The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from our Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

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Hong Kong

30 June 2011

The Board of Directors
Zall Development (Cayman) Holding Co., Ltd.

BNP Paribas Capital (Asia Pacific) Limited
BOCOM International (Asia) Limited

Dear Sirs,

Introduction

We set out below our report on the financial information relating to Zall Development (Cayman) Holding Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flow of the Group, for each of the years ended 31 December 2008, 2009 and 2010 (the "Relevant Period") and the consolidated statements of financial position of the Group as at 31 December 2008, 2009 and 2010, together with the notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated 30 June 2011 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 22 September 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation completed on 13 October 2010 (the "Reorganisation") as detailed in the section headed "History, Reorganization and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in Section A below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Company and Zall Development (BVI) Holding Company Limited ("Zall BVI") as they neither have carried on any business since the date of incorporation nor subject to statutory audit requirements under the relevant rules and regulations in the jurisdictions of incorporation.

All companies comprising the Group have adopted 31 December as their financial year end date. Details of the audited statutory financial statements of subsidiaries during the Relevant Period and the names of the respective auditors are set out Note 1(b) of Section C. The statutory financial statements of these companies were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the jurisdictions in which they were incorporated or established.

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Period in accordance with the basis of preparation set out in Section A below and the accounting policies set out in Section C below (the "Underlying Financial Statements"). The Underlying Financial Statements for each of the years ended 31 December 2008, 2009 and 2010 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Respective responsibilities of directors and reporting accountants

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an opinion on the Financial Information based on our procedures.

Basis of opinion

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 December 2010.

Opinion

In our opinion, for the purpose of this report, the Financial Information, on the basis of preparation set out in Section A below, gives a true and fair view of the Group's consolidated results and cash flows for the Relevant Period, and the state of affairs of the Group as at 31 December 2008, 2009 and 2010.

A Basis of preparation

The Company was incorporated in the Cayman Islands on 22 September 2010 and became the holding company of the companies now comprising the Group pursuant to the Reorganisation completed on 13 October 2010. The principal activities of the Group are development, sales and investment holding of large-scale consumer products wholesale shopping malls and residential properties (collectively the "Core Business") in the People's Republic of China (the "PRC").

During the Relevant Period, the Group's Core Business was conducted through various domestic companies established in the PRC (the "PRC Operation Entities"), which were held indirectly by Zall Holding Co., Ltd. 卓爾控股有限公司* ("Zall Holding") through two intermediate holding companies, namely North Hankou Group Co., Ltd. 漢口北集團有限公司* ("North Hankou Group") and Zall Investment Group Co., Ltd. 卓爾投資集團有限公司* ("Zall Investment Group"). Zall Holding was controlled by Mr. Yan Zhi and Ms. Chen Lifen (together referred to as the "Controlling Equity Owners"), pursuant to the concert party agreement which was in existence during the Relevant Period as detailed in the section headed "History, Reorganization and Corporate Structure" in the Prospectus.

As part of the Reorganisation, Zall Holding transferred its entire interests in North Hankou Group and Zall Investment Group to Zall Development (Wuhan) Co., Ltd. 卓爾發展（武漢）有限公司* ("Zall Development China"), an indirect wholly owned subsidiary of the Company. All the companies now comprising the Group (including the PRC Operating Entities) that took part in the Reorganisation were ultimately controlled by the Controlling Equity Owners during the Relevant Period (or where the entity was acquired/incorporated/established at a date later than 1 January 2008, for the period from the date of acquisition/incorporation/establishment to 31 December 2010) and both before and after the Reorganisation. Since there is a continuation of the risks and benefits to the Controlling Equity Owners, the Reorganisation is considered to be a combination of entities under common control. The Financial Information has been prepared using the principles of merger accounting as if the entities now comprising the Group had been combined at the beginning of the Relevant Period unless the combining entities first came under common control at a later date. The net assets of the combining companies are combined using the existing book values from the Controlling Equity Owners' perspective.

The consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flow of the Group as set out in Section B include the results of operations of the Company and its subsidiaries for the Relevant Period (or where the Company and its subsidiaries were incorporated/established/acquired at a date later than 1 January 2008, for the period from the date of incorporation/establishment/acquisition to 31 December 2010) as if the Reorganisation was completed at the beginning of the Relevant Period. The consolidated statements of financial position of the Group as at 31 December 2008, 2009 and 2010 as set out in Section B have been prepared to present the state of affairs of the Company and its subsidiaries as if the entities now comprising the Group had been consolidated as at those dates (or where the companies were acquired/incorporated/established at a date later than 1 January 2008, as if the consolidation has occurred from the date when the companies first came under the control of the Controlling Equity Owners).

All material intra-group transactions and balances have been eliminated on consolidation.

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

At the date of this report, the Company has direct or indirect interests in the following subsidiaries, which are private limited liabilities companies or, if established/incorporated outside Hong Kong, have substantially the same characteristics as a Hong Kong private company. The particulars of these subsidiaries are set out below:

Name of company	Date and place of incorporation/ establishment	Paid-in/registered capital	Effective interest held by the Group		Principal activities
			Direct	Indirect	
Zall BVI 卓爾發展(BVI)控股有限公司	10 September 2010 British Virgin Islands ("BVI")	HKD 1	100%	—	Investment holding
Zall Development (HK) Holding Co., Limited ("Zall Development Hong Kong") 卓爾發展(香港)控股有限公司	25 March 2003 Hong Kong	HKD 2	—	100%	Investment holding
Zall Development China	23 October 1998 The PRC	HKD 2,800,000	—	100%	Investment holding
North Hankou Group	11 February 2009 The PRC	Rmb 59,600,000	—	100%	Investment holding
Wuhan North Hankou Trade Market Investment Co., Ltd. ("North Hankou Market Investment") 武漢漢口北商貿市場投資有限公司*	16 April 2007 The PRC	Rmb 55,000,000	—	100%	Property development
Wuhan North Hankou Market Management Co., Ltd. ("North Hankou Market Management") 武漢漢口北市場管理有限公司*	14 March 2008 The PRC	Rmb 1,000,000	—	100%	Property management
Wuhan North Hankou Logistics Co., Ltd. ("North Hankou Logistics") 武漢漢口北物流有限公司*	14 January 2009 The PRC	Rmb 10,000,000	—	100%	Logistics management
Wuhan North Hankou Commercial Services Co., Ltd. ("North Hankou Commercial Services") 武漢漢口北商業服務有限公司*	12 March 2009 The PRC	Rmb 1,000,000	—	100%	Property management
Wuhan North Hankou Shangqing Advertising Co., Ltd. ("North Hankou Advertising") 武漢漢口北商情廣告有限公司*	11 December 2008 The PRC	Rmb 1,500,000	—	100%	Advertising services

Name of company	Date and place of incorporation/ establishment	Paid-in/registered capital	Effective interest held by the Group		Principal activities
			Direct	Indirect	
Wuhan North Hankou Xincheng Construction Co., Ltd. ("North Hankou Construction") 武漢漢口北新城建設有限公司*	4 January 2010 The PRC	Rmb 1,000,000	—	100%	Property development
Zall Investment Group	31 December 2004 The PRC	Rmb 100,000,000	—	100%	Investing holding and property development
Wuhan Zongbu Jidi Construction Co., Ltd. ("Wuhan Zongbu Jidi") 武漢總部基地建設有限公司*	9 January 2007 The PRC	Rmb 20,000,000	—	100%	Property development
Wuhan Zall Center Investment Co., Ltd. ("Zall Center Investment") 武漢卓爾中心投資有限公司* (Note 1)	12 August 1996 The PRC	Rmb 30,000,000	—	100%	Property development
Wuhan Eastern Zall Properties Co., Ltd. ("Wuhan Eastern Zall Properties") 武漢東方卓爾置業有限公司* (Note 2)	10 October 2007 The PRC	Rmb 30,000,000	—	100%	Property development
Wuhan Salon Investment Co., Ltd. ("Wuhan Salon Investment") 武漢客廳投資有限公司*	27 April 2010 The PRC	Rmb 30,000,000	—	100%	Property development
Wuhan Zall City Investment and Development Co., Ltd. ("Zall City Investment and Development") 武漢卓爾城投資發展有限公司*	8 April 2010 The PRC	Rmb 50,000,000	—	100%	Property development
Wuhan Zall Property Management Co., Ltd. ("Zall Property Management") 武漢卓爾物業管理有限公司*	24 October 2005 The PRC	Rmb 3,000,000	—	100%	Property management
Hubei Zhuohua Real Estate Co., Ltd. ("Zhuohua Real Estate") 湖北卓華地產有限公司* (Note 3)	2 September 2009 The PRC	Rmb 100,000,000	—	51%	Property development

