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 2014

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 year ended 31 December 2014, together with the comparative amounts for the corresponding period in 2013.

FINANCIAL HIGHLIGHTS

	2014	2013
	RMB'000	*RMB'000*
Turnover	**1,986,129**	1,581,188
Gross profit	**976,104**	664,849
Gross profit margin	**49.1%**	42.0%
Profit for the year	**1,610,724**	1,629,020
Earnings per share — Basic (RMB)	**0.45**	0.45
— Diluted (RMB)	**0.44**	0.44
Total non-current assets	**9,442,153**	8,076,638
Total current assets	**12,733,861**	10,221,478
Total assets	**22,176,014**	18,298,116
Total non-current liabilities	**5,662,713**	5,159,742
Total current liabilities	**7,951,161**	6,249,220
Total liabilities	**13,613,874**	11,408,962
Net assets	**8,562,140**	6,889,154

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2014
(Expressed in Renminbi)

	Note	**2014** **RMB'000**	2013 RMB'000
Turnover	3	**1,986,129**	1,581,188
Cost of sales		**(1,010,025)**	(916,339)
Gross profit		**976,104**	664,849
Other net loss		**(2,579)**	(8,602)
Other revenue		**10,844**	35,867
Selling and distribution expenses		**(165,546)**	(194,151)
Administrative and other expenses		**(156,047)**	(161,882)
Profit from operations before changes in fair value of investment properties		**662,776**	336,081
Increase in fair value of investment properties and non-current assets classified as held for sale		**1,831,706**	319,141
Fair value gain upon transfer of completed properties held for sale to investment properties		**325,630**	1,423,017
Profit from operations after changes in fair value of investment properties		**2,820,112**	2,078,239
Share of profits of joint ventures		**45,367**	523,596
Gain on disposal of subsidiaries		**1,437**	5,756
Fair value change on embedded derivative component of the convertible bonds	16	**(9,320)**	12,684
Finance income	4(a)	**22,333**	3,928
Finance costs	4(a)	**(122,073)**	(76,916)
Profit before taxation	4	**2,757,856**	2,547,287
Income tax	5(a)	**(1,147,132)**	(918,267)
Profit for the year		**1,610,724**	1,629,020

	Note	**2014**	2013
		RMB'000	*RMB'000*
Attributable to:			
Equity shareholders of the Company		**1,572,819**	1,583,747
Non-controlling interests		**37,905**	45,273
Profit for the year		**1,610,724**	1,629,020
Earnings per share			
Basic (RMB)	*6*	**0.45**	0.45
Diluted (RMB)	*6*	**0.44**	0.44

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2014
(Expressed in Renminbi)

	Note	**2014**	2013
		RMB'000	*RMB'000*
Profit for the year		**1,610,724**	1,629,020
Other comprehensive income for the year (after tax and reclassification adjustments):			
Items that will never be classified to profit or loss:			
Revaluation of property, plant and equipment	*5(b)*	**49,261**	—
Related tax	*5(b)*	**(12,315)**	—
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of			
— financial statements of subsidiaries in other jurisdictions, net of nil tax		**3,280**	2,264
Other comprehensive income for the year		**40,226**	2,264
Total comprehensive income for the year		**1,650,950**	1,631,284
Attributable to:			
Equity shareholders of the Company		**1,613,045**	1,586,011
Non-controlling interests		**37,905**	45,273
Total comprehensive income for the year		**1,650,950**	1,631,284

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2014

(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	7	**123,219**	141,914
Investment properties	8	**8,445,100**	7,140,800
Intangible assets		**5,654**	16,516
Interests in joint ventures		**820,255**	774,888
Deferred tax assets		**47,925**	2,520
		9,442,153	8,076,638
Current assets			
Properties under development	9	**4,803,536**	5,666,134
Completed properties held for sale	10	**1,505,406**	1,614,518
Inventories	11	**3**	156
Current tax assets		**32,587**	92,618
Trade and other receivables, prepayments	12	**973,823**	1,381,771
Available-for-sale unlisted equity securities		**500**	500
Short term bank deposits		**—**	150,000
Restricted cash		**352,708**	419,023
Cash and cash equivalents		**250,840**	738,758
		7,919,403	10,063,478
Non-current assets classified as held for sale		**147,700**	158,000
Assets of disposal group held for sale	13	**4,666,758**	—
		12,733,861	10,221,478
Current liabilities			
Trade and other payables	14	**2,950,897**	3,526,622
Bank loans and loans from other financial institutions	15	**997,160**	2,012,808
Convertible bonds	16	**677,866**	1,040
Current tax liabilities		**199,471**	72,089
Deferred income		**133,596**	600,726
		4,958,990	6,213,285
Liabilities directly associated with non-current assets classified as held for sale		**36,309**	35,935
Liabilities of disposal group held for sale	13	**2,955,862**	—
		7,951,161	6,249,220

	Note	2014 RMB'000	2013 RMB'000
Net current assets		**4,782,700**	3,972,258
Total assets less current liabilities		**14,224,853**	12,048,896
Non-current liabilities			
Bank loans and loans from other financial institutions	*15*	**3,424,529**	3,084,950
Convertible bonds	*16*	**—**	607,257
Deferred income		**19,409**	36,586
Deferred tax liabilities		**2,218,775**	1,430,949
		5,662,713	5,159,742
NET ASSETS		**8,562,140**	6,889,154
CAPITAL AND RESERVES			
Share capital	*17*	**29,071**	29,071
Reserves		**7,888,830**	6,273,349
Total equity attributable to equity shareholders of the Company		**7,917,901**	6,302,420
Non-controlling interests		**644,239**	586,734
TOTAL EQUITY		**8,562,140**	6,889,154

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These 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 financial statements.

(b) Basis of preparation of the financial statements

Zall Development Group Ltd. (the "Company") was incorporated in the Cayman Islands on 22 September 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 of the Cayman Islands.

The financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in joint ventures.

These financial statements are presented in Renminbi ("RMB") rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— available-for-sale unlisted equity securities;

— investment property; and

— embedded derivative component of the convertible bonds.

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

At 31 December 2014, the Group had cash and cash equivalents and restricted cash of RMB615,054,000, among which RMB11,506,000 was included in assets of disposal group held for sale. As at that date, the Group had bank loans and loans from other financial institutions due within one year of RMB1,412,060,000, among which RMB414,900,000 was included in liabilities of disposal group held for sale. Furthermore, the convertible bonds of RMB677,866,000 became payable on demand as at 31 December 2014 as the financial position ratio covenant stipulated in the convertible bonds subscription agreement was not complied, therefore, the convertible bonds have been reclassified as current liabilities, more details are set out in note 16.

The directors of the Company are of the opinion that it is appropriate to prepare the financial statements on a going concern basis after careful consideration of liquidity requirements and cash flow forecasts of the Group and taking account of the effect of matters as follows:

- the Group had unutilised bank loan facilities of RMB118,000,000 as at 31 December 2014;

- on 30 March 2015, additional loan facilities of RMB1,073,600,000 were obtained from a bank and a financial institution;

- The Company had obtained a waiver from the sole beneficial holder of the convertible bonds dated 30 March 2015, which confirmed that the sole beneficial holder waived the requirement on the Company to comply with the covenant relating to the Group's financial position ratio for the period ended 31 December 2014.

