properties		**114,232**	—

	Note	Six months ended 30 June 2013 RMB'000	2012 RMB'000
Profit from operations after changes in fair value of investment properties		**525,166**	411,069
Share of profit of joint ventures		**55,974**	139,096
Finance income	5(a)	**1,751**	2,739
Finance costs	5(a)	**(12,497)**	(4,256)
Profit before taxation		**570,394**	548,648
Income tax	6	**(195,905)**	(157,762)
Profit for the period		**374,489**	390,886
Attributable to:			
Equity shareholders of the Company		**349,054**	388,687
Non-controlling interests		**25,435**	2,199
Profit for the period		**374,489**	390,886
Earnings per share			
Basic (RMB)	7	**0.10**	0.11
Diluted (RMB)	7	**0.10**	0.11

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2013 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Profit for the period	**374,489**	390,886
Other comprehensive income for the period:		
(after tax and reclassification adjustments)		
Items that maybe reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
— financial statements of subsidiaries in other jurisdictions, net of nil tax	**(1,445)**	(598)
Total comprehensive income for the period	**373,044**	390,288
Attributable to:		
Equity shareholders of the Company	**347,609**	388,089
Non-controlling interests	**25,435**	2,199
Total comprehensive income for the period	**373,044**	390,288

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

(Expressed in Renminbi)

	Note	**At 30 June 2013** **RMB'000** ***(unaudited)***	At 31 December 2012 *RMB'000* *(audited)*
Non-current assets			
Property, plant and equipment		**130,993**	133,155
Investment properties		**5,094,700**	4,707,800
Interest in joint ventures		**217,266**	161,292
Intangible assets		**24,937**	11,381
Deferred tax assets		**7,065**	10,519
		5,474,961	5,024,147
Current assets			
Properties under development		**4,926,336**	3,997,123
Completed properties held for sale		**1,400,107**	1,448,542
Inventories		**106**	5
Current tax assets		**66,668**	18,870
Trade and other receivables, prepayments	8	**1,104,147**	853,674
Available-for-sale unlisted equity securities		**500**	500
Short term bank deposits		**150,000**	120,000
Restricted cash		**491,932**	19,422
Cash and cash equivalents		**1,532,085**	998,131
		9,671,881	7,456,267
Non-current assets classified as held for sale		**173,000**	200,000
		9,844,881	7,656,267
Current liabilities			
Trade and other payables	9	**2,815,271**	2,390,365
Bank loans and loans from other financial institutions		**1,439,890**	545,160
Convertible bond — interest payable	10	**1,047**	—
Current tax liabilities		**253,266**	492,717
Deferred income		**658,641**	658,497
		5,168,115	4,086,739
Liabilities directly associated with non-current assets classified as held for sale		**39,381**	45,474
		5,207,496	4,132,213
Net current assets		**4,637,385**	3,524,054
Total assets less current liabilities		**10,112,346**	8,548,201

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

(Expressed in Renminbi)

	Note	**At 30 June 2013** **RMB'000** **(unaudited)**	At 31 December 2012 *RMB'000* *(audited)*
Non-current liabilities			
Bank loans and loans from other financial institutions		**3,011,527**	2,426,540
Convertible bond	10	**638,386**	—
Deferred income		**23,554**	27,851
Deferred tax liabilities		**750,514**	674,897
		4,423,981	3,129,288
NET ASSETS		**5,688,365**	5,418,913
EQUITY			
Share capital		**29,071**	29,071
Reserves		**5,032,398**	4,848,381
Total equity attributable to equity shareholders of the Company		**5,061,469**	4,877,452
Non-controlling interests		**626,896**	541,461
TOTAL EQUITY		**5,688,365**	5,418,913

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 Basis of preparation

(a) Zall Development Group Ltd. (the "Company", formerly known as Zall Development (Cayman) Holding Co., Ltd.) was incorporated in the Cayman Islands. The interim financial statements of the Company as at and for the six months ended 30 June 2013 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in joint ventures.

The interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 30 August 2013.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of interim financial statements conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. In preparing these financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that applied to 2012 annual financial statements.

These interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2012 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial statements are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The financial information relating to the financial year ended 31 December 2012 that is included in the interim financial statements as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2012 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 March 2013.

(b) Convertible bond

Convertible bond can be converted to equity share capital at the option of the holder.

At initial recognition the embedded derivative component of the convertible bond is measured at fair value. Any excess of proceeds over the amount initially recognised as the embedded derivative component is recognised as the liability component. All of the transaction costs that relate to the issue of the convertible bond are recognised initially as part of the liability component.

At the end of each reporting period, the embedded derivative component is remeasured, the gain or loss on remeasurement to fair value is recognised immediately in profit or loss. The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the bond is converted, the carrying amounts of the embedded derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

2 Changes in accounting policies

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

- Amendments to IAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*
- IFRS 11, *Joint arrangements*
- IFRS 13, *Fair value measurement*
- Amendments to IFRS 7 — *Disclosures — Offsetting financial assets and financial liabilities*

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

Amendments to IAS 1, Presentation of financial statements — Presentation of items of other comprehensive income

The amendments to IAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

IFRS 10, Consolidated financial statements

IFRS 10 replaces the requirements in IAS 27, *Consolidated and separate financial statements relating to the preparation of consolidated financial statements* and SIC-12 *Consolidated — Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

IFRS 11, Joint arrangements

IFRS 11, which replaces IAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under IFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under IFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of IFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

IFRS 13, Fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and nonfinancial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Amendments to IFRS 7 — Disclosures — Offsetting financial assets and financial liabilities

The amendments introduce new disclosure in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32, Financial instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with IAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of IFRS 7.

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 period are as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Sales of properties	**838,725**	517,819
Property management services	**4,744**	3,032
Rental income	**15,932**	5,662
Others	**867**	—
	860,268	526,513

Operating segments, and the amounts of each segment item reported in the consolidated interim 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 Other net loss and other revenue

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Other net loss		
Loss on disposal of non-current assets classified as held for sale	**4,436**	5,127
Loss on revaluation of convertible bond (note 10)	**37,671**	—
Net foreign exchange gain	**(163)**	—
	41,944	5,127
Other revenue		
Government grant	**1,000**	50
Football club related revenue	**13,774**	1,845
Others	**803**	133
	15,577	2,028

5 Profit before taxation

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

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
(a) Finance (income) / costs:		
Finance income:		
Interest income	**(1,751)**	(2,739)
Finance costs:		
Interest on convertible bond (note 10)	**2,647**	—
Interest on bank loans and loans from other financial institutions	**128,811**	71,057
Other borrowing costs	**19,776**	11,637
Less: amounts capitalised into properties under development and investment properties under development	**(142,495)**	(79,057)
	8,739	3,637
Bank charge and others	**3,758**	619
	12,497	4,256
(b) Staff costs:		
Salaries, wages and other benefits	**30,382**	28,969
Contributions to defined contribution retirement plan	**3,151**	1,319
Equity-settled share-based payment expenses	**3,694**	5,195
	37,227	35,483
(c) Other items:		
Amortisation	**3,947**	—
Depreciation	**3,500**	2,477
Auditors' remuneration		
— audit / review service	**650**	654
— professional service in relation to the issue of convertible bond	**492**	—
Cost of properties sold	**447,339**	113,389

6 Income tax in the consolidated statement of profit or loss

	Six months ended 30 June 2013 RMB'000	2012 RMB'000
Current tax		
PRC Corporate Income Tax ("CIT")	**76,443**	91,100
PRC Land Appreciation Tax ("LAT")	**46,485**	41,785
	122,928	132,885
Deferred tax		
Origination and reversal of temporary differences	**72,977**	24,877
	195,905	157,762

(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% (2012: 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 8% of their revenue in accordance with the authorised tax valuation method approved by respective local tax bureau.

The directors of the Company are of the opinion that the authorised tax valuation method is one of the allowable taxation methods in the PRC and the respective local tax bureaus are the competent tax authorities to approve the authorised tax valuation method in charging 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 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 RMB349,054,000 (six months ended 30 June 2012: RMB388,687,000) and 3,500,000,000 ordinary shares in issue during the interim period.