Name of company	Date and place of incorporation/ establishment	Paid-in/registered capital	Effective interest held by the Group		Principal activities
			Direct	Indirect	
Hubei Hu Pan Hao Ting Real Estate Development Co., Ltd. ("Hupan Haoting Real Estate") 湖北湖畔豪庭房地產開發有限公司* (Note 4)	26 April 2004 The PRC	Rmb 50,000,000	—	51%	Property development
Wuhan Xinrui Real Estate Development Co., Ltd. ("Wuhan Xinrui Real Estate") 武漢新鋭房地產開發有限公司* (Note 4)	22 June 2004 The PRC	Rmb 20,000,000	—	51%	Property development
Wuhan Panlong Zall Properties Co., Ltd. ("Wuhan Panlong Properties") 武漢盤龍卓爾置業有限公司* (Note 5)	29 December 2008 The PRC	Rmb 10,000,000	—	51%	Property development
Wuhan Logistics Enterprise Community Investment Development Co., Ltd. 武漢物流港投資開發有限公司*	3 March 2011 The PRC	Rmb 30,000,000	—	100%	Property development
Wuhan North Hankou International Goods Trading Center Co., Ltd. 武漢漢口北國際商品交易中心有限公司*	6 April 2011 The PRC	Rmb 1,000,000	—	100%	Property development

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Notes:

(1) Zall Holding acquired the entire equity interests in Zall Center Investment on 30 April 2008 from an independent third party. Zall Holding then transferred the entire equity interests in Zall Center Investment to Zall Investment Group on 20 February 2009.

(2) During the year ended 31 December 2008, the Group disposed of 50% equity interests in Wuhan Eastern Zall Properties to an independent third party at a cash consideration of Rmb 15,000,000. The Group retained control of Wuhan Eastern Zall Properties after the disposal by virtue of an agreement signed with an independent third party that provided the Group the power to appoint the sole executive director of this entity irrevocably. Accordingly, Wuhan Eastern Zall Properties continued to be accounted for as a subsidiary upon the partial disposal of the Group's equity interest. During the year ended 31 December 2010, the Group acquired the 50% non-controlling interests in Wuhan Eastern Zall Properties at a cash consideration of Rmb 15,000,000 and Wuhan Eastern Zall Properties was 100% owned by the Group from then on.

(3) Zhuohua Real Estate is considered a subsidiary of the Group because the Group has the power to govern the financial and operating policies of this entity by virtue of an agreement signed with another equity holder which held 50% equity interests in this entity, that result in the Group has the power to appoint the sole executive director of the entity irrevocably. Therefore the financial results and state of affairs of Zhuohua Real Estate have been included in the Financial Information of the Group since its date of establishment on 2 September 2009. In October 2010, the Group and the other equity holder of Zhuohua Real Estate entered into an equity stake transfer agreement pursuant to which the other equity holder transferred its 1% equity interest in Zhuohua Real Estate to the Group at a consideration of Rmb 1,000,000. Accordingly the Group's effective interest in Zhuohua Real Estate has increased to 51%.

(4) Zhuohua Real Estate acquired the entire equity interests in Wuhan Xinrui Real Estate and Hupan Haoting Real Estate on 8 September 2009 and 29 September 2009 respectively, from unrelated third parties. The directors of the Company are of the view that the Group has the power to govern the financial and operating policies of these entities as their immediate holding company, namely Zhuohua Real Estate, is controlled by the Group (note (3) above). Therefore the financial results and state of affairs of Wuhan Xinrui Real Estate and Hupan Haoting Real Estate have been included in the Financial Information of the Group since their respective dates of acquisition.

(5) Zhuohua Real Estate acquired the entire equity interests in Wuhan Panlong Properties from Zall Holding on 2 February 2010. Since both Zhuohua Real Estate (note (3) above) and Zall Holding are controlled by the Controlling Equity Owners, the financial results and state of affairs of Wuhan Panlong Properties have been included in the Financial Information of the Group since its date of establishment on 29 December 2008.

During the Relevant Period, the below subsidiaries were disposed of to the Controlling Equity Owners as the directors considered that they were not strategically complementary to the principal activities of the Group:

Name of company	Date and place of incorporation/ establishment	Paid-in/ registered capital	Effective interest held by the Group		Principal activities
			Direct	Indirect	
Beijing Zall Jiye Investment Co., Ltd. ("Zall Jiye Investment") (formerly "Beijing Zall Airport Construction") 北京卓爾基業投資有限公司* (Note 1)	24 July 2009 The PRC	Rmb 50,000,000	—	100%	Warehouse management
Hubei Zall Biotech Industrial Park Construction Co., Ltd. ("Zall Biotech Construction") 湖北卓爾生態工業城建設有限公司* (Note 2)	26 July 2006 The PRC	Rmb 15,000,000	—	100%	Development of industrial properties
Wuhan Zhongbang Network Information Industrial Co., Ltd. ("Wuhan Zhongbang Network") 武漢眾邦網信息產業有限公司* (Note 3)	28 April 2008 The PRC	Rmb 5,000,000	—	90%	Provision of software technology and service for on-line business

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Notes:

(1) Zall Investment Group disposed of this subsidiary to Zall Holding on 28 September 2010 at a cash consideration of Rmb 50,000,000. The net asset of the this subsidiary at the date of disposal was Rmb 50,000,000. This subsidiary has not carried out any business during the Relevant Period (see Note 34(c)).

(2) Zall Investment Group disposed of this subsidiary to Zall Holding on 30 September 2010 at a cash consideration of Rmb 15,000,000. The net asset of the this subsidiary at the date of disposal was Rmb 13,629,000. The net loss of the disposed entity during the years ended 31 December 2008, 2009 and 2010 are Rmb 0, Rmb 732,000 and Rmb 639,000 respectively, which are included in the Financial Information of the Group (see Note 34(c)).

(3) North Hankou Group disposed of this subsidiary to Zall Holding on 27 September 2010 at a cash consideration of Rmb 4,500,000. The net asset of the this subsidiary at the date of disposal was Rmb 3,481,000. The net loss of the disposed entity during the years ended 31 December 2008, 2009 and 2010 are Rmb 0, Rmb 874,000 and Rmb 645,000 respectively, which are included in the Financial Information of the Group (see Note 34(c)).

The above subsidiaries maintained separate accounting records but were under the same management of the Group. The assets and liabilities of the above subsidiaries as at

31 December 2008 and 2009 had been included in the Group's consolidated statement of financial position as at the respective dates. In addition, the results of operations of these subsidiaries were included in the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group up to the respective dates of disposal. Upon the respective disposals, the consideration received less the net assets of the subsidiaries disposed of were recognised as deemed distribution to the Controlling Equity Owners in the consolidated statements of changes in equity.

