ZALL Development

Zall Development Group Ltd.

卓爾發展集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2098)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

The board (the "**Board**") of directors (the "**Directors**") of Zall Development Group Ltd. (the "**Company**" or "**Zall**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2015 (the "**Period**"), together with comparative figures for the preceding period as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2015 — unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
	Note	**2015**	2014
		RMB'000	*RMB'000*
			Restated
Turnover	*3*	**539,711**	482,462
Cost of sales		**(273,498)**	(281,523)
Gross profit		**266,213**	200,939
Other net loss	*4*	**(10,642)**	(2,552)
Other revenue	*4*	**17,050**	78,011
Selling and distribution expenses		**(66,176)**	(63,186)
Administrative and other expenses		**(68,717)**	(73,897)
Profit from operations before changes in fair value of investment properties		**137,728**	139,315
Increase in fair value of investment properties and non-current assets classified as held for sale		**550,708**	951,308
Fair value gain upon transfer of completed properties held for sale to investment properties		**817,901**	281,223

	Note	Six months ended 30 June 2015 RMB'000	2014 RMB'000 Restated
Profit from operations after changes in fair value of investment properties		**1,506,337**	1,371,846
Share of profit of joint ventures		**10,336**	41,036
Gain on disposal of subsidiaries		**79,598**	—
Fair value change on embedded derivative component of the convertible bonds	*10*	**11,347**	(31,090)
Finance income	*5(a)*	**1,619**	13,008
Finance costs	*5(a)*	**(172,130)**	(65,469)
Profit before taxation		**1,437,107**	1,329,331
Income tax	*6*	**(568,312)**	(583,830)
Profit for the period		**868,795**	745,501
Attributable to:			
Equity shareholders of the Company		**869,015**	732,436
Non-controlling interests		**(220)**	13,065
Profit for the period		**868,795**	745,501
Earnings per share	*7*		
Basic (RMB)		**0.25**	0.21
Diluted (RMB)		**0.25**	0.21

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2015 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
		Restated
Profit for the period	**868,795**	745,501
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
— financial statements of subsidiaries outside the Mainland China, net of nil tax	**4,322**	3,606
Other financial assets: net movement on fair value reserve	**74,146**	—
Total comprehensive income for the period	**947,263**	749,107
Attributable to:		
Equity shareholders of the Company	**947,483**	736,042
Non-controlling interests	**(220)**	13,065
Total comprehensive income for the period	**947,263**	749,107

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2015 — unaudited

(Expressed in Renminbi)

	Note	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000 Restated	At 1 January 2014 RMB'000 Restated
Non-current assets				
Property, plant and equipment		**117,173**	123,492	142,294
Investment properties		**10,366,600**	8,445,100	7,140,800
Intangible assets		**3,392**	5,654	16,516
Interests in joint ventures		**830,591**	820,255	774,888
Other financial assets		**887,910**	—	—
Deferred tax assets		**319,606**	47,925	2,520
		12,525,272	9,442,426	8,077,018
Current assets				
Properties under development		**4,179,045**	4,997,341	5,753,269
Completed properties held for sale		**1,320,217**	1,505,406	1,614,518
Inventories		**4**	3	156
Current tax assets		**33,332**	32,587	92,618
Trade and other receivables, prepayments	*8*	**1,645,443**	1,312,103	1,577,360
Financial asset at fair value through profit or loss		**23,190**	—	—
Available-for-sale unlisted equity securities		**500**	500	500
Restricted cash		**448,244**	370,847	438,208
Short-term bank deposits		**—**	—	150,000
Cash and cash equivalents		**1,640,509**	261,224	740,547
		9,290,484	8,480,011	10,367,176
Non-current assets classified as held for sale		**151,400**	147,700	158,000
Assets of disposal group held for sale		**—**	4,666,758	—
		9,441,884	13,294,469	10,525,176
Current liabilities				
Trade and other payables	*9*	**3,123,246**	2,971,782	3,582,542
Bank loans and loans from other financial institutions		**1,382,288**	997,160	2,012,808
Convertible bonds	*10*	**763,510**	677,866	1,040
Current tax liabilities		**214,769**	201,023	72,108
Deferred income		**95,633**	133,596	600,726
		5,579,446	4,981,427	6,269,224
Liabilities directly associated with non-current assets classified as held for sale		**37,456**	36,309	35,935
Liabilities of disposal group held for sale		**—**	2,955,862	—
		5,616,902	7,973,598	6,305,159

	Note	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000 Restated	At 1 January 2014 RMB'000 Restated
Net current assets		**3,824,982**	5,320,871	4,220,017
Total assets less current liabilities		**16,350,254**	14,763,297	12,297,035
Non-current liabilities				
Bank loans and loans from other financial institutions		**4,810,670**	3,624,529	3,084,950
Convertible bonds	*10*	**—**	—	607,257
Deferred income		**14,822**	19,409	36,586
Deferred tax liabilities		**3,004,681**	2,218,775	1,430,949
		7,830,173	5,862,713	5,159,742
NET ASSETS		**8,520,081**	8,900,584	7,137,293
CAPITAL AND RESERVES				
Share capital		**29,071**	29,071	29,071
Reserves		**8,443,519**	8,227,274	6,521,488
Total equity attributable to equity shareholders of the Company		**8,472,590**	8,256,345	6,550,559
Non-controlling interests		**47,491**	644,239	586,734
TOTAL EQUITY		**8,520,081**	8,900,584	7,137,293

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 Basis of preparation

The interim financial information have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 31 August 2015.