(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 RMB349,054,000 (six months ended 30 June 2012: RMB388,687,000) divided by the weighted average number of ordinary shares of 3,529,452,500 shares (30 June 2012: 3,529,452,500 shares) after adjusting for the effects of deemed issue of shares for nil consideration under the Company's Pre-IPO Share Option Scheme (note 11) and the effect of conversion of convertible bond (note 10).

8 Trade and other receivables, prepayments

	At 30 June 2013 ***RMB'000*** ***(unaudited)***	At 31 December 2012 *RMB'000* *(audited)*
Current	**73,862**	24,078
More than 3 months but less than 12 months past due	**5,138**	4,350
More than 12 months past due	**21,110**	21,650
Trade receivables, net of allowance for doubtful debts	**100,110**	50,078
Prepaid business tax and other tax	**80,101**	32,522
Deposits, prepayments and other receivables	**923,936**	771,074
	1,104,147	853,674

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.

9 Trade and other payables

	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Trade payables (note i)	**574,729**	640,986
Receipts in advance	**1,937,238**	1,256,938
Other payables and accruals	**303,304**	492,441
	2,815,271	2,390,365

Note:

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

	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Within 3 months	**128,159**	194,734
Over 3 months but less than 12 months	**430,175**	433,651
Over 12 months	**16,395**	12,601
	574,729	640,986

10 Convertible bond

On 19 June 2013, the Company issued convertible bond in an aggregate principal amount of US dollars ("USD") 100 million due 19 June 2018 ("Maturity Date"), with an option to issue up to USD50 million option bonds on or before the date falling at the end of the 12 month period following 19 June 2013, subject to mutual agreement between the Company and the subscriber. The convertible bond bears interest at 5.5% per annum payable semi-annually. The due payment of all sums expressed to be payable by the Company are guaranteed by all of the subsidiaries of the Company, other than those organised under the laws of the PRC.

If the convertible bond holder's conversion rights have not been exercised or the convertible bond has not been repurchased or redeemed up to the Maturity Date, the Company will redeem at 135.40722% of its principal amount, accrued and unpaid interest thereon to the Maturity Date and the Non-conversion Premium Payment (as defined below).

The rights of the convertible bond holder to convert the convertible bond into ordinary shares are as follows:

- Conversion rights are exercisable at any time on and after 19 June 2013 up to the close of business on the seventh day prior to Maturity Date.

- Pursuant to the terms of the convertible bond, the number of shares to be issued on conversion of a convertible bond will be determined by dividing the principal amount of the convertible bond converted at the fixed rate of Hong Kong dollars ("HKD") 7.7636 = USD1.00 by HKD3.0799 per share (initial "Conversion Price"), subject to adjustment, then in effect.

- The Conversion Price may be reset on 19 June 2014 and 19 June 2015 subject to the stock price of the Company.

In accordance with the terms and conditions of the convertible bond, the Company shall pay USD13,160 per USD200,000 in principal amount of the convertible bond upon any redemption of the convertible bond ("Non-Conversion Premium Payment").

The convertible bond holder may require the Company to redeem the convertible bond (i) at the option of the convertible bond holder on 19 June 2016; or (ii) following the occurrence of delisting, suspension of trading or change of control.

The Company may redeem the convertible bond if (i) the Company has or will become obliged to pay additional tax amounts as a result of amendment to certain laws or regulations; or (ii) at least 90% convertible bond originally issued has already been converted, redeemed or purchased and cancelled.

The conversion option and the redemption options mentioned above are considered as embedded derivative component of the convertible bond and revalued at each reporting date.

At 30 June 2013, the outstanding principal amount of the convertible bond is USD100 million.