B Financial Information

1 Consolidated income statements

	Section C Note	For the year ended 31 December		
		2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
Turnover	2	83,028	476,607	769,737
Cost of sales	4(c)	(56,056)	(307,996)	(413,210)
Gross profit		26,972	168,611	356,527
Other revenue	3	196	1,361	8,465
Selling and distribution expenses		(38,866)	(39,831)	(25,074)
Administrative expenses		(9,775)	(17,234)	(39,487)
Other expenses		(1,140)	(2)	(367)
(Loss)/profit from operations before changes in fair value of investment properties		(22,613)	112,905	300,064
Increase in fair value of investment properties	11	370,675	782,365	626,563
Profit from operations after changes in fair value of investment properties		348,062	895,270	926,627
Share of profit less losses of a jointly controlled entity	13	—	(702)	(4,755)
Net finance costs	4(a)	(3,546)	(4,407)	(299)
Profit before taxation		344,516	890,161	921,573
Income tax	5(a)	(89,672)	(234,920)	(288,387)
Profit for the year		254,844	655,241	633,186
Attributable to:				
— Shareholders of the Company		253,421	655,074	635,072
— Non-controlling interests		1,423	167	(1,886)
Profit for the year		254,844	655,241	633,186
Earnings per share				
Basic earnings per share (Rmb)	8(a)	0.09	0.22	0.21

The accompanying notes form part of the Financial Information.

2 Consolidated statements of comprehensive income

	For the year ended 31 December		
	2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
Profit for the year	254,844	655,241	633,186
Other comprehensive income for the year			
Exchange differences on translation of financial statements of subsidiaries in other jurisdictions	(320)	22	59
Total comprehensive income for the year	254,524	655,263	633,245
Attributable to:			
— Shareholders of the Company	253,101	655,096	635,131
— Non-controlling interests	1,423	167	(1,886)
Total comprehensive income for the year	254,524	655,263	633,245

The accompanying notes form part of the Financial Information.

3 Consolidated statements of financial position

	Section C Note	At 31 December 2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
Non-current assets				
Property, plant and equipment	10	12,507	18,960	18,170
Investment properties	11	973,500	1,912,800	2,205,250
Intangible assets	12	—	308	—
Interest in a jointly controlled entity	13	—	49,298	44,543
		986,007	1,981,366	2,267,963
Current assets				
Properties under development	15	416,586	558,748	1,557,630
Completed properties held for sale	16	98,506	253,680	119,127
Inventories	17	213	213	193
Current tax assets	14(a)	6,950	3,715	39,529
Trade and other receivables, prepayments	18	214,054	453,668	289,822
Restricted cash	19	1,581	31,643	12,800
Cash and bank	20	64,669	78,758	304,874
Available-for-sale unlisted equity securities	21	—	500	500
		802,559	1,380,925	2,324,475
Non-current assets classified as held for sale	22	—	—	495,580
		802,559	1,380,925	2,820,055
Current liabilities				
Trade and other payables	23	698,119	1,127,745	1,730,269
Bank loans	24	32,000	38,500	167,000
Current tax liabilities	14(a)	1,783	19,256	28,917
Deferred income	25	—	—	566,286
		731,902	1,185,501	2,492,472
Liabilities directly associated with non-current assets classified as held for sale	22	—	—	130,528
		731,902	1,185,501	2,623,000
Net current assets		70,657	195,424	197,055
Total assets less current liabilities		1,056,664	2,176,790	2,465,018
Non-current liabilities				
Bank loans	24	105,000	232,436	172,693
Long term payable	26	495	5,216	5,378
Deferred income	25	—	—	10,885
Deferred tax liabilities	14(b)	208,866	403,772	477,259
		314,361	641,424	666,215
Net assets		742,303	1,535,366	1,798,803
Equity				
Share capital	27	125,300	212,600	—
Reserves	28	597,412	1,252,508	1,750,894
Total equity attributable to shareholders of the Company		722,712	1,465,108	1,750,894
Non-controlling interests		19,591	70,258	47,909
Total equity		742,303	1,535,366	1,798,803

The accompanying notes form part of the Financial Information.

4 Consolidated statements of changes in equity

	Section C Note	Share capital	PRC statutory reserve	Other reserve	Equity settled share based payment reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
		Attributable to shareholders of the Company								
		Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
At 1 January 2008		100,500	—	—	—	879	346,600	447,979	—	447,979
Profit for the year		—	—	—	—	—	253,421	253,421	1,423	254,844
Other comprehensive income		—	—	—		(320)	—	(320)	—	(320)
Total comprehensive income		—	—	—	—	(320)	253,421	253,101	1,423	254,524
Contribution from a non-controlling equity holder	28(e)(i)	—	—	(3,168)	—	—	—	(3,168)	18,168	15,000
Capital injections	27(i)	24,800	—	—	—	—	—	24,800	—	24,800
At 31 December 2008		125,300	—	(3,168)	—	559	600,021	722,712	19,591	742,303
At 1 January 2009		125,300	—	(3,168)	—	559	600,021	722,712	19,591	742,303
Profit for the year		—	—	—	—	—	655,074	655,074	167	655,241
Other comprehensive income		—	—	—	—	22	—	22	—	22
Total comprehensive income		—	—	—	—	22	655,074	655,096	167	655,263
Deemed distributions	27(ii)	(23,800)	—	—	—	—	—	(23,800)	—	(23,800)
Capital injections	27(ii)	111,100	—	—	—	—	—	111,100	—	111,100
Contribution from non-controlling shareholders	28(e)(iii)/ 28(e)(iv)	—	—	—	—	—	—	—	50,500	50,500
Transfer to PRC statutory reserve	28(a)	—	5,410	—	—	—	(5,410)	—	—	—
At 31 December 2009		212,600	5,410	(3,168)	—	581	1,249,685	1,465,108	70,258	1,535,366
At 1 January 2010		212,600	5,410	(3,168)	—	581	1,249,685	1,465,108	70,258	1,535,366
Profit for the year		—	—	—	—		635,072	635,072	(1,886)	633,186
Other comprehensive income		—	—	—	—	59	—	59	—	59
Total comprehensive income		—	—	—	—	59	635,072	635,131	(1,886)	633,245
Acquisition of equity interests from a non-controlling equity holder	28(e)(ii)/ 28(e)(iv)	—	—	4,111	—	—	—	4,111	(20,111)	(16,000)
Deemed contribution arising from disposals of subsidiaries to the Controlling Equity Owners	34(c)/ 28(e)(iii)/ 28(d)	—	—	2,738	—	—	—	2,738	(348)	2,390
Reorganisation	27(iii)/ 28(d)	(212,600)	—	(7,316)	—	—	—	(219,916)	—	(219,916)
Deemed partial disposal of equity interest in a subsidiary	28(e)(iv)	—	—	4	—	—	—	4	(4)	—
Transfer to PRC statutory reserve	28(a)	—	1,604	—	—	—	(1,604)	—	—	—
Dividend declared during the year	28(h)	—	—	—	—	—	(144,975)	(144,975)	—	(144,975)
Equity settled share-based transaction	29	—	—	—	8,693	—	—	8,693	—	8,693
At 31 December 2010		—	7,014	(3,631)	8,693	640	1,738,178	1,750,894	47,909	1,798,803

The accompanying notes form part of the Financial Information.