The interim financial information have been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial information 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 Zall Development Group Ltd. (the "Company") and its subsidiaries (together the "Group") since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

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

Pursuant to a group reorganisation ("the Reorganisation"), the Company's related party, Zall Holding Co., Ltd. ("Zall Holding"), transferred its equity interests in 3 of its subsidiaries namely (i) Wuhan Zhong Bang Financial Investment Company Limited ("Wuhan Financial Investment"); (ii) Wuhan North Hankou Guarantee Investment Company ("Wuhan Guarantee Investment"); and (iii) Wuhan Zall Inland Port Center Investment Company Limited ("Wuhan IP Center"), in 2015 to the Company as a consideration for swapping the Company's equity interests in Wuhan Zall City Investment and Development Co., Ltd. ("Wuhan Zall City"). Upon completion of the Reorganisation, the 3 subsidiaries mentioned above are collectively referred to as the "Acquired Entities".

The Reorganisation is considered as business combinations under common control, for purposes and as defined under IFRSs.

The consolidated statements of financial position of the Group as at 30 June 2015 and 31 December 2014 have been prepared to present the state of affairs of the companies comprising the Group following the completion of the Reorganisation as if the current group structure had been in existence at the presented dates. The consolidated statements of profit or loss, consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and condensed consolidated statements of cash flows of the Group for the periods ended 30 June 2015 and 2014 include the results of operations of the companies comprising the Group following the consummation of the Reorganisation as if the current group structure had been in existence throughout the presented periods. For this purpose, comparative figures have been restated.

All material intra-group transactions and balances and any unrealised profits arising from intra-group transactions are eliminated in full upon consolidation.

The consolidated results of operations for the period ended 30 June 2014 and the consolidated financial position as at 31 December 2014 as previously reported by the Group and the combined amounts presented in the consolidated financial statements of the Group to reflect the acquisition of the Acquired Entities are set out below:

	The Group as previously reported	**Acquired Entities**	**The Group** (as restated)
	RMB'000	*RMB'000*	*RMB'000*
Consolidated statement of comprehensive income for the period ended 30 June 2014:			
Turnover	481,654	808	482,462
Profit for the period	746,640	(1,139)	745,501
Consolidated statement of financial position as at 31 December 2014:			
Total assets	22,176,014	560,881	22,736,895
Total liabilities	13,613,874	222,437	13,836,311
Total equity	8,562,140	338,444	8,900,584

2 Changes in accounting policies

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

- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2013 Cycle

None of these developments have had a material effect on how the group's results and financial position for the current or prior periods have been prepared or presented. 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 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	
	2015	2014
	RMB'000	*RMB'000*
		Restated
Sales of properties	**485,130**	429,353
Property management services	**9,779**	6,636
Rental income	**43,209**	41,841
Hotel operations	**—**	2,878
Others	**1,593**	1,754
	539,711	482,462

Operating segments, and the amounts of each segment item reported in the consolidated interim financial information, 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	
	2015	2014
	RMB'000	*RMB'000*
		Restated
Other net loss		
Loss on disposal of non-current assets classified as held for sale	**—**	2,552
Loss on the early redemption of convertible bonds	**10,642**	—
	10,642	2,552
Other revenue		
Government grants	**2,500**	70,435
Football club related revenue	**12,374**	6,943
Others	**2,176**	633
	17,050	78,011

5 Profit before taxation

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

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
		Restated
(a) *Finance (income)/costs*		
Finance income		
Interest income	**(1,619)**	(13,008)
Finance costs		
Interest on convertible bonds *(note 10)*	**151,435**	44,734
Interest on bank loans and loans from other financial institutions	**254,211**	208,330
Other borrowing costs	**3,113**	50,414
Less: Amounts capitalised into properties under development and investment properties under development	**(239,981)**	(242,551)
	168,778	60,927
Bank charge and others	**3,907**	4,504
Net foreign exchange gain	**(555)**	38
	172,130	65,469
(b) *Staff costs*		
Salaries, wages and other benefits	**21,971**	24,148
Contributions to defined contribution retirement plans	**4,708**	3,269
Equity settled share-based payment expenses	**1,733**	2,333
	28,412	29,750
(c) *Other items*		
Amortisation	**4,223**	4,677
Depreciation	**5,120**	6,593
Auditors' remuneration	**1,350**	1,395
Operating lease charges	**18,080**	33,830
Cost of properties sold (i)	**255,342**	247,457

(i) Cost of properties sold is after netting off benefits from government grants of RMB5,697,000 (six months ended 30 June 2014: RMB35,647,000).