The convertible bond recognised in the consolidated statement of financial position of the Group are analysed as follows:

	Host liability component *RMB'000*	**Derivative component** *RMB'000*	**Total** *RMB'000*
Initial fair value of convertible bond issued on 19 June 2013	**506,584**	**110,186**	616,770
Issuing expenses related to liability component	**(18,503)**	**—**	(18,503)
Net proceeds for the issuance of the convertible bond	**488,081**	**110,186**	598,267
Accumulated interest expenses up to 30 June 2013 (i) (note 5(a))	**2,647**	**—**	2,647
Change in fair value of derivative component (note 4)	**—**	**37,671**	37,671
Exchange realignment	**848**	**—**	848
Convertible bond at 30 June 2013	**491,576**	**147,857**	639,433
Less: Interest payable due within 1 year	**(1,047)**	**—**	(1,047)
Non-current portion of convertible bond at 30 June 2013	**490,529**	**147,857**	638,386

(i) Interest expense

Interest expense on the convertible bond is calculated using the effective interest method by applying the effective interest rate of 18.28% per annum to the liability component.

(ii) Conversion rights exercised

No convertible bond was converted as at 30 June 2013.

11 Equity settled share based payments

On 1 June 2010, Zall Development (HK) Holding Company Limited ("Zall 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 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.

(a) The terms and conditions of the grants as follows:

			Number of Pre-IPO Share options granted		
Date granted	**Vesting date**	**Expiry date**	**Directors**	**Employees**	**Total**
1 June 2011	13 July 2011	12 July 2016	2,037,875	937,125	2,975,000
1 June 2011	13 July 2012	12 July 2016	3,056,812	1,405,688	4,462,500
1 June 2011	13 July 2013	12 July 2016	4,075,750	1,874,250	5,950,000
1 June 2011	13 July 2014	12 July 2016	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
			20,378,750	9,371,250	29,750,000

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

	Weighted average exercise price per share *HK$*	**Number of options**
Outstanding at the beginning and the end of the period	**0.871**	29,452,500
Exercisable at the end of the period	**0.871**	7,437,500

The weighted average remaining expected life of Pre-IPO Share Option is 3 years.

(c) Fair value of share options and assumptions

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.

12 Dividends

(a) ***No dividend has been declared during the six months ended 30 June 2013 (six months ended 30 June 2012: RMB Nil).***

(b) ***Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period***

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK6 cents per share (six months ended 30 June 2012: HK3 cents)	**167,286**	85,000

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

North Hankou Project

North Hankou International Trade Center ("**North Hankou Project**"), the Group's flagship project, is located in Wuhan, which is known as the "thoroughfare to nine provinces" ("九省通衢"). Located in China's major aviation, water transport and rail network transportation hub, North Hankou Project boasts excellent geographical advantages and strategic competitive edges. As the largest wholesale shopping mall in central China focusing on consumer products, North Hankou Project is designed to capture the business opportunities arising from the relocation of Hanzheng Street in Wuhan, a traditional wholesale trade center. The Group intends to develop North Hankou Project into an integrated business platform for consumer product suppliers, manufacturers, distributors as well as small and medium enterprises in the PRC.

North Hankou Project, Phase One, has a total site area of approximately over 1.8 million sq.m, with 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 period, the Group had 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 period under review, the Wuhan municipal government continued to provide strong support for the development of the 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 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.

For the six months ended 30 June 2013, North Hankou Project contributed sales revenue of RMB393.7 million to the Group, representing a decrease of 23.4% as compared with the corresponding period in 2012, mainly attributable to the decrease in the GFA delivered in the first half of 2013 as compared with the corresponding period in 2012. During the period under review, the total GFA sold and delivered in North Hankou Project amounted to 35,462 sq.m., at an average selling price ("**ASP**") of RMB11,102 per sq.m., representing a slight decrease of 7.2% in ASP as compared with the corresponding period of 2012. The decrease in ASP is mainly due to the different kind of industries involved in the wholesale shopping malls and certain of the residential apartments ancillary to the wholesale shopping mall, which were of lower ASP, being sold during the six months period ended 30 June 2013. More GFA is expected to be delivered in the second half of 2013 as the development projects planned for completion in 2013 have continuously been completed and will be delivered to purchasers in the second half of 2013 as scheduled.

For the six months ended 30 June 2013, the total leased area of North Hankou Project amounted to approximately 162,432 sq.m. (2012: 57,000 sq.m.), and the total rental income was RMB15.9 million (2012: RMB5.7 million), representing an increase of 181.4% in total rental income as compared with the corresponding period in 2012.