5 Consolidated statements of cash flow

	Section C Note	For the year ended 31 December 2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
Operating activities				
Profit before taxation		344,516	890,161	921,573
Adjustments for:				
— Depreciation	4(c)	1,078	1,260	2,689
— Amortisation	4(c)	—	—	25
— Gain on sale of property, plant and equipment	3	—	—	(216)
— Interest income	4(a)	(235)	(1,181)	(626)
— Interest expense and other borrowing costs	4(a)	2,581	4,415	—
— Investment income from available-for-sale unlisted equity securities	3	(196)	(1,317)	(249)
— Increase in fair value of investment properties	11	(370,675)	(782,365)	(626,563)
— Share of profit less losses of a jointly controlled entity	13	—	702	4,755
— Equity settled share based payment	29	—	—	8,693
		(22,931)	111,675	310,081
Increase in properties under development, completed properties held for sale, inventories and investment properties		(297,415)	(378,658)	(1,072,581)
Increase in trade and other receivables, prepayments		(61,505)	(95,793)	(120,552)
Increase in trade and other payables		289,623	365,369	790,262
Increase in government grants received	25	—	—	560,000
Cash (used in)/generated from operations		(92,228)	2,593	467,210
PRC tax paid		(8,432)	(19,307)	(110,524)
Net cash (used in)/generated from operating activities		(100,660)	(16,714)	356,686
Investing activities				
Payment for the purchase of property, plant and equipment		(1,239)	(6,547)	(2,236)
Payment for the purchase of intangible assets		—	(308)	—
Proceeds from sale of property, plant and equipment		189	10	466
Interest received		235	1,181	626
Capital contribution into a jointly controlled entity	13	—	(50,000)	—
Payment for purchase of subsidiaries, net of cash acquired	34(b)	—	(19,734)	—
Payment for the acquisition of available-for-sale unlisted equity securities		(4,000)	(34,500)	(10,000)
Proceeds received from disposal of available-for-sale unlisted equity securities		4,196	35,317	10,249
Net cash used in investing activities		(619)	(74,581)	(895)
Financing activities				
Proceeds from bank loans		100,000	230,000	151,300
Repayment of loans to related companies		—	(12,340)	—
Repayment of bank loans		(18,090)	(92,000)	(78,500)
(Increase)/decrease in restricted cash		(1,581)	(30,062)	18,843
Interest and other borrowing cost paid		(7,338)	(17,666)	(19,909)
Contribution from Controlling Equity Owners	27(i)/27(ii)	21,000	111,100	—
Net cash inflow from disposal of subsidiaries to Controlling Equity Owners	34(c)	—	—	64,465
Net (increase)/decrease in the amount due from Controlling Equity Owners		(51,966)	63,101	21,127
Net decrease/(increase) in the amount due from Zall Holding		104,901	(173,449)	(51,085)
Deemed distribution related to acquisition of subsidiaries from Zall Holding	27(ii)/27(iii)	—	(23,800)	(219,916)
Payment from/(to) non-controlling equity shareholders	28(e)(i) 28(e)(ii)/ 28(e)(iii)/ 28(e)(iv)	15,000	50,500	(16,000)
Net cash generated from/(used in) financing activities		161,926	105,384	(129,675)
Net increase in cash and cash equivalents		60,647	14,089	226,116
Cash and cash equivalents at 1 January		4,022	64,669	78,758
Cash and cash equivalents at 31 December		64,669	78,758	304,874

Note: significant non-cash transaction: Pursuant to a written board resolution dated 30 September 2010, North Hankou Group declared dividend of approximately RMB144,975,000 to its then sole equity owner, Zall Holding. Pursuant to a net-off agreement entered into between North Hankou Group and Zall Holding on 11 November 2010, such dividend payable balance was set-off against the amount due from Zall Holding.

The accompany notes form part of the Financial Information.

C Notes to the Financial Information

1 Significant accounting policies

(a) Statements of compliance

The Financial Information set out in this report has been prepared in accordance with IFRSs which collective term includes International Accounting Standards ("IAS") and related Interpretations, promulgated by the IASB. Further details of the significant accounting policies adopted are set out in the remaining part of this Section C.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised IFRSs to the Relevant Period, except for any new standards or interpretations that are not yet effective for the accounting year/period beginning 1 January 2010. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year/period beginning 1 January 2010 are set out in Note 37.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

The significant accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) Basis of preparation and presentation

The Financial Information comprises the Company and its subsidiaries and has been prepared using the principles of merger accounting as further explained in Section A.

Details of audited statutory financial statements of subsidiaries during the Relevant Period and the names of the respective auditors are set out below:

Name of company	Financial period	Statutory auditors
Zall Development Hong Kong	Years ended 31 December 2008 and 2009	CCP C.P.A. LIMITED 永新會計師事務所有限公司
Zall Development China	Year ended 31 December 2008	Hubei TQ Certified Public Accountants Co., Ltd. 湖北天勤會計師事務有限公司
	Years ended 31 December 2009 and 2010	Wuhan Hengtong Chief Accountants Office 武漢恒通會計師事務所
North Hankou Group	Year ended 31 December 2009	Wuhan Shengtang Certified Accountants Co., Ltd. 武漢盛唐會計師事務有限公司
	Year ended 31 December 2010	Wuhan Hengtong Chief Accountants Office 武漢恒通會計師事務所
North Hankou Market Investment	Years ended 31 December 2008 and 2010	Wuhan Hengtong Chief Accountants Office 武漢恒通會計師事務所
North Hankou Commercial Services	Years ended 31 December 2009 and 2010	Wuhan Hengtong Chief Accountants Office 武漢恒通會計師事務所

Name of company	Financial period	Statutory auditors
Zall Investment Group	Year ended 31 December 2008	Wuhan Panlong Certified Public Accountants Company Limited 武漢盤龍會計師事務有限責任公司
	Year ended 31 December 2009	Wuhan Shengtang Certified Accountants Co., Ltd. 武漢盛唐會計師事務有限公司
	Year ended 31 December 2010	Wuhan Hengtong Chief Accountants Office 武漢恒通會計師事務所
Zall Center Investment	Year ended 31 December 2008	Wuhan Hengtong Chief Accountants Office 武漢恒通會計師事務所
	Year ended 31 December 2010	Wuhan Lexin Certified Public Accountants Co., Ltd. 武漢樂信會計師事務所有限責任公司
Wuhan Eastern Zall Properties	Year ended 31 December 2008	Hubei Kexin Accountants Limited Company 湖北科信會計師事務有限公司
	Year ended 31 December 2009	Wuhan Mingzhi Certified Public Accountants Co., Ltd. 武漢明智會計師事務有限責任公司
	Year ended 31 December 2010	Wuhan Hengtong Chief Accountants Office 武漢恒通會計師事務所
Wuhan Xinrui Real Estate	Year ended 31 December 2008	Hubei Gongcheng Co., Ltd. For Accountant's Affairs 湖北公誠會計師事務有限責任公司
	Years ended 31 December 2009 and 2010	Wuhan Hengtong Chief Accountants Office 武漢恒通會計師事務所
Hupan Haoting Real Estate	Year ended 31 December 2008	Hubei Gongcheng Co., Ltd. For Accountant's Affairs 湖北公誠會計師事務有限責任公司
	Years ended 31 December 2009 and 2010	Wuhan Hengtong Chief Accountants Office 武漢恒通會計師事務所
Wuhan Panlong Properties	Years ended 31 December 2009 and 2010	Wuhan Hengtong Chief Accountants Office 武漢恒通會計師事務所
Wuhan Zhongbang Network	Year ended 31 December 2009	Wuhan Hengtong Chief Accountants Office 武漢恒通會計師事務所
North Hankou Market Management	Year ended 31 December 2010	Wuhan Hengtong Chief Accountants Office 武漢恒通會計師事務所
North Hankou Logistics	Year ended 31 December 2010	Wuhan Hengtong Chief Accountants Office 武漢恒通會計師事務所
North Hankou Advertising	Year ended 31 December 2010	Wuhan Hengtong Chief Accountants Office 武漢恒通會計師事務所
North Hankou Construction	Year ended 31 December 2010	Wuhan Hengtong Chief Accountants Office 武漢恒通會計師事務所
Zall City Investment and Development	Year ended 31 December 2010	Wuhan Hengtong Chief Accountants Office 武漢恒通會計師事務所
Zall Property Management	Year ended 31 December 2010	Wuhan Hengtong Chief Accountants Office 武漢恒通會計師事務所
Zhuohua Real Estate	Year ended 31 December 2010	Wuhan Hengtong Chief Accountants Office 武漢恒通會計師事務所

(c) Basis of measurement

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity ("functional currency"). The Financial Information is presented in Renminbi ("Rmb"), rounded to the nearest thousand. Rmb is the functional currency and the reporting currency for the Group's subsidiaries established in the PRC.