6 Income tax

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
		Restated
Current tax		
PRC Corporate Income Tax ("PRC CIT")	**32,832**	52,333
PRC Land Appreciation Tax ("PRC LAT")	**37,763**	52,157
	70,595	104,490
Deferred tax		
Origination and reversal of temporary differences	**497,717**	479,340
	568,312	583,830

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

No provision for Hong Kong Profits Tax was made as the Group did not earn any income subject to Hong Kong Profits Tax for the period (six months ended 30 June 2014: RMB Nil).

(ii) PRC CIT

The provision for PRC CIT has been calculated at the applicable tax rates on the estimated assessable profits of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The PRC CIT rate applicable to the Group's subsidiaries located in the PRC is 25% (2014: 25%).

(iii) PRC LAT

According to the requirements of the Provisional Regulations of the PRC on PRC 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 PRC 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 PRC LAT at progressive rates ranging from 30% to 60% of the appreciation value.

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

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

(iv) PRC dividend 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 RMB869,015,000 (six months ended 30 June 2014: RMB732,436,000) and 3,500,000,000 ordinary shares (six months ended 30 June 2014: 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 RMB869,015,000 (six months ended 30 June 2014: RMB732,436,000) divided by the weighted average number of ordinary shares of 3,519,801,000 shares (30 June 2014: 3,520,479,000 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).

For the period ended 30 June 2014 and 2015, the effect of conversion of convertible bonds was anti-dilutive.

8 Trade and other receivables, prepayments

	At 30 June 2015	At 31 December 2014	At 1 January 2014
	RMB'000	*RMB'000*	*RMB'000*
		Restated	Restated
Amounts due from third parties			
Trade and bill receivables *(i)*	**89,270**	72,529	53,232
Prepaid business tax and other tax	**58,170**	66,985	102,267
Prepayments and other receivables	**1,345,762**	877,495	1,082,061
	1,493,202	1,017,009	1,237,560
Amount due from related parties	**152,241**	295,094	339,800
	1,645,443	1,312,103	1,577,360

(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:

	At 30 June 2015	At 31 December 2014	At 1 January 2014
	RMB'000	*RMB'000*	*RMB'000*
		Restated	Restated
Within 3 months	**60,410**	51,201	36,046
3 to 12 months	**16,561**	10,417	13,182
Over 12 months	**12,299**	10,911	4,004
	89,270	72,529	53,232

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

The directors are of the view that all trade and bill receivables are neither individually nor collectively considered to be impaired as at 30 June 2015.

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

9 Trade and other payables

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000* Restated	At 1 January 2014 *RMB'000* Restated
Amounts due to third parties			
Trade payables *(i)*	**1,201,230**	1,219,427	944,062
Receipts in advance *(ii)*	**706,413**	1,025,028	2,037,316
Other payables and accruals	**1,068,794**	727,267	526,114
	2,976,437	2,971,722	3,507,492
Amounts due to related parties	**146,809**	60	75,050
	3,123,246	2,971,782	3,582,542

(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 2015 *RMB'000*	At 31 December 2014 *RMB'000* Restated	At 1 January 2014 *RMB'000* Restated
Due within 3 months	**109,351**	407,521	266,982
Due after 3 months but within 12 months	**843,566**	576,945	587,873
Due after 12 months	**248,313**	234,961	89,207
	1,201,230	1,219,427	944,062

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

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

10 Convertible bonds

On 19 June 2013, the Company issued convertible bonds (the "Convertible Bonds") 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 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.

Under the subscription agreement, if the conversion rights of the holder of the Convertible Bonds have not been exercised or the Convertible Bonds have not been repurchased or redeemed up to the Maturity Date, the Company would 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 holder of the Convertible Bonds to convert the Convertible Bonds into ordinary shares illustrated in the subscription agreement 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 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 might 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 subscription agreement, the Company should 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 holder of the Convertible Bonds might require the Company to redeem the Convertible Bonds (i) at the option of the holder of the Convertible Bonds on 19 June 2016; or (ii) following the occurrence of delisting, suspension of trading or change of control.

Pursuant to the subscription agreement, the Company could redeem the Convertible Bonds if (i) the Company became obliged to pay additional tax amounts as a result of amendment to certain laws or regulations; or (ii) at least 90% of the Convertible Bonds originally issued have already been converted, redeemed or purchased and cancelled.

On 13 April 2015, the Company entered into a supplemental trust deed with the holder of the Convertible Bonds to give effect to the amendments that (i) the Company may at any time prior to the Maturity Date redeem some of the Convertible Bonds up to not more than 70% in principal amount of the bonds originally issued; (ii) or may at any time prior to the Maturity Date redeem in whole, but in part, the bonds for the time being outstanding provided that at least 90% convertible bonds originally issued have already been converted, redeemed or purchased and cancelled (the "Supplement Trust Deed").

In accordance with the Supplemental Trust Deed, the Company redeemed the Convertible Bonds in the principle amount of USD10 million at an amount equal to the sum of the prescribed redemption amount written in the Supplemental Trust Deed amounting to USD11,594,440.50 and interest accrued of USD275,000 at 19 June 2015.