No. 1 Enterprise Community — Wuhan

No. 1 Enterprise Community — Wuhan（卓爾第一企業社區 • 武漢總部基地）is a unique business park within three kilometres of North Hankou Project. It provides offices in close proximity to the occupants of 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.

For the six months ended 30 June 2013, No. 1 Enterprise Community — Wuhan contributed sales revenue of RMB130.9 million to the Group, which was 33.9 times of the amount of RMB3.9 million in the corresponding period in 2012, mainly attributable to the increase of GFA delivered during the period under review.

North Hankou • Zall Life City

North Hankou • Zall Life City (漢口北 • 卓爾生活城) 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

Zall 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.

For the six months ended 30 June 2013, Zall Hupan Haoting Residences contributed sales revenue of RMB314.2 million (2012: RMB Nil) to the Group, with ASP of RMB4,576 per sq.m..

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.

Wuhan Salon

Wuhan Salon (武漢客廳) 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 the Group's existing and potential customers.

Wuhan Salon will be developed in three phases, Phase I is expected to complete and commence business in second half of 2013. Pre-sale of the high-rise residential apartments and office buildings has been commenced in 2012 and is expected to be delivered to the buyers gradually in the second half of 2013 and 2014.

Zall No. 1 Enterprise Community — Changsha

Zall No. 1 Enterprise Community — Changsha（卓爾第一企業社區 • 長沙總部基地）is a project located in Kaifu District in Changsha. The project replicates the successful model of 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 of the project is expected to be completed in 2014 and is expected to attract a large number of large and medium-sized enterprises in Hunan Province.

Zall Finance Center

Zall Finance Center (卓爾金融中心), 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 period under review, the Group accelerated the construction and the project is expected to be fully completed in 2014.

Shenyang Salon

Shenyang Salon (瀋陽客廳) 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 period 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 million to support local football development. More importantly, the Group considers that the operation of a football team has also strongly enhanced the brand of the Group in the local community. 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 of the Group increased by 63.4% from RMB526.5 million for the six months ended 30 June 2012 to RMB860.3 million for the six months ended 30 June 2013. The increase was primarily due to the increase in the Group's revenue from sales of properties. The Group's revenue from rental income for the six months ended 30 June 2012 was increased by 181.4% from RMB5.7 million to RMB15.9 million for the six months ended 30 June 2013.

Sales of properties

Revenue from sales of properties increased by 62.0% from RMB517.8 million for the six months ended 30 June 2012 to RMB838.7 million for the six months ended 30 June 2013.

The Group's revenue from sales of properties was generated from sales of wholesale shopping mall units in the North Hankou Project and the offices and retails units in the No. 1 Enterprise Community — Wuhan and residential units in Zall Life City — Zall Hupan Haoting Residences. The GFA and ASP of the respective projects during the period under review are set forth below:

	For the six months ended 30 June					
	2013			2012		
	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	**35,462**	**11,102**	**393,703**	42,937	11,969	513,954
No. 1 Enterprise Community — Wuhan	**39,707**	**3,296**	**130,864**	237	16,308	3,865
Zall Life City — Zall Hupan Haoting Residences	**68,654**	**4,576**	**314,158**	—	—	—
Total	**143,823**		**838,725**	43,174		517,819

The Group's turnover from sales of properties increased significantly over the period under review mainly due to the significant increase in the total GFA delivered during the first half of 2013. The GFA sold in North Hankou Project was decreased by 17.4% from 42,937 sq.m. for the six months ended 30 June 2012 to 35,462 sq.m. for the six months ended 30 June 2013. On the contrary, the GFA sold in No. 1 Enterprise Community — Wuhan was increased significantly from 237 sq.m to 39,707 sq.m, due to the completion and delivery of the office buildings in Phase III of the project.

In addition, Zall Life City — Zall Hupan Haoting Residences, which focuses on residential apartments, had the first time contributed RMB314.2 million revenue to the Group, with a total GFA of 68,654 sq.m delivered.