The directors of the Company have concluded that the Group would have sufficient working capital to finance its operations in the next 12 months and remains as a going concern basis.

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

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

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

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 IFRS 10, IFRS 12 and IAS 27, *Investment entities*
- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*
- IFRIC 21, *Levies*

These amendments and new IFRSs do not have an impact on these financial statements.

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

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, income from hotel operation 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:

	2014	2013
	RMB'000	*RMB'000*
Sales of properties	**1,894,744**	1,523,878
Property management services	**13,963**	12,451
Rental income	**71,676**	44,109
Others	**5,746**	750
	1,986,129	1,581,188

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

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial data and information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. No segment information is presented in respect of the Group's operating segment as the Group is principally engaged in one segment in the PRC. The Group does not operate in any other geographical or business segment during the year.

4 PROFIT BEFORE TAXATION

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

	2014	2013
	RMB'000	*RMB'000*
(a) Finance (income)/costs		
Finance income		
Interest income	**(22,333)**	(3,928)
Finance costs		
Interest on convertible bonds *(note 16)*	**91,888**	45,787
Interest on bank loans and loans from other financial institutions	**449,606**	315,863
Other borrowing costs	**51,662**	28,116
Less: amounts capitalised into properties under development and investment properties under development *(i)*	**(482,210)**	(321,155)
	110,946	68,611
Bank charge and others	**9,075**	7,577
Net foreign exchange loss	**2,052**	728
	122,073	76,916

(i) The borrowing costs have been capitalised at rates ranging from 6.00%–11.00% per annum in the year ended 31 December 2014 (2013: 6.00%–9.66% per annum).

	2014	2013
	RMB'000	*RMB'000*
(b) Staff costs		
Salaries, wages and other benefits	**43,634**	37,572
Contributions to defined contribution retirement plan	**6,531**	6,562
Equity settled share-based payment expenses	**2,436**	6,243
	52,601	50,377

	2014	2013
	RMB'000	*RMB'000*
(c) Other items		
Amortisation	**10,893**	16,014
Depreciation	**13,300**	9,845
Auditors' remuneration		
— audit services	**2,790**	2,448
— professional service in relation to the issue of convertible bonds	**—**	492
— other services	**490**	—
Operating lease charges	**53,399**	39,087
Cost of properties sold *(i)*	**956,187**	875,463

(i) Cost of properties sold is after netting off benefits from government grants of RMB42,024,000 for the year ended 31 December 2014 (2013: RMB61,676,000).

5 INCOME TAX

(a) Amounts recognised in profit or loss

	2014	2013
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax ("CIT")	**215,995**	71,276
PRC Land Appreciation Tax ("LAT")	**142,880**	92,479
	358,875	163,755
Deferred tax		
Origination and reversal of temporary differences	**788,257**	754,512
	1,147,132	918,267

(b) Amounts recognised in other comprehensive income

During 2014, certain owner-occupied buildings were transferred to investment properties (see note 7), the Group remeasured the properties to fair value and recognised a revaluation gain of RMB49,261,000 (2013: Nil) and related tax RMB12,315,000 (2013: Nil) in other comprehensive income ("OCI").

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

	2014	2013
	RMB'000	*RMB'000*
Profit before taxation	**2,757,856**	2,547,287
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**717,874**	650,577
Tax effect of non-deductible expenses	**3,941**	7,872
Tax effect of non-taxable share of profits of joint ventures and other income	**(11,342)**	(130,899)
Tax effect of unused tax losses not recognised	**11,750**	19,098
Tax effect of use of previously unrecognised tax losses	**(1,657)**	—
Withholding tax on profits of PRC subsidiaries	**—**	2,065
LAT in relation to properties sold	**142,880**	92,479
LAT in relation to investment properties	**425,875**	400,260
Tax effect on LAT	**(142,189)**	(123,185)
Income tax expense	**1,147,132**	918,267

(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% (2013: 25%).

(iii) PRC LAT

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

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

The directors of the Company are of the opinion that the authorised tax valuation method is one of the allowable taxation methods in the PRC and the respective local tax bureaus are the competent tax authorities to approve the authorised tax valuation method in charging 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 profit attributable to ordinary equity shareholders of the Company of RMB1,572,819,000 (2013: RMB1,583,747,000) 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 profit attributable to ordinary equity shareholders of the Company of RMB1,674,027,000 (2013: RMB1,616,850,000) and the weighted average number of ordinary shares of 3,803,809,000 shares (2013: 3,653,092,000 shares), calculated as follows:

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

	2014	2013
	RMB'000	*RMB'000*
Profit attributable to ordinary equity shareholders of the Company	**1,572,819**	1,583,747
After tax effect of effective interest on the liability component of convertible bonds	**91,888**	45,787
After tax effect of change in fair value of embedded derivative component of the convertible bonds	**9,320**	(12,684)
Profit attributable to ordinary equity shareholders of the Company (diluted)	**1,674,027**	1,616,850

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

	2014	2013
	'000	*'000*
Weighted average number of ordinary shares at 31 December	**3,500,000**	3,500,000
Effect of deemed issue of shares under the Company's Pre-IPO Share Option Scheme for nil consideration	**18,383**	18,423
Effect of conversion of convertible bonds	**285,426**	134,669
Weighted average number of ordinary shares (diluted) at 31 December	**3,803,809**	3,653,092

7 PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Motor vehicles *RMB'000*	Furniture, office equipment and others *RMB'000*	Total *RMB'000*
Cost:				
At 31 December 2012/1 January 2013	128,822	15,579	7,100	151,501
Additions	—	787	3,641	4,428
Transfer from completed properties held for sale	14,203	—	—	14,203
Disposal of a subsidiary	—	—	(30)	(30)
At 31 December 2013/1 January 2014	143,025	16,366	10,711	170,102
Additions	4,049	3,925	2,057	10,031
Revaluation of buildings reclassified to investment property *(ii)*	49,261	—	—	49,261
Transfer to investment properties — depreciation offset	(882)	—	—	(882)
Transfer to investment properties *(ii)*	(63,100)	—	—	(63,100)
Reclassification to assets of disposal group held for sale *(note 13)*	(146)	(1,111)	(1,356)	(2,613)
Disposals	—	(39)	(70)	(109)
At 31 December 2014	132,207	19,141	11,342	162,690
Accumulated depreciation:				
At 31 December 2012/1 January 2013	(6,905)	(8,940)	(2,501)	(18,346)
Charge for the year	(3,398)	(3,741)	(2,706)	(9,845)
Disposal of a subsidiary	—	—	3	3
At 31 December 2013/1 January 2014	(10,303)	(12,681)	(5,204)	(28,188)
Charge for the year	(8,343)	(2,911)	(2,046)	(13,300)
Transfer to investment properties — depreciation offset	882	—	—	882
Reclassification to assets of disposal group held for sale *(note 13)*	6	552	570	1,128
Written back on disposals	—	1	6	7
At 31 December 2014	(17,758)	(15,039)	(6,674)	(39,471)
Net book value:				
At 31 December 2014	114,449	4,102	4,668	123,219
At 31 December 2013	132,722	3,685	5,507	141,914

(i) The buildings are all situated on land in the PRC.