On 25 June 2015, the Company entered into a second supplemental trust deed with the holder of the Convertible Bonds to give effect to the amendments that (i) the Company may, on one or more occasions, at any time prior to the Maturity Date redeem some of the bonds up to not more than 70% in principal amount the bonds originally; (ii) the Company may, at any time on or prior to 31 July 2015, redeem all and not some only of the bonds outstanding (the "Second Supplemental Trust Deed").

On 30 June 2015, the outstanding principal amount of the Convertible Bonds was USD90 million.

Following the amendment under the Second Supplemental Trust Deed, it was more likely than not that the Company would call all outstanding bonds back on or prior to 31 July 2015. This feature indicates that the Company has a call option as at 30 June 2015.

The conversion option, the redemption options and call option mentioned above are considered as embedded derivative components of the Convertible Bonds and revalued at each reporting date.

On 10 July 2015, the Company adjusted the Conversion Price to HKD2.55 per share.

The Company exercised the further redemption right and elected to redeem all the bonds outstanding on 31 July 2015 (the "Redemption Date") in the principal amount of USD90,000,000 at an amount equal to the sum of the Prescribed Redemption Amount (being an aggregate amount of USD105,287,999) and interest accrued to the redemption date (being an aggregate amount of USD577,500).

The convertible bonds 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*
Balance at 1 January 2014	510,795	97,502	608,297
Changes for six months ended 30 June 2014:			
Interest expenses (i) (note 5(a))	44,734	—	44,734
Interest expenses paid during the period	(16,930)	—	(16,930)
Change in fair value of derivative component	—	31,090	31,090
Exchange realignment	(40)	—	(40)
Balance at 30 June 2014 and 1 July 2014	538,559	128,592	667,151
Changes for six months ended 31 December 2014:			
Interest expenses	47,154	—	47,154
Interest expenses paid during the period	(16,665)	—	(16,665)
Change in fair value of derivative component	—	(21,770)	(21,770)
Exchange realignment	1,996	—	1,996
Balance at 31 December 2014 and 1 January 2015	571,044	106,822	677,866
Changes for six months ended 30 June 2015:			
Interest expenses (i) (note 5(a))	151,435	—	151,435
Interest expenses paid during the period	(16,819)	—	(16,819)
Change in fair value of derivative component	—	11,843	11,843
Exchange realignment	(542)	—	(542)
Redemption of convertible bonds in the principle amount of USD10 million	(70,915)	—	(70,915)
(Gain)/Loss arising from redemption of convertible bonds in the principle amount of USD10 million	22,514	(11,872)	10,642
Balance at 30 June 2015	656,717	106,793	763,510

(i) Interest expense

Interest expense on the convertible bonds is calculated using the effective interest method by applying the effective interest rate of 27.11% per annum to the liability component.

(ii) Pursuant to the convertible bonds subscription agreement, the convertible bonds are subject to the fulfilment 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. The Group regularly monitors its compliance with these covenants. As at 30 June 2015, none of the covenants relating to the convertible bonds had been breached.

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, 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 31 December 2014 and 1 January 2015	0.871	29,155,000
Forfeited during six months ended 30 June 2015	0.871	—
Outstanding at 30 June 2015	0.871	29,155,000
Exercisable at 30 June 2015	0.871	29,155,000

At 30 June 2015, the weighted average remaining expected life of Pre-IPO Share Option is 1 years (31 December 2014: 1.5 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) ***A declaration of a special dividend in the total amount of RMB582,785,000 (equivalent to HKD739,414,800) after completion of the disposal of Zhen An Properties Limited ("Zhen An Cayman") and Zhen An (Wuhan) Company Limited ("Zhen An Wuhan") was hereby approved, confirmed and ratified during the six months ended 30 June 2015 (six months ended 30 June 2014: 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	
	2015	2014
	RMB'000	*RMB'000*
		Restated
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK Nil cents per share (six months ended 30 June 2014: HK Nil cents)	—	—

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Business Restructuring of the Group

The Disposal Agreement and the Equity Swap Agreement as contained in the circular of the Company dated 31 December 2014 have been completed in accordance with their respective terms during the period under review. Pursuant to the Disposal Agreement, Zhen An Cayman and Zhen An Wuhan have ceased to be subsidiaries of the Company. And pursuant to the Equity Swap Agreement, Wuhan IP Center, Wuhan Guarantee Investment and Wuhan Financial Investment have become indirect wholly-owned subsidiaries of the Company, whilst Wuhan Zall City has ceased to be a subsidiary of the Company.

The Company also disposed of its 90% equity interests in Zall Development (Shenyang) Limited ("**Zall Shenyang**") and Zall Trading Development (Xiaogan) Limited ("**Zall Xiaogan**") which held non-core projects during the period under review. As a result, Zall Shenyang and Zall Xiaogan have ceased to be subsidiaries of the Company.

The Group continues to develop and enhance its core business by developing and operating the integrated wholesale trading platforms supported with logistics and warehousing, E-commerce and finance services with a view to maintaining its leading market position in the wholesale industry.