Rental income

The Group's rental income increased significantly for the six months ended 30 June 2013 as the Group continues to retain an increasing number of wholesale shopping mall units in North Hankou Project for leasing.

Cost of sales

Cost of sales increased by 299.6% from RMB114.3 million for the six months ended 30 June 2012 to RMB456.8 million for the six months ended 30 June 2013, primarily as a result of the increase in the sales of properties.

Gross profit

Gross profit decreased by 2.1% from RMB412.2 million for the six months ended 30 June 2012 to RMB403.4 million for the six months ended 30 June 2013. The Group's gross profit margin was decreased from 78.3% in 2012 to 46.9% in 2013 mainly due to the changes in the combination of the properties delivered during the period. For the six months ended 30 June 2012, over 99% of the revenue from sales of properties were contributed by North Hankou Project, of which the gross profit margin of the wholesale shopping mall units are usually maintained at over 70%. However, for the six months ended 30 June 2013, only approximately 46.9% of the revenue from sales of properties were contributed by North Hankou Project. The remaining 53.1% of the revenue from sales of properties were contributed by No. 1 Enterprise Community — Wuhan and Zall Life City projects, of which the overall gross profit margin of these projects are a lot lower, comparing to North Hankou Project.

Other net loss

For the six months ended 30 June 2013, certain non-current assets held for resale has been disposed of and a loss on disposal of RMB4.4 million (2012: RMB5.1 million) has been incurred. In addition, the Group issued a convertible bond on 19 June 2013 and a loss of RMB37.7 million (2012: RMB Nil) was incurred on the revaluation of the convertible bond as at 30 June 2013.

Other revenue

For the six months ended 30 June 2013, football club related income and government grant amounting to RMB13.8 million and RMB1.0 million respectively were credited to the consolidated statement of profit or loss (2012: RMB1.8 million and RMB50,000, respectively).

Selling and distribution expenses

Selling and distribution expenses increased by 28.6% from RMB47.2 million for the six months ended 30 June 2012 to RMB60.7 million for the six months ended 30 June 2013. The increase was mainly attributable to (i) a RMB2.7 million increase in salaries and wages in relation to sales and marketing personnel; and (ii) a RMB12.4 million increase in advertising and promotional expenses.

Administrative expenses

Administrative expenses increased by 34.7% from RMB52.9 million for the six months ended 30 June 2012 to RMB71.2 million for the six months ended 30 June 2013. The increase was primarily due to (i) a RMB6.8 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 RMB12.7 million increase in travelling and entertainment expenses; (iii) a RMB1.4 million increase in office expenses; and (iv) a RMB2.3 million increase in legal and professional fees mainly related to the issuance of the convertible bond. The increase was partially offset by a RMB1.5 million decrease in equity-settled share-based payment expenses.

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 six months ended 30 June 2013, the Group recorded increases in fair value of investment properties and non-current assets classified as held for sale of RMB165.8 million (2012: RMB102.1 million) and fair value gain upon transfer of completed properties held for sale to investment properties of RMB114.2 million (2012: RMB Nil). The increase in fair value of the Group's investment properties during the six months ended 30 June 2013 and 2012 reflected a rise in the property prices in Wuhan over the period under review.

Share of profit of joint ventures

Share of profit of joint ventures consisted primarily of RMB56.0 million (2012: RMB139.1 million) from Wuhan Big World Investment Development Co., Ltd., which reflected the Group's 50% equity interest share of profit of this entity.

Finance income and costs

For the six months ended 30 June 2013, interest income of RMB1.8 million (2012: RMB2.7 million) was credited to the consolidated statement of profit or loss.

For the six months ended 30 June 2013, a net finance cost of RMB12.5 million (2012: RMB 4.3 million) was charged to the consolidated statement of profit or loss. The increase is mainly attributable to the increase in bank and other borrowings and issuance of the convertible bond during the six months ended 30 June 2013.

Income tax

Income tax was increased by 24.2% from RMB157.8 million for the six months ended 30 June 2012 to RMB195.9 million for the six months ended 30 June 2013. The increase was mainly due to the increase in PRC Land Appreciation Tax and deferred tax. The Group's effective tax rate was increased from 28.8% for the six months ended 30 June 2012 to 34.3% for the six months ended 30 June 2013.