The analysis of carrying amount of leasehold land of properties is as follows:

	2014	2013
	RMB'000	*RMB'000*
In the PRC held under medium-term lease (10-50 years)	**114,449**	132,722

(ii) During 2014, certain owner-occupied buildings were transferred to investment properties, because they were no longer used by the Group and were leased to a related party (see note 8).

Immediately before transfer, the Group remeasured the properties to fair value and recognised a gain of RMB49,261,000 in OCI. The valuation techniques and significant unobservable inputs used in measuring the fair value of the building at the date of transfer were the same as those applied to investment property at the reporting date (see note 8(b)(i)(ii)).

(iii) As at 31 December 2014, certain buildings of the Group with carrying value of RMB21,546,000 were without building ownership certificate (2013: RMB36,453,000). The Group was in progress of applying for the relevant building ownership certificates.

8 INVESTMENT PROPERTIES

(a) Reconciliation of carrying amount

	Investment Properties *RMB'000*	Investment properties under development *RMB'000*	Total *RMB'000*
At 1 January 2013	2,917,000	1,790,800	4,707,800
Additions	6,263	190,896	197,159
Transfer from completed properties held for sale	493,683	—	493,683
Fair value adjustments	1,591,254	150,904	1,742,158
Transfer to investment properties	95,900	(95,900)	—
At 31 December 2013	5,104,100	2,036,700	7,140,800
Representing:			
Cost	1,063,859	1,626,275	2,690,134
Fair value adjustments	4,040,241	410,425	4,450,666
	5,104,100	2,036,700	7,140,800
At 1 January 2014	**5,104,100**	**2,036,700**	**7,140,800**
Additions	**—**	**819,304**	**819,304**
Transfer from completed properties held for sale	**93,400**	**—**	**93,400**
Transfer from property, plant and equipment	**63,100**	**—**	**63,100**
Fair value adjustments	**679,644**	**1,459,923**	**2,139,567**
Reclassification to assets of disposal group held for sale *(note 13)*	**—**	**(1,811,071)**	**(1,811,071)**
At 31 December 2014	**5,940,244**	**2,504,856**	**8,445,100**
Representing:			
Cost	**1,220,358**	**891,692**	**2,112,050**
Fair value adjustments	**4,719,886**	**1,613,164**	**6,333,050**
	5,940,244	**2,504,856**	**8,445,100**
Book value:			
At 31 December 2014	**5,940,244**	**2,504,856**	**8,445,100**
At 31 December 2013	5,104,100	2,036,700	7,140,800

(i) During the year ended 31 December 2014, a net gain of RMB2,139,567,000 (2013: RMB1,742,158,000), and deferred tax thereon of RMB853,730,000 (2013: RMB738,969,000), has been recognised in the consolidated statement of profit or loss for the period in respect of investment properties.

(ii) During the year ended 31 December 2014, 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 RMB325,630,000 (2013: RMB1,423,017,000) upon transfer was recognised.

(iii) At 31 December 2014, the Group's investment properties with carrying value of RMB1,811,071,000 were related to the disposal group and were reclassified to assets of disposal group held for sale (see note 13).

(iv) Certain bank loans granted to the Group were jointly secured by investment properties and investment properties under development with an aggregate carrying value of RMB3,681,843,000 (2013: RMB2,648,017,000) (see note 15).

(b) Fair value measurement of properties

(i) *Fair value hierarchy*

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value as at 31 December 2014	**Fair value measurements 31 December 2014 categorised into level 3**
	RMB'000	***RMB'000***
Recurring fair value measurement		
— investment properties	**8,445,100**	**8,445,100**

During the year, there were no transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties carried at fair value were revalued as at 31 December 2014. The valuations were carried out by an independent firm of surveyors, Savills, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The Group's property manager and the senior management have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

(ii) *Information about Level 3 fair value measurements*

	Valuation techniques	**Unobservable input**	**Range**
Investment properties	Income capitalisation method	Yield	3.0%–6.5%
		Market monthly rental rate (RMB/sq.m.)	4–210
		Occupancy rate	95%–98%
	Direct comparison method	Market unit sales rate (RMB/sq.m.)	27,400–28,900

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

The fair value of commercial properties under development is generally derived using the combination of direct comparison method by making reference to the comparable market transactions as available in the market and the income capitalisation method by capitalising market rents derived from the properties. This valuation method is essentially a means of valuing the land and properties under development by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

9 PROPERTIES UNDER DEVELOPMENT

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

	2014	2013
	RMB'000	*RMB'000*
Expected to be recovered within one year		
Properties under development for sale	**1,935,178**	3,559,877
Expected to be recovered after more than one year		
Properties held for future development for sale	**1,509,968**	803,956
Properties under development for sale	**1,358,390**	1,302,301
	2,868,358	2,106,257
	4,803,536	5,666,134

At 31 December 2014, certain properties under development with an aggregate carrying value of RMB1,811,963,000 (2013: RMB2,457,880,000) was pledged for certain bank loans granted to the Group (see note 15).

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

	2014	2013
	RMB'000	*RMB'000*
Held under		
long leases (over 50 years) in the PRC	**719,754**	723,279
medium-term leases (40–50 years) in the PRC	**1,162,441**	1,641,011
	1,882,195	2,364,290

10 COMPLETED PROPERTIES HELD FOR SALE

All completed properties held for sale are located in the PRC.

The analysis of carrying value of leasehold land included in completed properties held for sale is as follows:

	2014	2013
	RMB'000	*RMB'000*
Held under		
long leases (over 50 years) in the PRC	**9,861**	64,721
medium-term leases (40–50 years) in the PRC	**47,424**	45,633
	57,285	110,354

At 31 December 2014, completed properties held for sale with an aggregate carrying value of RMB1,063,691,000 (2013: RMB565,099,000) were pledged for certain bank loans granted to the Group (see note 15).

11 INVENTORIES

Inventories are low-value consumables stated at the lower of cost and net realisable value.

12 TRADE AND OTHER RECEIVABLES, PREPAYMENTS

	2014	2013
	RMB'000	*RMB'000*
Amounts due from third parties		
Trade and bill receivables *(i)*	**72,439**	53,144
Prepaid business tax and other tax	**66,985**	102,267
Prepayments and other receivables	**633,310**	924,310
	772,734	1,079,721
Amount due from related parties	**201,089**	302,050
	973,823	1,381,771

(i) Ageing analysis

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

	2014	2013
	RMB'000	*RMB'000*
Within 3 months	**51,111**	35,958
3 to 12 months	**10,417**	13,182
Over 12 months	**10,911**	4,004
	72,439	53,144

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

The directors are of the view that all trade and bill receivables are neither individually nor collectively considered to be impaired as at 31 December 2014.