North Hankou Project

The North Hankou International Trade Center (the "North Hankou Project"/漢口北項目) is the Group's flagship project and the largest wholesale shopping mall in Central China focusing on wholesale of 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 metres ("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 North Hankou Project into an integrated business platform for suppliers, manufacturers, distributors and small to medium enterprises for domestic consumer products.

For the six months ended 30 June 2015, approximately 1,600 occupants from the eight separate markets located in Hanzheng Street have already been relocated to North Hankou Project, which helped 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. The construction of Liudian Three-level Stack Interchange (劉店三層蝶式立交) has commenced, of which the South-to-north Direction will be put into operation in October 2015. 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. With Light Rail No. 1 connecting North Hankou Project and downtown Wuhan commenced operation in 2014, North Hankou International Trade Center has become 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 tenants 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 in 2014. Meanwhile, "Hubei Import and Export Incubation Market Base (湖北省進出口孵化市場基地)" and "Hubei Pilot Market for Domestic and Foreign Trade(湖北省內外貿結合試點市場)" were established in North Hankou. North Hankou is developing 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. In January 2015, North Hankou E-commerce Mansion (漢口北電商大廈) was put into operation. In June 2015, North Hankou E-commerce Mall was awarded as "National E-commerce Demonstration Base(國家級電子商務示範基地)" by the Ministry of Commerce of the People's Republic of China. As of 30 June 2015, under the operation of Zall 's e-commerce team, there have been approximately 5,600 Wuhan network e-commerce companies entering Alibaba Wuhan Industrial Zone platform, 工行融易購平臺(mall.icbc.com.cn) and 建行善融平臺(mall.ccb.com), with average monthly transaction volume of over RMB800 million.

In the first half of 2015, leveraging on the rich resources of North Hankou Project, the Group actively explored the integration of supply chain resources based on e-commerce business and made great progress in three fields including planning and development of trading platform, supply chain finance and e-commerce logistics. The platform is expected to be launched in the second half of the year.

The warehousing facilities of North Hankou Project have been completed, of which about 1 million sq.m. were occupied as of 30 June 2015. In addition, the Group planned to develop a third-party intelligent warehousing center with an area of 0.3 million sq.m., so as to provide the occupants with comprehensive service of warehousing and distribution.

For the six months ended 30 June 2015, North Hankou Project contributed revenue of RMB350.7 million (for the six months ended 30 June 2014: RMB82.2 million) to the Group, representing a significant increase of approximately 326.6% as compared with the corresponding period of last year, mainly attributable to the increase in the GFA delivered in the first half of 2015 as compared with the corresponding period in 2014. During the period under review, the total GFA sold and delivered in North Hankou Project amounted to 45,936 sq.m., at an average selling price ("ASP") of RMB7,635 per sq.m. (for the six months ended 30 June 2014: RMB11,542), representing a decrease of approximately 33.9% in ASP year on year. The decrease of selling price was principally due to properties delivered during first half year of 2015 was mainly comprised of ancillary facilities of the wholesale centres which has a lower ASP as compared to those delivered in the same period of 2014.

For the six months ended 30 June 2015, the total leased area of North Hankou Project amounted to approximately 516,511 sq.m. (for the six months ended 30 June 2014: 417,511 sq.m.), and the total rental income was RMB42.2 million (for the six months ended 30 June 2014: RMB40.8 million), representing an increase of approximately 3.4% as compared with the corresponding period in 2014.

No. 1 Enterprise Community • Wuhan

No. 1 Enterprise Community • Wuhan (第一企業社區 • 武漢) is a unique business park within three kilometres away from the North Hankou Project. It provides offices in close proximity to the occupants of the North Hankou Project. The project is located at the Panlongcheng Economic and Technology Development Zone in Wuhan. Its major target customers are small and medium enterprises which are in need of business headquarters. No. 1 Enterprise Community • Wuhan has a total planned 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 2015, No. 1 Enterprise Community • Wuhan contributed revenue of RMB41.2 million (for the six months ended 30 June 2014: RMB26.4 million) to the Group, representing an increase of approximately 56.0% as compared with 2014, mainly due to the increase in the total GFA delivered in the first half of 2015 as compared with the corresponding period in 2014.

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 (卓爾湖畔豪庭) is the first large living and services center of the Group. It was 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 the end of 2015.

For the six months ended 30 June 2015, Zall Hupan Haoting Residences contributed revenue of RMB39.1 million (for the six months ended 30 June 2014: RMB53.5 million) to the Group, representing a decrease of approximately 26.9% as compared to the same period of last year, mainly due to the decrease in the total GFA delivered in the first half of 2015 as compared with the corresponding period in 2014.

Zall Zhujinyuan Residences

Zall Zhujinyuan Residences (卓爾築錦苑) 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 currently in the process of land resumption.

Zall No. 1 Enterprise Community • Changsha

The construction of No. 1 Enterprise Community • Changsha has commenced since 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, and 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. It has obtained the land use right certificate and the construction land planning permit and it is also undergoing revision of the detailed planning.

As of 30 June 2015, the presale area of Zall No. 1 Enterprise Community • Changsha amounted to approximately 6,691 sq.m., with the presale amount of around RMB30.1 million and the average selling price was approximately RMB4,500 per sq.m..