The Financial Information has been presented on the historical cost basis except that available-for-sale unlisted equity securities (Note 1(g)) and investment properties (Note 1(k)) are measured at fair value. The methods used to estimate fair value are set out in Note 35.

(d) *Use of estimates and judgments*

The preparation of the Financial Information in conformity with IFRSs requires management to make judgments, 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 judgments 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.

Judgments made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in Note 35.

(e) *Subsidiaries and non-controlling interests*

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

The financial statements of subsidiaries are included in the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

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

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

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

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

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

(f) Jointly controlled entities

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

An investment in a jointly controlled entity is accounted for under the equity method. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 1(l)). The Group's share of the post-acquisition, post-tax results of the investees and any impairment loss for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the jointly controlled entity.

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

In the company's statements of financial position, investments in jointly controlled entities are stated at cost less impairment losses (see Note 1(l)).

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

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

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

(h) Property, plant and equipment and construction in progress

Items of property, plant and equipment are stated in the consolidated statements of financial position at cost less accumulated depreciation and impairment losses (see Note 1(l)). Construction in progress is stated in the statements of financial position at cost less impairment losses (see Note 1(l)).

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

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

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

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

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

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

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

(i) Leased assets

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

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

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

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

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

(j) Intangible assets

Intangible assets that are acquired by the Group, which have finite useful lives are stated in the statements of financial position at cost less accumulated amortisation and impairment losses (see Note 1(l)). Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives.

Both the period and method of amortisation are reviewed annually.

(k) Investment properties

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

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

(l) Impairment of assets

(i) Impairment of trade and other receivables

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

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

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

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

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

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

(ii) Impairment of other assets

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

- Property, plant and equipment;
- Intangible assets;
- Investments in subsidiaries;
- Investments in a jointly controlled entity;
- Unlisted available-for-sale security investment.

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

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

— Reversals of impairment losses

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

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

(m) Property development

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

— Property under development for sale

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

— Completed property held for sale

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

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

(n) Inventories

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

(o) Trade and other receivables

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

(p) Interest-bearing borrowings

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

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 1(u), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Cash and cash equivalents

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

(s) Employee benefits

(i) Salaries, wages, annual bonuses and staff welfare are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Obligation for contributions to defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred, except to the extent that they are included in properties for sale not yet recognised as an expense.

(iii) The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

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

(t) Income tax

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

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

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

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

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each end of the reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

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

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Financial guarantees, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 1(u)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

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

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

(v) Revenue recognition

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

(i) Sale of properties

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

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

(ii) Rental income from operating lease

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

(iii) Service fee income

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

(iv) Interest income

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

(v) Government grants

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

(w) Translation of foreign currencies

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

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

The results of operations in other jurisdictions are translated into Renminbi at the exchange rates approximating the relevant exchange rates ruling at the dates of the transactions. Statements of financial position items are translated into Renminbi at the relevant exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

(x) Borrowing costs

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

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

(y) Non-current assets held for sale

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

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

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

(z) Related parties

For the purposes of this Financial Information, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

2 Turnover

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

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

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

	For the year ended 31 December		
	2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
Sales of properties	82,268	475,778	750,762
Property management services	758	772	681
Rental income	2	57	4,133
Advertising income	—	—	12,301
Other ancillary services income	—	—	1,860
	83,028	476,607	769,737

3 Other revenue

	For the year ended 31 December		
	2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
Government grant	—	—	8,000
Investment income from available-for-sale unlisted equity securities	196	1,317	249
Gain on sale of property, plant and equipment	—	—	216
Others	—	44	—
	196	1,361	8,465

Government grant recognised to other revenue mainly represents the subsidy income received from a local government for certain project promotion activities in 2010.

4 Profit before taxation

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

(a) Net finance costs

	Note	For the year ended 31 December		
		2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
Interest on bank loans	24	7,338	16,912	14,877
Interest on loans from related parties		—	309	—
Other borrowing costs		—	1,436	2,970
Less: amount capitalised into properties under development and investment properties (note)		(4,757)	(14,242)	(17,847)
		2,581	4,415	—
Bank charge and others		1,200	1,173	925
Interest income		(235)	(1,181)	(626)
		3,546	4,407	299

Note: The borrowing costs have been capitalised at rates ranging from 5.95% to 7.94% in 2008; 5.67% to 7.94% in 2009 and 5.60% to 7.02% in 2010.

(b) Staff costs

	For the year ended 31 December		
	2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
Salaries, wages and other benefits	6,126	10,505	18,413
Retirement schemes contributions	217	649	1,037
Equity-settled share-based payment expenses (Note 29)	—	—	8,693
	6,343	11,154	28,143

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement schemes (the "Schemes") which are administered and operated by the relevant local government authorities. The Group is required to make contributions to the Schemes at rates ranging from 12% to 20% of the average salary announced annually by the local municipal government. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group has no other material obligation for the payment of pension benefits associated with these schemes beyond the annual contributions described above.

(c) Other items

		For the year ended 31 December		
	Note	2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
Depreciation	10	1,078	1,260	2,689
Amortisation		—	—	25
Auditor's remuneration		—	116	354
Cost of properties sold		55,900	307,331	404,530

5 Income tax in the consolidated income statements

(a) Income tax in the consolidated income statements represents:

		For the year ended 31 December		
	Note	2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
Current tax				
PRC corporate income tax for the year		270	24,860	57,056
PRC Land Appreciation Tax for the year	5(b)	2,620	15,154	27,316
		2,890	40,014	84,372
Deferred taxation				
Origination and reversal of temporary differences		86,782	194,906	204,015
		89,672	234,920	288,387

(b) Reconciliation between income tax expense and profit before taxation at applicable tax rates:

	Note	For the year ended 31 December 2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
Profit before taxation		344,516	890,161	921,573
Income tax computed by applying the tax rate of 25% to profit before taxation	(i)	86,129	222,540	230,393
Tax effect of non-PRC entities not subject to income tax	(ii)	2	124	2,503
Tax effect of non-deductible expenses		562	384	1,572
Effect on deductible timing different not recognised		—	—	4,293
Effect on unused tax losses not recognised		1,014	507	3,121
Land Appreciation Tax in relation to completed properties sold	(iii)/5(a)	2,620	15,154	27,316
Land Appreciation Tax in relation to investment properties classified as held for sale		—	—	34,691
Tax effect on Land Appreciation Tax	(iii)	(655)	(3,789)	(15,502)
Income tax expense		89,672	234,920	288,387

(i) Effective from 1 January 2008, the PRC's statutory income tax rate is 25%.

(ii) 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 during the Relevant Period.