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

(ii) Amount due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

13 DISPOSAL GROUP HELD FOR SALE

On 22 October 2014, Zall Development (HK) Holding Company Limited ("Zall Hong Kong", an indirect wholly-owned subsidiary of the Company), Zall Commerce Investment Company Limited ("Zall Commerce") and Mr. Yan Zhi entered into a Disposal Agreement, pursuant to which: (i) Zall Hong Kong sales entire share capital of Zhen An Properties Limited to Zall Commerce at a cash consideration of RMB586,000,000; and (ii) Zall Hong Kong conditionally agreed to procure Zall Development (Wuhan) Company Limited ("Zall Wuhan", an indirect wholly-owned subsidiary of the Company) to transfer the 3% equity interest in Zhen An (Wuhan) Company Limited ("Zhen An Wuhan") to Zall Commerce or its nominee (the "Disposal Agreement").

A declaration and the distribution of a special dividend in the total amount of RMB586,000,000 (equivalent to HKD739,415,000) after completion of the Disposal Agreement by the Company be and are hereby approved, confirmed and ratified (the "Special Dividend").

In addition, on 22 October 2014, Zall Investment Group Company Limited ("Zall Investment Group", an indirect wholly-owned subsidiary of the Company) and Zall Holdings Company Limited ("Zall Holdings") entered into an Equity Swap Agreement, pursuant to which, Zall Investment Group conditionally agreed to transfer the entire equity interest in Wuhan Zall City Investment and Development Co., Ltd. ("Wuhan Zall City") to Zall Holdings, and as a consideration, Zall Holdings conditionally agreed to (i) transfer the entire equity interest in Wuhan North Hankou Guarantee Investment Company Limited, Wuhan Zall Inland Port Center Investment Company Limited and Wuhan Zhong Bang Financial Investment Company Limited and (ii) pay RMB15,200,000, to Zall Investment Group (the "Equity Swap Agreement"), which together with the Disposal Agreement are the proposed transaction (the "Proposed Restructuring").

Completion of the Proposed Restructuring shall be subject to and conditional upon the fulfilment of the following conditions precedent: (i) the security interest over Zhen An Cayman having been discharged; (ii) all authorisation for implementing the transactions contemplated under the proposed restructuring from all relevant governmental or regulatory authorities, agencies or units, including banks and/or related jurisdictions regulatory authorities, having been obtained; (iii) Wuhan Zall City having fully repaid all amounts due to subsidiaries of the Group totalling of RMB 596,081,000; (iv) Release the guarantee of Zall Investment Group which provided a guarantee in favour of PRC banks, guaranteeing the repayment obligations of Wuhan Zall City in relation to bank loans in the total amount of RMB1,000,000,000. Based on existing plan and discussions with the relevant PRC banks, it is intended that Mr. Yan Zhi and/or his associate(s) will replace Zall Investment Group to provide the guarantee in favour of the PRC banks, guaranteeing the repayment obligation of Wuhan Zall City in relation to the relevant bank loans before completion of the Equity Swap Agreement. The above conditions indicate that in addition to the cash consideration of the Disposal Agreement and Equity Swap Agreement, Mr Yan Zhi and/or Zall Holdings should additionally pay RMB596,081,000 to the Group to complete the Proposed Restructuring.

Pursuant to the Proposed Restructuring, management of the Group committed to a plan to disposal of entire equity interest in Zhen An Cayman, Wuhan Zall City and Zhen An Wuhan. Accordingly, assets and liabilities of these entities are presented as disposal group held for sale. As at 31 December 2014, the disposal group had cash and cash equivalents and restricted cash of RMB11,506,000. As at that date, disposal group had bank loans and loans from other financial institutions due within one year of RMB414,900,000. The unutilised bank loan facilities were RMB28,000,000 included in disposal group held for sale.

(a) Impairment losses relating to the disposal group

At 31 December 2014, there is no impairment loss relating to the disposal group.

(b) Assets and liabilities of disposal group held for sale

At 31 December 2014, the disposal group was stated at carrying amount and comprised the following assets and liabilities.

	RMB'000
Properties under development	1,779,410
Completed properties held for sale	404,092
Trade and other receivables, prepayments	516,052
Restricted cash	6
Cash and cash equivalents	11,500
Property, plant and equipment	1,485
Investment properties	1,811,071
Deferred tax assets	143,142
Assets of disposal group held for sale	4,666,758
Trade and other payables	445,741
Bank loans — current	414,900
Current tax liabilities	152,685
Deferred income — current	548,616
Bank loans — non-current	1,322,240
Deferred income — non-current	7,384
Deferred tax liabilities	64,296
Liabilities of disposal group held for sale	2,955,862

At 31 December 2014, the fair value of the disposal group is RMB1,975,436,000.

(c) Cumulative income or expenses included in OCI

There are no cumulative income or expenses included in OCI relating to the disposal group.

(d) Pledged assets

At 31 December 2014, certain assets of disposal group held for sale with an aggregate carrying value of RMB3,348,980,000 (2013: Nil) were pledged for certain bank loan granted to the Group (see note 15).

14 TRADE AND OTHER PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Amounts due to third parties		
Trade payables *(i)*	**1,219,349**	944,055
Receipts in advance *(ii)*	**1,025,028**	2,037,316
Other payables and accruals	**706,520**	495,251
	2,950,897	3,476,622
Amounts due to a related party	**—**	50,000
	2,950,897	3,526,622

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

	2014	2013
	RMB'000	*RMB'000*
Due within 3 months	**407,443**	266,975
Due after 3 months but within 12 months	**576,945**	587,873
Due after 12 months	**234,961**	89,207
	1,219,349	944,055

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.

At 31 December 2014, included in trade payables were retention payables of RMB17,801,000 (2013: RMB19,956,000) which were expected to be settled after more than one year.

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

15 BANK LOANS AND LOANS FROM OTHER FINANCIAL INSTITUTIONS

At 31 December 2014, the Group's bank loans and loans from other financial institutions were repayable as follows:

	2014 *RMB'000*	2013 *RMB'000*
Current		
Secured		
Short term bank loans and other borrowings	**46,000**	984,600
Current portion of secured non-current bank loans and other borrowings	**781,160**	752,208
Unsecured		
Current portion of unsecured non-current bank loans and other borrowings	**170,000**	276,000
	997,160	2,012,808
Non-current		
Secured		
Repayable after 1 year but within 2 years	**1,106,900**	774,750
Repayable after 2 years but within 5 years	**945,800**	1,390,700
Repayable over 5 years	**837,829**	215,500
Unsecured		
Repayable after 1 year but within 2 years	**534,000**	170,000
Repayable after 2 years but within 5 years	**—**	534,000
	3,424,529	3,084,950
	4,421,689	5,097,758

Bank loans and loans from other financial in institutions bear interest ranging from 6.00% to 11.00% per annum for the year ended 31 December 2014 (2013: 6.00% to 9.66% per annum), and are secured by the following assets:

	2014 *RMB'000*	2013 *RMB'000*
Restricted cash	**229,700**	374,500
Investment properties	**2,625,443**	1,057,017
Investment properties under development	**1,056,400**	1,591,000
Properties under development	**1,811,963**	2,457,880
Completed properties held for sale	**1,063,691**	565,099
Assets of disposal group held for sale	**3,348,980**	—
	10,136,177	6,045,496

(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 banks and 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.