Tianjin Zall E-Commerce Mall

With a total planned 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. The principal part of Phase I has been capped and is undergoing the interior decoration. Area A1 is expected to be opened by the end of September 2015.

As of 30 June 2015, through selling the operating right for a term of 20 years, the presale area of Tianjin Zall E-Commerce Mall amounted to approximately 45,079 sq.m., with the presale amount of around RMB231.8 million and the average selling price was approximately RMB5,142 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 will host over 6,300 standardized stores. It is expected to be a leading new specialized wholesale market in Central China.

As of 30 June 2015, the presold properties of Jingzhou Zall City amounted to approximately 23,124 sq.m., with a presale turnover of around RMB114.8 million and an average price of approximately RMB4,965 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"/卓爾亞洲博覽城項目). 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. By the end of the reporting period, the project is still under planning and the land for Phase I is expected to be acquired in November. Construction will commence before the end of the year.

Wuhan IP Center

Wuhan IP Center is situated at an exit of Hurong Expressway (滬蓉高速) and Jingzhu Expressway (京珠高速), and is 5 km away from Yangluo Port (陽邏港), about 20 minutes' drive from the center of Hankou and around 45 minutes' drive from the Wuhan Tianhe International Airport. Leveraging on its prime location, Wuhan IP Center is expected to develop into a modern distribution and logistics warehousing center.

Wuhan Inland Port Center will be developed as a modern distribution and logistics warehousing center. Based on its existing development plan, Wuhan Inland Port Center will be developed in two phases during the period from September 2014 to June 2016 with a total land area of approximately 1,380 mu, among which approximately 650 mu for Phase I and approximately 730 mu for Phase II. After completion, Wuhan Inland Port Center will include warehouses with total gross floor area of approximately 400,000 sq.m., a distribution center with total gross floor area of approximately 100,000 sq.m., container yards with total gross floor area of approximately 200,000 sq.m. and other ancillary facilities with total gross floor area of approximately 100,000 sq.m.. It is estimated that the total investment for Wuhan Inland Port Center will be approximately RMB1.5 billion, with approximately RMB750 million for each of Phase I and Phase II.

The distribution center, warehouses and other supporting facilities under Wuhan Inland Port Center will be operated through a combination of self-operation, leasing and sale (i.e. part of the warehouses will be leased but operated and managed by Wuhan IP Center, part of warehouses will be leased and operated and managed by the clients and, the distribution center and other supporting facilities will be either sold or leased to its clients). At present, the distribution center, part of the warehouses and other supporting facilities of Phase I are under construction, and it is expected that such construction work will be completed in the second half of 2015 and Wuhan Inland Port Center will commence its operation by the end of 2015.

Wuhan IP Center's logistics business mainly focuses on the provision of the supporting services to facilitate the wholesale clients to store, display, distribute and trade the consumer goods and other products between wholesalers, distributors and traders. Wuhan IP Center does not have its own transportation vehicles (such as trucks or shipping vessels). Revenue is expected to be generated from sales, leasing and operation of logistics facilities.

Results of Operation

Turnover

Turnover of the Group increased by approximately 11.9% from RMB482.5 million for the six months ended 30 June 2014 to RMB539.7 million for the six months ended 30 June 2015. The increase was primarily due to the increase in the Group's revenue from sales of properties from RMB429.4 million for the six months ended 30 June 2014 to RMB485.1 million for the six months ended 30 June 2015.

Sale of properties

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, retails units in the No. 1 Enterprise Community • Wuhan and residential units in Zall Life City • Zall Hupan Haoting and Wuhan Salon. The GFA and ASP of the respective projects during the period under review are set forth below:

	For the six months ended 30 June							
	2015				2014			
	GFA Sold *(sq.m.)*	Average selling price (net of business tax) RMB/sq.m.	Turnover *(RMB'000)*	% of	GFA Sold *(sq.m.)*	Average selling price (net of business tax) RMB/sq.m.	Turnover *(RMB'000)*	% of
North Hankou Project	**45,936**	**7,635**	**350,719**	**72.3**	7,119	11,542	82,166	19.1
No. 1 Enterprise Community • Wuhan	**11,591**	**3,552**	**41,173**	**8.5**	6,658	3,972	26,444	6.2
Zall Life City • Zall Hupan Haoting Residences	**7,697**	**5,084**	**39,128**	**8.1**	11,577	4,623	53,521	12.5
Wuhan Salon	**7,327**	**7,385**	**54,110**	**11.1**	45,553	5,866	267,222	62.2
Total	**72,551**		**485,130**	**100**	70,907		429,353	100

The Group's turnover from sales of properties increased by approximately 13.0% over the period under review mainly due to the slight increase of approximately 2.3% in the total GFA delivered during the first half of 2015. The GFA sold in North Hankou Project had increased by approximately 545.3% from 7,119 sq.m. for the six months ended 30 June 2014 to 45,936 sq.m. for the six months ended 30 June 2015. The GFA sold in No. 1 Enterprise Community • Wuhan was increased 74.1% from 6,658 sq.m. to 11,591 sq.m. for the six months ended 30 June 2015. The GFA sold in Zall Life City • Zall Hupan Haoting Residences decreased 33.5% from 11,577 sq.m. to 7,697 sq.m. for the six months ended 30 June 2015.