(iii) PRC Land Appreciation Tax ("LAT")

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

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

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

6 Directors' remuneration

Details of Directors' remuneration of the Company are as follows:

	For the year ended 31 December 2008					
	Directors' fees	Salaries, allowances and benefits in kinds	Retirement scheme contributions	Sub-total	Equity settled share - based payment (note)	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Chairman						
Mr. Yan Zhi	—	—	—	—	—	—
Executive directors						
Cui Jingfeng	—	23	3	26	—	26
Fang Li	—	76	3	79	—	79
Non-Executive directors						
Fu Gaochao	—	—	—	—	—	—
	—	99	6	105	—	105

	For the year ended 31 December 2009					
	Directors' fees	Salaries, allowances and benefits in kinds	Retirement scheme contributions	Sub-total	Equity settled share - based payment (note)	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Chairman						
Mr. Yan Zhi	—	—	—	—	—	—
Executive directors						
Cui Jingfeng	—	86	3	89	—	89
Fang Li	—	76	3	79	—	79
Non-Executive directors						
Fu Gaochao	—	—	—	—	—	—
	—	162	6	168	—	168

	For the year ended 31 December 2010					
	Directors' fees	Salaries, allowances and benefits in kinds	Retirement scheme contributions	Sub-total	Equity settled share - based payment (note)	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Chairman						
Mr. Yan Zhi	—	360	4	364	4,346	4,710
Executive directors						
Wang Danli	—	210	2	212	391	603
Cui Jingfeng	—	75	4	79	435	514
Fang Li	—	60	3	63	348	411
Non-Executive directors						
Fu Gaochao	—	81	4	85	435	520
	—	786	17	803	5,955	6,758

Note:

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

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in Note 29.

No directors of the Company waived or agreed to waive any remuneration during the Relevant Period. No remuneration was paid to independent non-executive directors during the Relevant Period as the independent non-executive directors have not been appointed during the Relevant Period.

During the Relevant Period, there were no amounts paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as a compensation for loss of office.

7 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two, two and three, for each of the years ended 31 December 2008, 2009 and 2010, respectively, are directors whose emoluments are disclosed in Note 6. The aggregate of the emoluments in respect of the other individuals are as follows:

	For the year ended 31 December		
	2008 Rmb'000	**2009 Rmb'000**	**2010 Rmb'000**
Salaries and other emoluments	190	226	333
Retirement scheme contributions	6	6	4
Equity settled share-based payment	—	—	470
	196	232	807

The emoluments of these remaining individuals with the highest emoluments are within the following bands:

	Years ended 31 December		
	2008	**2009**	**2010**
	Number of individuals	**Number of individuals**	**Number of individuals**
HKD Nil to 1,000,000	3	3	2

None of these employees received any inducements or compensation for loss of office, or waived any emoluments during the Relevant Period.

8 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the Relevant Period is based on the profit attributable to shareholders of the Company for each of the years ended 31 December 2008, 2009 and 2010, and a total number of 2,975,000,000 shares of the Company which are expected to be in issue immediately prior to the proposed global offering of the Company as if the shares were outstanding throughout the entire Relevant Period.

(b) Diluted earnings per share

Diluted earnings per share information is not presented as it is not considered meaningful.

9 Segments reporting

Operating segments, and the amounts of each segment item reported in the 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. The Group does not operate in any other geographical or business segment during the Relevant Period.

10 Property, plant and equipment

	Note	Buildings	Motor vehicles	Furniture, office equipment and others	Total
		Rmb'000	Rmb'000	Rmb'000	Rmb'000
Cost:					
At 1 January 2008		9,081	2,851	372	12,304
Additions through acquisition of subsidiaries	34(a)	—	435	644	1,079
Other additions		—	869	370	1,239
Disposals		—	(213)	—	(213)
At 31 December 2008		9,081	3,942	1,386	14,409
At 1 January 2009		9,081	3,942	1,386	14,409
Additions through acquisition of subsidiaries	34(b)	—	1,124	52	1,176
Other additions		—	5,355	1,192	6,547
Disposals		—	(71)	(2)	(73)
At 31 December 2009		9,081	10,350	2,628	22,059
At 1 January 2010		9,081	10,350	2,628	22,059
Other additions		—	1,373	957	2,330
Disposals of subsidiaries	34(c)	—	—	(241)	(241)
Disposals		(329)	—	—	(329)
At 31 December 2010		8,752	11,723	3,344	23,819
Accumulated depreciation:					
At 1 January 2008		375	338	135	848
Charge for the year		420	576	82	1,078
Written back on disposals		—	(24)	—	(24)
At 31 December 2008		795	890	217	1,902
At 1 January 2009		795	890	217	1,902
Charge for the year		425	648	187	1,260
Written back on disposals		—	(63)	—	(63)
At 31 December 2009		1,220	1,475	404	3,099
At 1 January 2010		1,220	1,475	404	3,099
Charge for the year		424	1,776	489	2,689
Disposals of subsidiaries	34(c)	—	—	(60)	(60)
Written back on disposals		(79)	—	—	(79)
At 31 December 2010		1,565	3,251	833	5,649
Net book value:					
At 31 December 2008		8,286	3,052	1,169	12,507
At 31 December 2009		7,861	8,875	2,224	18,960
At 31 December 2010		7,187	8,472	2,511	18,170

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

As at 31 December 2008, 2009 and 2010, certain building of the Group with carrying value of Rmb 2,874,000, Rmb 2,723,000 and Rmb 2,571,000 respectively, was without building ownership certificate. As at 31 December 2010, the Group was in progress of obtaining the relevant building ownership certificate.

11 Investment properties

	Note	Investment properties	Investment properties under development	Total
		Rmb'000	Rmb'000	Rmb'000
At 1 January 2008		15,300	520,100	535,400
Additions		—	67,425	67,425
Fair value adjustment		600	370,075	370,675
At 31 December 2008		15,900	957,600	973,500
Representing:				
Cost		6,055	95,173	101,228
Valuation		9,845	862,427	872,272
At 1 January 2009		15,900	957,600	973,500
Additions		—	156,935	156,935
Fair value adjustment		—	782,365	782,365
Transfer to investment properties		498,100	(498,100)	—
At 31 December 2009		514,000	1,398,800	1,912,800
Representing:				
Cost		147,946	110,217	258,163
Valuation		366,054	1,288,583	1,654,637
At 1 January 2010		514,000	1,398,800	1,912,800
Additions		—	161,467	161,467
Fair value adjustment		45,582	580,981	626,563
Transfer to investment properties		569,248	(569,248)	—
Transfer to non-current assets held for sale	22	(116,380)	(379,200)	(495,580)
At 31 December 2010		1,012,450	1,192,800	2,205,250
Representing:				
Cost		220,398	121,692	342,090
Valuation		792,052	1,071,108	1,863,160
Book value				
At 31 December 2008		15,900	957,600	973,500
At 31 December 2009		514,000	1,398,800	1,912,800
At 31 December 2010		1,012,450	1,192,800	2,205,250

The Group's investment properties were revalued as at 31 December 2008, 2009 and 2010 by an independent firm of surveyors, Savills Valuation and Professional Services Limited ("Savills"). The valuations were carried out by Savills on a market value basis in their existing states by reference to comparable market transactions and where appropriate on the basis of capitalisation of the net rental income allowing for reversionary income potential.

Certain bank loans granted to the Group were jointly secured by certain investment properties and investment properties under development with an aggregate net book value of Rmb Nil, Rmb 554,053,000 and Rmb 691,831,000 as at 31 December 2008, 2009 and 2010 respectively, and certain property under development and completed properties held for sale held by the Group (Notes 15, 16 and 24).

12 Intangible assets

The intangible assets held by the Group represented software purchased by Wuhan Zhongbang Network during the Relevant Period. Wuhan Zhongbang Network was disposed of to the Controlling Equity Owners in 2010.

13 Interest in a jointly controlled entity

	At 31 December 2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
Share of net assets	—	49,298	44,543
Representing:			
Share of net assets as at 1 January	—	—	49,298
Share of net identifiable assets at the acquisition date (note)	—	50,000	—
Share of profit less losses	—	(702)	(4,755)
Share of net assets as at 31 December	—	49,298	44,543

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

Name of company	Date and place of establishment	Paid-in/ registered capital	Effective interest held by the Group as at 31 December			Principal activity
		Rmb	2008	2009	2010	
Wuhan Big World Investment Development Co., Ltd. ("Wuhan Big World Investment") 武漢大世界投資發展有限公司* (note)	12 May 2008 PRC	100,000,000	—	50%	50%	Property development

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

Note: During the year ended 31 December 2009, the Group acquired 50% equity interests in Wuhan Big World Investment from an independent third party, and Wuhan Big World Investment became a jointly controlled entity of the Group thereafter.