    At 31 December 2014, bank loans of the Group totalling RMB857,000,000 (2013: RMB1,662,670,000) were not in compliance with the imposed covenants. The directors of the Company are of the view that such bank loans are non-current liabilities at 31 December 2014 as the Group has obtained notices from the corresponding banks dated 31 December 2014, which confirmed that the subsidiaries would not be regarded as having breached the covenants and the banks would not demand early repayment from the subsidiaries.

(ii) As at 31 December 2014, the Group had a total of RMB118,000,000 of unutilised loan facilities provided by commercial banks in China.

16 CONVERTIBLE BONDS

On 19 June 2013, the Company issued convertible bonds in an aggregate principal amount of US dollars ("USD") 100 million due 19 June 2018 ("Maturity Date"). The convertible bonds bear 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 bonds holder's conversion rights have not been exercised or the convertible bonds have 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 bonds holder to convert the convertible bonds 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 bonds, the number of shares to be issued on conversion of convertible bonds will be determined by dividing the principal amount of the convertible bonds 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 bonds, the Company shall pay USD13,160 per USD200,000 in principal amount of the convertible bonds upon any redemption of the convertible bonds ("Non-Conversion Premium Payment").

The convertible bonds holder may require the Company to redeem the convertible bonds (i) at the option of the convertible bonds 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 bonds 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 bonds originally issued has already been converted, redeemed or purchased and cancelled.

At 19 June 2014, the Company adjusted the Conversion Price to HKD2.72 per share.

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

At 31 December 2014, the outstanding principal amount of the convertible bonds is USD100 million.

The convertible bonds as at 31 December 2014 are analysed as follows:

	Host liability component	**Derivative component**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Initial fair value of convertible bonds 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 bonds	488,081	110,186	598,267
Changes for the year of 2013:			
Interest expenses *((i) and note 4(a))*	45,787	—	45,787
Interest expenses paid during the period	(17,032)	—	(17,032)
Change in fair value of derivative component	—	(12,684)	(12,684)
Exchange realignment	(6,041)	—	(6,041)
Balance at 31 December 2013	510,795	97,502	608,297
Less: Interest payable due within 1 year	(1,040)	—	(1,040)
Non-current portion of convertible bonds at 31 December 2013	509,755	97,502	607,257

	Host liability component *RMB'000*	Derivative component *RMB'000*	Total *RMB'000*
Balance at 1 January 2014	510,795	97,502	608,297
Changes for the year of 2014:			
Interest expenses *((i) and note 4(a))*	91,888	—	91,888
Interest expenses paid during the period	(33,595)	—	(33,595)
Change in fair value of derivative component	—	9,320	9,320
Exchange realignment	1,956	—	1,956
Balance at 31 December 2014	571,044	106,822	677,866

(i) Interest expense

Interest expense on the convertible bonds 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 bonds were converted up to 31 December 2014.

(iii) Pursuant to the convertible bonds subscription agreement, the convertible bonds are subject to the fulfillment of covenants relating to the Group's financial position ratio and the equity amount attributable to shareholders of the Company at each reporting period. If the Group was to breach the covenants, the convertible bonds would become payable on demand.

At 31 December 2014, the financial position ratio covenant stipulated in the convertible bonds subscription agreement was not complied, therefore, the convertible bonds of RMB677,866,000 have been reclassified as current liabilities in the financial statements as at 31 December 2014.

The Company had obtained a waiver from the sole beneficial holder of the convertible bonds dated 30 March 2015, which confirmed that the sole beneficial holder waived the requirement on the Company to comply with the covenant relating to the Group's financial position ratio for the year ended 31 December 2014.

17 SHARE CAPITAL AND RESERVES

(a) Share capital

	2014		2013	
	No. of shares	**Amount**	No. of shares	Amount
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HKD0.01 each	**8,000,000**	**80,000**	8,000,000	80,000
Issued and fully paid:				
Ordinary shares of HKD0.01 each at 1 January and 31 December	**3,500,000**	**35,000**	3,500,000	35,000

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

(b) Dividends

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

No final dividend proposed after the end of the reporting period of 2013 and 2014.

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

	2014	2013
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year of HK Nil cents per share (2013: HK6 cents per share)	**—**	167,286

18 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) On 16 January 2015, the resolutions of the Proposed Restructuring and the Special Dividend were passed by the Extraordinary General Meeting.

The directors consider that the proposed transactions are expected to be completed before 30 June 2015.

(b) On 30 March 2015, the Company and the sole beneficial holder of the convertible bonds executed a deed of consent which authorised that the Company could redeem the convertible bonds before the maturity date. More details are set out in the Company's announcement *Proposed Amendments to USD100 Million 5.5% Convertible Bonds Due 2018 and Proposed Early Redemption* dated 30 March 2015.

(c) The Company had obtained a waiver from the sole beneficial holder of the convertible bonds dated 30 March 2015, which confirmed that the sole beneficial holder waived the requirement on the Company to comply with the covenant relating to the Group's financial position ratio for the period ended 31 December 2014.

(d) On 30 March 2015, additional loan facilities of RMB1,073,600,000 were obtained from a bank and a financial institution.

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 square metre ("**sq.m.**"). Its wholesale mall units have a total gross floor area ("**GFA**") of over 4.0 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.

For the year ended 31 December 2014, a total of approximately 1,025 occupants have already been relocated from Hanzheng Street to North Hankou Project; and the eight separate markets originally located in Hanzheng Street have moved to the North Hankou Project and several professional markets such as used-car market have been added, which help to further improve the transaction volume of the occupants and the human traffic in the area.

As for supplementary facilities, Tazihu East Road (塔子湖東路) has been put into operation and the renovation of Daijiashan Bridge (岱家山橋樑) has been incorporated into governmental planning. These transportation facilities are expected to effectively alleviate the current traffic pressure on Daihuang Expressway and facilitate the traffic and logistics of Panlongcheng and North Hankou districts to and from downtown Wuhan. On the other hand, Light Rail No. 1 connecting North Hankou Project and downtown Wuhan has completed construction and commenced operation on 28 May 2014. As a result, North Hankou International Trade Center became one of the few large-scale modern commerce and logistics centers in China that are equipped with direct rail transit.

Leveraging on the platform advantage of numerous occupants in the North Hankou Project, the "Hubei E-commerce Demonstration Base" (湖北省電子商務示範基地) was officially established in North Hankou during the first half of 2014, aiming at developing North Hankou into the largest E-commerce cluster in Central China. To further promote its market prosperity and E-commerce development, North Hankou has specially planned an E-commerce base which can accommodate over 2,000 manufacturers and 5,000 E-commerce enterprises and vendors. On 10 October 2014, Zall's e-commerce team became the operational service provider of Alibaba's Wuhan Industrial Belt, fully in charge of reviewing and operating those Wuhan online wholesalers who wish to enter Alibaba's selective retailing platform. As of 31 December 2014, 1,680 of such wholesalers received the approval of Zall's e-commerce team to enter the Platform for Alibaba Wuhan Industrial Belt, yielding a monthly turnover of over RMB100 million.