For the six months ended 30 June 2015, Wuhan Salon contributed RMB54.1 million (for the six months ended 30 June 2014: RMB267.2 million) revenue to the Group with a total GFA of 7,327 sq.m. (for the six months ended 30 June 2014: 45,553 sq.m.) sold.

Rental income

The Group's rental income increased from RMB41.8 million for the six months ended 30 June 2014 to RMB43.2 million for the six months ended 30 June 2015, as the Group continues to retain an increasing number of wholesale shopping mall units in North Hankou Project for leasing.

Gross profit

Gross profit increased by approximately 32.5% from RMB200.9 million for the six months ended 30 June 2014 to RMB266.2 million for the six months ended 30 June 2015. The Group's gross profit margin increased from 41.6% in first half of 2014 to 49.3% in first half of 2015 mainly due to the changes in the combination of the properties delivered during the period under review. For the six months ended 30 June 2014, only approximately 19.1% of the revenue from sales of properties were contributed by North Hankou Project. The remaining 80.9% of the revenue from sales of properties were mainly contributed by No. 1 Enterprise Community • Wuhan, Zall Life City projects and Wuhan Salon, of which the overall gross profit margin of these projects are a lot lower, comparing to North Hankou Project. For the six months ended 30 June 2015, approximately 72.3% 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%.

Other net loss

For the six months ended 30 June 2015, the Group made a early redemption of convertible bonds of USD10.0 million and generated a loss on the early redemption of RMB10.6 million.

Other revenue

For the six months ended 30 June 2015, football club related income and government grants amounting to RMB12.4 million and RMB2.5 million respectively were credited to the consolidated statement of profit or loss (for the six months ended 30 June 2014: RMB6.9 million and RMB70.4 million, respectively).

Selling and distribution expenses

Selling and distribution expenses increased slightly by approximately 4.7% from RMB63.2 million for the six months ended 30 June 2014 to RMB66.2 million for the six months ended 30 June 2015. The increase was mainly attributable to an increase of RMB19.1 million in advertising and promotional expenses; and which was offset by a decrease of RMB16.2 million in football club related expenses.

Administrative expenses

Administrative expenses decreased slightly by approximately 7.0% from RMB73.9 million for the six months ended 30 June 2014 to RMB68.7 million for the six months ended 30 June 2015. The decrease was primarily due to a decrease of RMB1.4 million in transportation and travelling expenses and a decrease of RMB3.6 million in donations.

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 2015, the Group recorded an increase in fair value of investment properties and non-current assets classified as held for sale of RMB550.7 million (for the six months ended 30 June 2014: RMB951.3 million) and fair value gain upon transfer of completed properties held for sale to investment properties of RMB817.9 million (for the six months ended 30 June 2014: RMB281.2 million). The increase in fair value of the Group's investment properties during the six months ended 30 June 2015 reflected a rise in the property prices in Wuhan over the period under review and increased number of wholesale shopping mall units retained for rental purposes.

Gain on disposal of subsidiaries

For the six months ended 30 June 2015, the Group disposed subsidiaries of Zall Shenyang and Zall Xiaogang and recognised a gain of RMB79.6 million.

Share of profit of joint ventures

For the six months ended 30 June 2015, share of profit of joint ventures consisted primarily of RMB10.3 million (for the six months ended 30 June 2014: RMB41.0 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 2015, the Group recorded an interest income of RMB1.6 million (for the six months ended 30 June 2014: RMB13.0 million).

For the six months ended 30 June 2015, the Group recorded a net finance cost of RMB172.1 million (for the six months ended 30 June 2014: RMB65.5 million). The increase is mainly attributable to the increase in bank and other borrowings and interest on convertible bonds during the six months ended 30 June 2015. Interest on convertible bonds significantly increased from RMB44.7 million for the six months ended 30 June 2014 to RMB151.4 million for the six months ended 30 June 2015. The increase was mainly due to the effect on interest expenses related to early redemption of the remaining balance of the convertible bonds in July 2015 recognised in this period.

Income tax

Income tax was decreased by approximately 2.7% from RMB583.8 million for the six months ended 30 June 2014 to RMB568.3 million for the six months ended 30 June 2015. The decrease was mainly due to the decrease in current tax, which was mainly due to increase of non-taxable income from gain on disposal of subsidiaries. The Group's effective tax rate was decreased from 43.9% for the six months ended 30 June 2014 to 39.5% for the six months ended 30 June 2015.

Profit for the period

During the six months ended 30 June 2015, the Group recorded a net profit of RMB868.8 million, representing an increase of 16.5% over the amount of RMB745.5 million for the corresponding period in 2014.