Summary financial information on the jointly controlled entity for the Relevant Period:

	Assets	Liabilities	Equity	Revenue	Loss for the year
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
2009					
100 per cent	108,617	10,022	98,595	—	(1,405)
Group's effective interest	54,309	5,011	49,298	—	(702)

	Assets	Liabilities	Equity	Revenue	Loss for the period
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
2010					
100 per cent	96,578	7,493	89,085	—	(9,510)
Group's effective interest	48,289	3,746	44,543	—	(4,755)

14 Income tax in the consolidated statements of financial position

(a) Current tax assets/(liabilities) in the consolidated statements of financial position represents:

	At 31 December		
	2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
Prepaid PRC corporate income tax	6,673	3,715	—
Prepaid PRC Land Appreciation Tax	277	—	39,529
Current tax assets recognised on the statements of financial position	6,950	3,715	39,529
PRC corporate income tax	(2)	(16,132)	(27,615)
PRC Land Appreciation Tax	(1,781)	(3,124)	(1,302)
Current tax liabilities recognised on the statements of financial position	(1,783)	(19,256)	(28,917)

(b) Deferred tax assets/(liabilities) recognised

The components of deferred tax assets/(liabilities) recognised on the consolidated statements of financial position and the movements during the Relevant Period are as follows:

	Note	Provision for PRC Land Appreciation Tax Rmb'000	Fair value adjustments for investment properties Rmb'000	Tax losses Rmb'000	Temporary difference on promotion expense Rmb'000	Others Rmb'000	Total Rmb'000
Deferred tax arising from:							
At 1 January 2008		71	(125,399)	213	3,030	1	(122,084)
Credited to the consolidated income statements	5(a)	374	(92,669)	2,074	3,429	10	(86,782)
At 31 December 2008		445	(218,068)	2,287	6,459	11	(208,866)
At 1 January 2009		445	(218,068)	2,287	6,459	11	(208,866)
Credited to the consolidated income statements	5(a)	336	(195,591)	(2,287)	2,566	70	(194,906)
At 31 December 2009		781	(413,659)	—	9,025	81	(403,772)
At 1 January 2010		781	(413,659)	—	9,025	81	(403,772)
Credited to the consolidated income statements	5(a)	(36,334)	(156,641)	—	(9,025)	(2,015)	(204,015)
Transfer to liabilities associated with non-current assets classified as held for sale	22	26,018	104,510	—	—	—	130,528
At 31 December 2010		(9,535)	(465,790)	—	—	(1,934)	(477,259)

	At 31 December		
	2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
Net deferred tax liabilities recognised on the statements of financial position	208,866	403,772	477,259

(c) *Deferred tax assets not recognised*

In accordance with the accounting policy set out in Note 1(t), the Group has not recognised deferred tax assets in respect of unused tax losses of Rmb 4,980,000, Rmb 7,007,000 and Rmb 19,490,000 as at 31 December 2008, 2009 and 2010 respectively. The directors consider it is not probable that future taxable profits against which the losses can be utilised will be available from these subsidiaries.

The unrecognised tax losses will expire in the following years:

	At 31 December		
	2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
2010	402	—	—
2011	154	—	—
2012	362	—	—
2013	4,062	1,586	1,586
2014	—	5,421	5,406
2015	—	—	12,498

(d) *Deferred tax liabilities not recognised*

The PRC Corporate Income Tax Law and its implementation rules impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividends distributed by PRC-resident enterprises to their non-PRC-resident corporate investors for profits earned since 1 January 2008. Under the Sino-Hong Kong Double Tax 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.

No deferred tax liability in respect of undistributed profits of the PRC subsidiaries is provided for the years ended 31 December 2008, 2009 and 2010 as the Group has no plan at the respective balance sheet dates to distribute such profits in the foreseeable future.

As at 31 December 2008, 2009 and 2010, the aggregate amounts of PRC undistributed profits of the Group's PRC subsidiaries in respect of which the Group has not provided for dividend withholding tax were approximately Rmb Nil, Rmb 8,707,000 and Rmb 53,299,000, respectively.

15 Properties under development

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

	At 31 December		
	2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
Expected to be recovered within one year			
Properties under development for sale	269,367	315,672	515,381
Expected to be recovered after more than one year			
Properties held for future development for sale	72,108	183,507	889,905
Properties under development for sale	75,111	59,569	152,344
	147,219	243,076	1,042,249
	416,586	558,748	1,557,630

As at 31 December 2008, 2009, and 2010, certain properties under development of the Group, which amounted to Rmb 14,958,000, Rmb 14,958,000 and Rmb 36,311,000 respectively, were designated only for the Group's own use according to the relevant land use right agreement. They were not freely transferable and were not able to let out for rental income purpose. The Group is in progress of negotiating with the relevant land bureau for changing the designated use of the properties as at 31 December 2010.

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

	At 31 December		
	2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
In the PRC, with lease term of 50 years or more	118,588	214,658	1,027,128

As at 31 December 2009, leasehold land with carrying value of Rmb 25,480,000 was included in properties under development, of which its land use right certificates was obtained in January 2010.

As at 31 December 2010, leasehold land with carrying value of Rmb 710,000,000 was included in properties under development, of which its land use right certificate was obtained in January 2011.

Properties under development with an aggregate carrying value of Rmb 43,749,000, Rmb 134,692,000 and Rmb 108,953,000 as at 31 December 2008, 2009 and 2010, respectively, was pledged for certain bank loans granted to the Group (Note 24).

16 Completed properties held for sale

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

Completed properties held for sale with an aggregate carrying value of Rmb 44,019,000 as at 31 December 2009 and were pledged for certain bank loan granted to the Group (Note 24).

17 Inventories

Inventories are low-value consumables stated at cost.

18 Trade and other receivables, prepayments

	At 31 December		
	2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
Amounts due from third parties			
— Trade receivables	158	22,963	72,337
— Prepaid business tax and other tax	665	14,573	57,404
— Deposits, prepayments and other receivables	86,786	189,321	132,015
Amounts due from related parties			
— Amounts due from the Controlling Equity Owners	97,016	30,957	932
— Amounts due from other Directors	356	356	22,109
— Amounts due from Zall Holding	29,073	195,498	5,025
	214,054	453,668	289,822

Notes:

During the Relevant Period, the maximum amount outstanding due from directors is Rmb 91,667,000, Rmb 115,121,000 and Rmb 93,810,000 for the years ended 31 December 2008, 2009 and 2010, respectively. There were outstanding balances of Rmb 91,372,000, Rmb 31,313,000 and Rmb 22,481,000 due from directors as at 31 December 2008, 2009 and 2010, respectively.

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

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

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

Amounts due from related parties are unsecured, interest free and have no fixed terms of repayment. The directors confirmed that the amounts would be settled prior to listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The details on the Group's credit policy are set out in Note 30(a).

19 Restricted cash

Restricted cash with an aggregate carrying value of Rmb 1,581,000, Rmb 31,643,000, and Rmb 12,800,000 as at 31 December 2008, 2009, and 2010 were pledged for certain bank loans granted to the Group (Note 24). Pursuant to the relevant loan agreements, the relevant restricted cash will be released within one year from the relevant end of the reporting period.