In December 2014, the 5th North Hankou International Trade Fair (the "**Fair**") was successfully held in the North Hankou Project. The Fair occupied an area of 2,000,000 sq.m.. During the month of the Fair being held, hundred thousands of large and medium sized wholesale market operators participated in the Fair and the total transaction amount of the Fair broke the record and reached RMB21.2 billion, representing an increase of 35.9% as compared with RMB15.6 billion of 2013.

For the year ended 31 December 2014, North Hankou Project contributed sales revenue of RMB1,189.1 million to the Group, representing an increase of 118% as compared with the corresponding period in 2013, mainly attributable to the increase in the GFA delivered in 2014 as compared with the corresponding period in 2013. During the period under review, the total GFA sold and delivered in North Hankou Project amounted to 110,573 sq.m., at an average selling price ("**ASP**") of RMB10,754 per sq.m., which was similar to that of the corresponding period of 2013.

No. 1 Enterprise Community — Wuhan

No. 1 Enterprise Community — Wuhan is a unique business park within three kilometres of the North Hankou Project of the Group. 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 planned GFA of 1,100,000 sq.m. and is expected to have one high-rise office towers, four high-rise commercial and residential buildings, several hundreds low-rise modern individual office buildings and retail shops.

For the year ended 31 December 2014, No. 1 Enterprise Community — Wuhan contributed sales revenue of RMB296.3 million to the Group, representing an increase of 53.9% as compared with 2013, mainly due to the delivery of Phase III of the project.

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 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 350,000 sq.m.. The project will be completed in two phases and is scheduled to be fully completed by 2015.

For the year ended 31 December 2014, Zall Hupan Haoting Residences contributed sales revenue of RMB69.5 million (2013: RMB362.5 million) to the Group, with an ASP of RMB4,600 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 over 1,500,000 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 the growth of the Group's existing and potential customers.

Wuhan Salon will be developed in three phases and Phase I consists mainly of residential units and office buildings. Phases II and III, which consist of residential units, office buildings, retail shopping mall, trading center and hotel facilities, etc. In 2014, the construction of main structures for Wuhan Salon Culture Exhibition Industry Park Project and Wuhan Salon Phase I have been substantially completed, except for Unit H, I, G and Arts Building, of which the basement and tower structures are currently under construction. The remaining constructions are expected to be completed by 2016.

For the year ended 31 December 2014, Wuhan Salon contributed sales revenue of RMB339.9 million (2013: RMB422.2 million) to the Group with an ASP of RMB6,136 per sq.m..

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 Zall No. 1 Enterprise Community — Changsha has commenced in 2012. With a total GFA of approximately 380,000 sq.m., Phase I of the project is expected to be completed in 2015. Currently, the principal part of Phase I has been fully completed, all works have entered the final stage and is undergoing the filing procedures for the completion. Pre-sales of the office building were launched in the second half of 2014 and attracted many large and medium-sized companies in Hunan Province. Currently, a number of companies have moved in Zall No.1 Enterprise Community with some other companies also indicating their interests. The development of Phase II is progressing smoothly. As at the date of the announcement, it has obtained the land use right certificate and the construction land planning permit and it is also undergoing revision of the detailed planning.

Zall Finance Center

Zall Finance Center (卓爾金融中心), is a 51% held joint development project of the Group 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 with the main structural buildings being topped out and 50% of the curtain wall engineering, elevators, air-conditioners, fire-fighting works and high and low voltage power distribution engineering have been completed.

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. The project commenced construction in 2013. Part of Phase I of the project has been almost completed at the end of 2014 and is currently undergoing certain repairs and maintenance before delivery. Part of Phase I of the project is expected to be completed around mid 2015.

Tianjin Zall E-Commerce Mall

The Tianjin Zall E-Commerce Mall (天津卓爾電商城) is based in Xiqing University Town, Tianjin (天津西青大學城), on the main artery between Beijing and Tianjin, with easy access to all transportation means including aviation, high-speed railway and expressway. It is 10 minutes from Tianjin South Railway Station, 30 minutes from Tianjin Railway Station and Tianjin West Railway Station, and 35 minutes from Tianjin Binhai International Airport. It has a total GFA of 3 million sq.m. and commenced construction in 2014 and is expected to be completed in 5 years. By the time of completion, it will become a core commodity distribution hub serving Northern China or even the whole Northeast Asia, with focus on Beijing and Tianjin.

Building on the success of North Hankou Project which captured the opportunity of the relocation of Wuhan's traditional wholesale trade center at Hanzheng Street, the Tianjin Zall E-Commerce Mall takes the business opportunities from the relocation of major wholesale markets in Beijing and Tianjin, including wholesale markets around Beijing Zoo (北京動物園批發市場), Dahongmen (大紅門), Muxiyuan (木樨), Dahutong (大胡同), Ruijing (瑞景), Yonghao (永濠) and Tianjin Foreign Commodities Market (天津洋貨批發市場), by thoroughly upgrading the traditional wholesale industry with modern logistics, E-commerce and information technology. It will become the first large-scale modern O2O trade and logistics center in China, and the largest consumer goods distribution platform in Northern China. The Tianjin Zall E-Commerce Mall will showcase the new development opportunities for wholesalers to go online and become a new basement for infrastructures for online vendors. It plans to set up online store for each wholesaler, to establish an unified online trading platform, to help wholesalers in independent online marketing, and to provide online payment, financial support and comprehensive information technology for wholesalers. Meanwhile it also provides optimal offline services for E-commerce businesses as a center of storage, financial services and business incubator for them.

With a total investment of RMB2 billion, Phase I of Tianjin Zall E-Commerce Mall, the international trade center, has a GFA of 612,000 sq.m., covering major consumer goods categories, including small commodities, clothing, footwear and leather, hotel supplies, stationery, daily chemical products, textile and accessories, children's products, non-staple food and seasonings. Phase I will form 10 specialized wholesale clusters, and a comprehensive supporting service system of warehouses, logistics, E-commerce, financial support, and information technology management.

As of 31 December 2014, through selling the operating right for a term of 20 years, the presale area of Tianjin Zall E-Commerce Mall amounted to approximately 41,610 sq.m., with the presale amount of around RMB214 million and the average selling price was approximately RMB5,143 per sq.m..

Jingzhou Zall City

The Jingzhou Zall City (荊州卓爾城) is situated in the "golden triangle" of the new industrial port district in western Jingzhou, enjoying a prime location with convenient transportation. To the east it is adjacent to the Jiuyang Machinery and Electronics Industrial Park (九陽機械電子工業園區) off the Jiuyang Avenue (九陽大道); to the west it is just opposite to the Central China Agricultural High Technology Development Zone (華中農高區) off a water diversion canal; to the north are the Wuhan-Yichang High Speed Railway (漢宜高鐵) and Shanghai-Chongqing Expressway (滬渝高速); to the south is Libu Port of Jingzhou City (荊州李埠港) and College of Agriculture Yangtze University (長江大學農學院). The State Road 318 runs from east to west through the project. The project is just 5 kilometers from Jingzhou city Expressway Exit, Jingzhou Chudu Bus Terminal and Jingzhou Railway Station.