Liquidity and capital resources

As at 30 June 2015, total amount of cash and cash equivalents, short term bank deposits and restricted cash of the Group was RMB2,088.8 million (31 December 2014: RMB632.1 million). As at 30 June 2015, cash and cash equivalents of the Group was RMB1,640.5 million (31 December 2014: RMB261.2 million), which included an amount of bank deposits equivalent to RMB507.4 million (31 December 2014: RMB16.8 million), denominated in foreign currencies.

Capital expenditure

During the period under review, the Group's total expenditure in respect of property, plant and equipment and investment properties amounted to RMB1.4 million and RMB187.8 million respectively.

Bank loans and loans from other financial institutions

As at 30 June 2015, the Group's total bank loans and loans from other financial institutions was RMB6,193.0 million, representing a slight decrease of RMB165.8 million over the amount of RMB6,358.8 million as at 31 December 2014, including long-term and short-term loans of disposal group held for sale amounted to RMB1,737.1 million. All the bank loans and loans from other financial institutions were denominated in RMB, the functional currency of the Group.

Convertible bonds

As at 30 June 2015, the Group had an amount equivalent to RMB763.5 million (31 December 2014: RMB677.9 million) in relation to the convertible bonds issued on 19 June 2013. The principal amount of the convertible bonds outstanding as at 30 June 2015 is USD90.0 million and the convertible bonds bear interest at 5.5% per annum, with a maturity date on 19 June 2018.

Net Gearing ratio

As at 30 June 2015, 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 excluding fair value gain or loss from convertible bonds and intangible assets) of the Group was 57.3% (31 December 2014: 77.5%).

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 2015, the Group had pledged certain of its assets with a total book value of RMB7,315.9 million (31 December 2014: RMB10,136.2 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 its pre-sold properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty 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 buyer obtained the individual property ownership certificate and the full settlement of mortgage loans by the buyer.

As at 30 June 2015, the guarantees provided to banks in relation to mortgage facilities granted to purchasers of the Group's properties amounted to RMB1,304.2 million (31 December 2014: RMB1,331.7 million).

Employees and Remuneration Policy

As at 30 June 2015, the Group employed a total of 751 full time employees (31 December 2014: 1,005). Remuneration for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2015, the employees remuneration and benefit expenses were RMB28.4 million (for the six months ended 30 June 2014: RMB29.8 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.

PROSPECTS

During the first half of 2015, the Group completed the group restructuring exercise to adjust its strategy for its principal business activities. The disposals of the non-core business of the Group will spare resources for the development and enhancement of the Group's core business, as well as reduce the Group's debt level and improve the Group's overall financial liquidity, and hence reduce the Group's business risk from the industry cycle. The Group develops and operates integrated wholesale trading platforms supported with logistics and warehousing, e-commerce and finance services to capture the current market trend and meet customer demands with a view to maintaining its leading market position in the wholesale industry. In the long term, the Group intends to develop a nationwide trading and distribution network, which will include wholesale shopping centers developed in first-tier cities as the core centers and second-tier cities as the supporting centers and supported by related warehouses, distribution centers, via third parties arranging for transportation services and other facilities.

The Group also actively developed e-commerce business during the first half of 2015. During the period, North Hankou E-commerce Mansion (漢口北電商大廈) was put into operation. Furthermore, North Hankou E-commerce Mall was awarded as "National E-commerce Demonstration Base(國家級電子商務示範基地)" by Ministry of Commerce of the People's Republic of China. With the existing occupants, the Group also plans to launch an online trade and service platform to meet and guide the market demand for the internet and business network. The platform will provide various core functions including online wholesale and procurement management, as well as value-added services such as supply chain finance, logistics information and transaction matching so as to facilitate the integration of online and offline businesses. The Group is currently undergoing the research & development and testing, and expected to launch the platform in the second half of the year.

While strengthening its core business, the Group also committed to maintaining a rational capital structure. Through a series of assets reorganization, the net gearing ratio of the Group during the first half of 2015 has reduced to 57.3% from 77.5% as at the end of last year. Following the redemption of the convertible bonds in the principal amount of USD10 million on 19 June 2015, the Group further redeemed all the remaining convertible bonds of USD90 million on 31 July 2015. The Group will continue its efforts in lowering gearing ratio and financial costs in different ways, such as replacing high-cost debts with low-cost debts and considering possible equity fund raising.

As of 30 June 2015, the Group had land reserves of approximately 5.8 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. The Group will expand into other areas nationwide by establishing large-scale commodity wholesale and trade centers in South-western China, North-western China and Eastern China in order to grasp opportunities brought by the national policies to stimulate domestic demand.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintain a stringent corporate governance practices and procedures and has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its corporate governance code 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 2015.

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 2015, 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.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**") as the code for dealing in securities of the Company by the Directors. The Board confirms that, having made specific enquiries with all Directors, all Directors have complied with the required standards of the Model Code throughout the period ended 30 June 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period ended 30 June 2015, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Group's unaudited condensed consolidated interim results and financial report for the six months ended 30 June 2015 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.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015. (six months ended 30 June 2014: Nil).

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and on the website of the Company at http://www.zallcn.com. The interim report of the Company for the six months ended 30 June 2015 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 **Gang Yu**
Co-chairman *Co-chairman*

Hong Kong, 31 August 2015

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