Profit for the period

During the six months ended 30 June 2013, the Group recorded a net profit of RMB374.5 million, representing a slight decrease of 4.2% over the amount of RMB390.9 million for the corresponding period in 2012.

Liquidity and capital resources

As at 30 June 2013, total amount of cash and cash equivalents, short term bank deposits and restricted cash of the Group was RMB2,174.0 million (31 December 2012: RMB1,137.6 million). As at 30 June 2013, cash and cash equivalents of the Group was RMB1,532.1 million (31 December 2012: RMB998.1 million), which included an amount of bank deposits equivalent to RMB431.4 million (31 December 2012: RMB Nil), denominated in USD, with banks in Hong Kong. The remaining balance of 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

During the period under review, the Group's total expenditure in respect of property, plant and equipment and investment properties under development amounted to RMB1.9 million and RMB92.7 million respectively.

Bank loans and loans from other financial institutions

As at 30 June 2013, the Group's total bank loans and loans from other financial institutions was RMB4,451.4 million, representing an increase of RMB1,479.7 million over the amount of RMB2,971.7 million as at 31 December 2012. All the bank loans and loans from other financial institutions were denominated in RMB, the functional currency of the Group.

Convertible bond

As at 30 June 2013, the Group had an amount equivalent to RMB638.4 million (31 December 2012: RMB Nil) in relation to the convertible bond issued on 19 June 2013. The principal amount of the convertible bond outstanding as at 30 June 2013 is USD100 million and the convertible bond bears interest at 5.5% per annum, with a maturity date on 19 June 2018. For further details of the convertible bond, please refer to note 10 to the consolidated financial statements.

Net Gearing ratio

As at 30 June 2013, the net gearing ratio (calculated by dividing total borrowings, net of cash and cash equivalents, restricted cash and short term bank deposits, by total equity) of the Group was 51.3% (31 December 2012: 33.8%).

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 30 June 2013, the Group had pledged certain of its assets with a total book value of RMB4,005.6 million (31 December 2012: RMB1,680.2 million) for the purpose of securing certain of the Group's bank borrowings.

Contingent liabilities

In accordance with market practice, the Group has made arrangements with various PRC banks to provide mortgage facilities to the purchasers of our 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 30 June 2013, the guarantees provided to banks in relation to mortgage facilities granted to purchasers of the Group's properties amounted to RMB1,981.1 million (31 December 2012: RMB1,575.5 million).

Employees and Remuneration Policy

As at 30 June 2013, the Group employed a total of 872 full time employees (31 December 2012: 842). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2013, the employees benefit expenses were RMB37.2 million (2012: RMB35.5 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 Stock Exchange of Hong Kong Limited (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 30 June 2013, the Group had utilized RMB1,015.3 million, representing approximately 84.0% 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 — Wuhan;

- 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;

- 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; and

- RMB120.9 million for working capital purposes.

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**"). 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

During the Politburo and Central Economic Work Conference of the 18th National Congress, 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, the 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.

As of 30 June 2013, the Group had land reserves of approximately 5.5 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 Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its corporate governance code of practices upon its listing on the Stock Exchange. In the opinion of the Board, save for the deviations as disclosed below, the Company has complied with the code provisions as set out in the CG Code throughout the period ended 30 June 2013.

Code Provision A.2.1

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

During the period ended 30 June 2013, 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 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.

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, independent non-executive Directors, Mr. Peng Chi and Ms. Yang Qiongzhen and the non-executive Director, Mr. Fu Gaochao did not attend the annual general meeting of the Company held on 13 May 2013.

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 period ended 30 June 2013. 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 period ended 30 June 2013.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period ended 30 June 2013, 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 six months ended 30 June 2013 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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and on the Company's website at http://www.zallcn.com. The interim report for the six months ended 30 June 2013 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 Group Ltd.
Yan Zhi
Chairman

For the purpose of this announcement, the exchange rate of HK$1 = RMB0.79655 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, 30 August 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.