The Jingzhou Zall City Project will have a total GFA of 3,390,000 sq.m.. With a planned total GFA of 310,000 sq.m., the international trade center of Phase I is expected to be able to host over 6,300 standardized stores. It is expected to be a leading new specialized wholesale market in Central China.

As of 31 December 2014, the presold properties of Jingzhou Zall City amounted to approximately 24,372 sq.m., with a presale turnover of around RMB122 million and an average price of approximately RMB5,006 per sq.m..

Zall Asia Expo City

On 8 June 2014, the Group entered into the strategic cooperation framework agreement (the "**Framework Agreement**") with the Management Committee of the Central-Yunnan Industry Cluster Area District, Yunnan Province. Pursuant to the Framework Agreement, the Company has agreed to invest in the development and construction of a large-scale integrated logistics and trade centre in Dabanqiao Town, Yunnan (雲南省大板橋鎮), the PRC ("**Zall Asia Expo City Project**"). The Zall Asia Expo City Project has a total land area of approximately 2,001,000 sq.m., approximately 1,334,000 sq.m. of which will be for logistics use and warehousing facilities and the remaining approximately 667,000 sq.m. will be for commercial use.

The planned total GFA of Zall Asia Expo City Project is approximately 3,300,000 sq.m. As at 31 December 2014, the project is still under planning and will commence its construction after acquisition of the land and going through relevant procedures for approving the construction.

Wuhan Zall Football Club

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**") was acquired by the Group in 2011. Zall Football Club participated in the Super League of the Chinese Football Association (中國足球協會超級聯賽) in 2013 and the China League One of the Chinese Football Association (中國足球協會甲級聯賽) in 2014 and finished with the third place.

As one of the top 10 private enterprises in Hubei Province located in Wuhan, the Group considers that the operation of a football team will enhance the brand image of the Group in the local community, promote the brand of Zall across China through participation in leagues of the team and help Zall to build a nationwide trade and logistics network.

COOPERATION WITH SHENZHEN NANSHAN

On 18 November 2014, the Company entered into a cooperation agreement with Shenzhen Nanshan Real Estate Development Company Ltd. (深圳市南山房地產開發有限公司) ("**Shenzhen Nanshan**"), pursuant to which the Company agreed to dispose certain of its subsidiaries, so as to concentrate its resources on its core business segment (i.e. the development and operating of large scale consumer product-focused wholesale shopping malls and the related value-added services). Up to the date of this announcement, no formal agreements have been signed.

PROPOSED RESTRUCTURING

During the year under review, the Group has proposed a restructuring exercise as a strategic move to adjust its principal activities, namely the development and operation of wholesale shopping malls and provision of related facilities and valued-added services. It was approved by the independent shareholders in the EGM held on 16 January 2015. The restructuring exercise will be completed when all the conditions precedent are satisfied or waived, which is expected to be no later than 30 June 2015. For details of the restructuring exercise, please refer to the circular dated 31 December 2014 and the announcement dated 31 March 2015 issued by the Company.

Results of Operation

Turnover

Turnover increased by 25.6% from RMB1,581.2 million for the year ended 31 December 2013 to RMB1,986.1 million for the year ended 31 December 2014. The increase was primarily due to an increase in the sales of properties. The Group's revenue from rental income for the year ended 31 December 2013 increased by 62.5% from RMB44.1 million to RMB71.7 million for the year ended 31 December 2014, which was mainly attributable to an increase in the total leased area of North Hankon Project.

Sales of properties

Revenue from sales of properties increased by 24.3% from RMB1,523.9 million for the year ended 31 December 2013 to RMB1,894.7 million for the year ended 31 December 2014.

The Group's revenue from sales of properties was generated from sales of wholesale shopping mall units, office and retails units and residential apartments. The GFA and ASP of the respective projects during the year ended 31 December 2014, together with the comparative figures for the year 2013 are set forth below:

	For the year ended 31 December					
	2014			2013		
	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	**110,573**	**10,754**	**1,189,078**	50,938	10,731	546,599
No. 1 Enterprise Community — Wuhan	**73,384**	**4,038**	**296,312**	51,538	3,730	192,522
Wuhan Salon	**55,389**	**6,136**	**339,859**	78,633	5,360	422,243
Zall Life City — Zall Hupan Haoting Residences	**14,797**	**4,697**	**69,495**	78,741	4,600	362,514
Total	**254,143**		**1,894,744**	259,850		1,523,878

The Group's turnover from sales of properties increased significantly over the year under review mainly due to an increase in the GFA delivered of certain properties during 2014. The GFA sold in North Hankou Project was significantly increased by 117.0% from 50,938 sq.m. for the year ended 31 December 2013 to 110,573 sq.m. for the year ended 31 December 2014. The GFA sold in No. 1 Enterprise Community — Wuhan was increased by 42.4% from 51,538 sq.m. for the year ended 31 December 2013 to 73,384 sq.m. for the year ended 31 December 2014, mainly due to the completion and delivery of the office and residential buildings in Phase III of the project.

The GFA sold in Wuhan Salon and Zall Life City — Zall Hupan Haoting Residences decreased by 29.6% from 78,633 sq.m. to 55,389 sq.m. and 81.2% from 78,741 sq.m. to 14,797 sq.m., respectively.

Rental income

The Group's rental income increased significantly by 62.5% from RMB44.1 million for the year ended 31 December 2013 to RMB71.7 million for the year ended 31 December 2014. The increase was primarily due to an increase in the number of wholesale shopping mall units in the North Hankou Project retained for leasing.

Cost of sales

Cost of sales increased by 10.2% from RMB916.3 million for the year ended 31 December 2013 to RMB1,010.0 million for the year ended 31 December 2014, primarily due to an increase in the sales of properties.

Gross profit

Gross profit increased by 46.8% from RMB664.8 million for the year ended 31 December 2013 to RMB976.1 million for the year ended 31 December 2014. The Group's gross profit margin increased from 42.0% in 2013 to 49.1% in 2014 mainly due to the changes in the combination of the properties delivered during the year. For the year ended 31 December 2013, only 35.9% 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 60%. However, for the ended 31 December 2014, approximately 62.8% of the revenue from sales of properties were contributed by North Hankou Project. The remaining 37.2% of the revenue from sales of properties were contributed by No. 1 Enterprise Community — Wuhan, Wuhan Salon 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 year ended 31 December 2014, certain non-current assets held for sale were disposed of and a loss on disposal of RMB2.6 million (2013: RMB8.6 million) was incurred.

Other revenue

Other revenue decreased by 69.8% from RMB35.9 million for the year ended 31 December 2013 to RMB10.8 million for the year ended 31 December 2014. The decrease was primarily due to decrease of RMB2.9 million in government grant income and RMB22.0 million in football club related income.

Selling and distribution expenses

Selling and distribution expenses decreased by 14.7% from RMB194.2 million for the year ended 31 December 2013 to RMB165.5 million for the year ended 31 December 2014. The decrease was primarily due to a decrease of RMB20.2 million and RMB11.0 million in the advertising and promotion expenses and other expenses related to Zall Football Club respectively.

Administrative and other expenses

Administrative and other expenses of the Group decreased by 3.6% from RMB161.9 million for the year ended 31 December 2013 to RMB156.0 million for the year ended 31 December 2014. The decrease was primarily due to the offsetting effect of (i) an increase of RMB4.2 million 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 decrease of RMB10.4 million in entertainment and related expenses during the year under review.

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

The Group holds a portion of properties developed for rental income and/or capital appreciation purposes. The Group's investment properties are revaluated at the end of the respective review period on an open market value or existing use basis by an independent property valuer. For the year ended 31 December 2014, the Group recorded significant increases in fair value of investment properties and non-current assets classified as held for sale of RMB1,831.7 million (2013: RMB319.1 million) and fair value gain upon transfer of completed properties held for sale to investment properties of RMB325.6 million (2013: RMB1,423.0 million). The significant increase in fair value of the Group's investment properties during the years ended 31 December 2014 and 2013 reflected a rise in the property price in Wuhan and increased number of wholesale shopping mall units retained for rental purposes over the period under review and a first time recognition of increase in fair value of RMB1,319.7 million from the Group's investment properties in Tianjin during the year ended 31 December 2014.

Share of profits of joint ventures

Share of profits of joint ventures consisted primarily of share of profit from Wuhan Big World Investment Development Co., Ltd., which reflected the Group's 50% equity interest share of profit of this entity.

Fair value change on embedded derivative component of the convertible bonds

The Group issued convertible bonds on 19 June 2013 and a net loss of RMB9.3 million (2013: RMB12.7 million gain) was recognised in the consolidated statement of profit or loss during the year ended 31 December 2014 on the re-evaluation of the convertible bonds as at 31 December 2014.

Finance income and costs

For the year ended 31 December 2014, interest income of RMB22.3 million (2013: RMB3.9 million) was credited to the consolidated statement of profit or loss.

For the year ended 31 December 2014, a net finance cost of RMB122.1 million (2013: RMB76.9 million) was charged to the consolidated statement of profit or loss. The increase was mainly attributable to an increase in bank and other borrowings and interest on the convertible bonds during the year ended 31 December 2014.

Income tax

Income tax was increased by 24.9% from RMB918.3 million for the year ended 31 December 2013 to RMB1,147.1 million for the year ended 31 December 2014. The increase was mainly due to an increase in PRC corporate income tax as a result of the increase in operating profits of the Group and the increase in PRC Land Appreciation Tax. The Group's effective tax rate was increased from 36.0% for the year ended 31 December 2013 to 41.6% for the year ended 31 December 2014. The increase in effective tax rate was partly because of the increase in PRC Appreciation tax on North Hankou of RMB53.9 million incurred in the year ended 31 December 2014.

Profit for the year

For the year ended 31 December 2014, the Group recorded a net profit of RMB1,610.7 million. Profit attributable to equity shareholders of the Company was RMB1,572.8 million, representing a slight decrease of 0.7% over the amount of RMB1,583.7 million for the year ended 31 December 2013.

Liquidity and capital resources

As at 31 December 2014, cash and cash equivalents of the Group was RMB250.8 million (2013: RMB738.8 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 2014, the Group's total expenditure in respect of property, plant and equipment and investment properties under development amounted to RMB10.0 million and RMB819.3 million (2013: RMB4.4 million and RMB197.2 million) respectively.

Bank loans and loans from other financial institutions

As at 31 December 2014, the Group's total long-term and short-term loans was RMB6,158.8 million, including long-term and short-terms loans of disposal group held for sale amounted to RMB1,737.1 million, representing a increase of RMB1,061.0 million over the amount of RMB5,097.8 million as at 31 December 2013. All the loans were denominated in RMB, being the functional currency of the Group.

Convertible bonds

As at 31 December 2014, the Group had an amount equivalent to RMB677.9 million (2013: RMB608.3 million) in relation to the convertible bonds issued on 19 June 2013. The principal amount of the convertible bonds outstanding as at 31 December 2014 is USD100 million and the convertible bonds bears interest rate at 5.5% per annum, with a maturity date on 19 June 2018.

Net gearing ratio

As at 31 December 2014, the net gearing ratio (calculated by dividing total borrowings, net of cash and cash equivalents, restricted cash and short term bank deposits, by total equity attributable to equity shareholders of the Company) of the Group was 78.7% (2013: 70.1%).

Foreign exchange risk

The Group's sales were primarily denominated in RMB, being the functional currency of the Group's major operating subsidiaries. Accordingly, the Board expects any future exchange rate fluctuation will not have any material effect on the Group's business. As at 31 December 2014, the Group did not use any financial instruments for hedging purpose.

Charge on assets

As at 31 December 2014, the Group had pledged certain of its assets with a total book value of RMB10,136.2 million (2013: RMB6,045.5 million) for the purpose of securing certain of the Group's bank borrowings.

Contingent liabilities

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

As at 31 December 2014, the guarantees provided to banks in relation to mortgage facilities granted to purchasers of the Group's properties amounted to RMB1,331.7 million (2013: RMB1,533.4 million).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the Group employed a total of 1,005 full time employees (2013: 939). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2014, the employees benefit expenses were RMB52.6 million (2013: RMB50.4 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.

The Group has also adopted a share option scheme (the "**Share Option Scheme**") and a pre- IPO share option scheme (the "**Pre-IPO Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants, including the Directors, and full-time or part-time employees, executives or officers of the Group who had contributed to the success of the Group's operations. Further information in relation to the Share Option Scheme and the Pre-IPO Share Option Scheme will be available in the annual report of the Company.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its corporate governance code of practices upon the listing of its shares on the Stock Exchange. In the opinion of the Board, save for the deviations to code provisions A.2.1 and A.6.7 below, the Company had complied with the code provisions as set out in the CG Code throughout the year ended 31 December 2014.

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 2014, the Company has not separated the roles of chairman and chief executive officer of the Company and Mr. Yan Zhi acted as the chairman and also the chief executive officer of the Company, responsible for overseeing the operations of the Group. 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, Mr. Peng Chi and Ms. Yang Qiongzhen, independent non-executive Directors, and Mr. Fu Gaochao, a non-executive Director, did not attend the annual general meeting of the Company held on 26 May 2014.

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 2014. 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 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2014, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has been established in compliance with Rules 3.21 and 3.22 of the Listing Rules with written terms of reference in compliance with the CG Code. The primary responsibilities of the Audit Committee are to review and monitor the financial reporting and internal control principles of the Company and to assist the Board to fulfill its responsibilities over audit.

The Audit Committee has reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters. The annual results of the Group for the year ended 31 December 2014 have also been reviewed by the Audit Committee.

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.

Scope of work of KPMG

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

FINAL DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2014 (2013: Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on Friday, 29 May 2015. A notice convening the AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

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

The Company's register of members will be closed for three days from Wednesday, 27 May 2015 to Friday, 29 May 2015 (both days inclusive), during which no transfer of shares of the Company will be effected. In order to determine who are eligible to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 26 May 2015.

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 2014 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

Hong Kong, 31 March 2015

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.