20 Cash and bank

	At 31 December		
	2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
Cash at bank and in hand	64,669	78,758	304,874

As at 31 December 2008, 2009 and 2010, the cash and bank balances of PRC subsidiaries comprising the Group is not freely convertible into other currencies and subject to Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Included in cash at bank and in hand are the following amounts denominated in a currency other than the functional currency of the companies' comprising the Group:

	At 31 December		
	2008	2009	2010
In original currency ('000)			
Hong Kong Dollars ("HKD")	50	51	1,248

21 Available-for-sale unlisted equity securities

It represents available-for-sale unlisted equity securities investment as at 31 December 2009 and 31 December 2010.

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

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

Non-current assets classified as held for sale

	Note	At 31 December 2010 Rmb'000
Investment properties	11	495,580

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

	Note	At 31 December 2010 Rmb'000
Deferred tax liabilities	14(b)	130,528

Non-current assets classified as held for sale with an aggregate carrying value of Rmb 378,493,000 as at 31 December 2010 were pledged for certain bank loans granted to the Group (Note 24).

23 Trade and other payables

	At 31 December		
	2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
Amounts due to third parties			
— Trade payables *(note ii)*	195,429	317,905	277,001
— Receipt in advance	325,052	613,986	1,344,103
— Other payables and accruals	58,258	86,459	105,251
	578,739	1,018,350	1,726,355
Amounts due to related parties *(note i)*			
— Amounts due to the Controlling Equity Owners	15,772	12,812	3,914
— Amounts due to Zall Holding	103,608	96,583	—
	119,380	109,395	3,914
	698,119	1,127,745	1,730,269

Notes:

i Amounts due to related parties are unsecured, interest free and have no fixed terms of repayment. The directors confirmed that amounts would be settled prior to listing of the Company's shares on the Stock Exchange.

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

	At 31 December		
	2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
Due within 1 month or on demand	173,652	201,221	179,914
Due after 1 month but within 3 months	8,044	20,781	1,517
Due after 3 months	13,733	95,903	95,570
	195,429	317,905	277,001

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

Included in trade payables were retention payables which were expected to be settled after more than one year amounted to Rmb 13,262,000, Rmb 19,270,000 and Rmb 21,308,000 at 31 December 2008, 2009 and 2010 respectively.

24 Bank loans

As at the end of the reporting period, bank loans were repayable as follows:

	At 31 December		
	2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
Current			
Secured bank loans			
Current portion of non-current secured bank loans	22,000	13,500	167,000
Unsecured bank loans			
Current portion of non-current unsecured bank loans	10,000	25,000	—
	32,000	38,500	167,000
Non-current			
Secured bank loans	69,500	228,436	339,693
Less: current portion of non-current secured bank loans	(22,000)	(13,500)	(167,000)
Unsecured bank loans	67,500	42,500	—
Less: current portion of non-current unsecured bank loans	(10,000)	(25,000)	—
	105,000	232,436	172,693
	137,000	270,936	339,693

The Group's current and non-current bank loans were repayable as follows:

	At 31 December		
	2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
Within 1 year or on demand	32,000	38,500	167,000
After 1 year but within 2 years	70,000	157,000	172,693
After 2 years but within 5 years	35,000	75,436	—
	137,000	270,936	339,693

As at 31 December 2008, 2009 and 2010, bank loans are all amounts denominated in functional currency of respective subsidiaries now comprising the Group.

Secured bank loans with the value of Rmb 69,500,000, Rmb 228,436,000 and Rmb 339,693,000 as at 31 December 2008, 2009 and 2010 respectively, were secured by the Group's assets with an aggregate net book value of Rmb 45,330,000, Rmb 764,407,000 and Rmb 1,192,077 respectively.

Secured bank loans with the value of Rmb 35,000,000 and Rmb 31,500,000 as at 31 December 2009 and 2010 respectively, were guaranteed by Ms. Chen Lifen, one of the Controlling Equity Owners. According to a written confirmation issued by China Construction Bank Wuhan Huang Pi Branch 中國建設銀行股份有限公司武漢黃陂支行, this guarantee will be released upon listing.

The bank loans bear interest ranging from 5.95% to 7.94%, 5.67% to 7.94% and 5.60% to 7.02% per annum for the year ended 31 December 2008, 2009 and 2010 respectively, and are secured by the following assets:

	At 31 December		
	2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
Restricted cash	1,581	31,643	12,800
Investment properties	—	243,479	286,979
Investment properties under development	—	310,574	404,852
Leasehold land held for development for sale	43,749	89,398	49,630
Properties under development for sale	—	45,294	59,323
Non-current assets classified as held for sale	—	—	378,493
Completed properties held for sale	—	44,019	—
Total	45,330	764,407	1,192,077

25 Deferred income

	At 31 December		
	2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
At 1 January	—	—	—
Increase during the year			
Government grants received (note (i))	—	—	560,000
Deferred revenue in relation to certain sale and leaseback arrangements (ii)	—	—	23,423
Amortisation during the year	—	—	(6,252)
At 31 December	—	—	577,171
Less: amount included under "current liabilities"	—	—	(566,286)
Amount included under "non-current liabilities"	—	—	10,885

Notes:

(i) During the year ended 31 December 2010, the Group received an advance of Rmb 560,000,000 from a local government office, namely 武漢市東西湖區人民政府將軍路街道辦事處. Pursuant to a written notice issued by 武漢市東西湖區人民政府將軍路街道辦事處財政所 dated 2 April 2011, such grant is for subsidising the infrastructure construction of a project undertaken by one of the Group's subsidiaries, namely Zall City Investment and Development.

(ii) In conjunction with certain sale contracts entered into by the Group for sale of properties, the Group subsequently leased back certain sold properties from the respective buyers under operating leases for a term of 5 years at an agreed rental rate. Under the terms of those lease agreements (collectively referred as the "Leaseback Agreements") entered into between the Group (as lessee) and the respective buyers (as lessors), the agreed rental rate was above the then prevailing market rents for similar properties. The directors have confirmed that the leased properties under such Leaseback Agreements are for sublease purpose and the Group has subleased certain of such properties to external tenants at the then prevailing market rents during the year ended 31 December 2010. Upon recognition of the sale of such properties, a portion of the sale proceeds, which represents the present value of the difference between the agreed rents under the Leaseback Agreements and the then prevailing market rents as determined at the inception of the Leaseback Agreements, is deferred and amortised over the respective lease terms of the Leaseback Agreements as a subsidy for subsequent rental expenses. For the year ended 31 December 2010, the deferred revenue arising from such sale and leaseback arrangements amounted to Rmb 23,423,000, and the amount credited to "rental expense" in 2010 was Rmb 6,252,000. For the balance of deferred revenue as at 31 December 2010, Rmb 6,286,000 of which is expected to be settled within one year and the remaining Rmb 10,885,000 is expected to be settled in 2012 through 2015. The revenue recognised from sales of such properties amounted to Rmb Nil, Rmb Nil and Rmb 104,708,000 (net of business tax of Rmb 6,325,000) for each of the years ended 31 December 2008, 2009 and 2010, respectively.

26 Long term payable

The Group's long term payable represents the rental deposit received from the tenants which will be settled more than one year.

27 Share capital

(i) For the purposes of this report, the capital as at 1 January 2008 represented an aggregate amount of the Group's share of the nominal value of the paid-in capital of the companies comprising the Group as at that date. The capital as at 31 December 2008, and 2009 represented the Group's share of nominal value of the paid-in capital of the companies comprising the Group.

With the completion of the Reorganisation on 13 October 2010, the share capital as at 31 December 2010 represents the issued share capital of the Company comprising 100 shares of HKD 1 each.

During the year ended 31 December 2008, Zall Holding acquired the entire equity interest in Zall Center Investment at a cash consideration of Rmb 3,800,000. For the purpose of this report, it is regarded as a capital injection from the Controlling Equity Owners.

During the year ended 31 December 2008, Zall Holding increased its investment in Zall Investment Group, a wholly owned subsidiary, by capital injection of Rmb 16,000,000 which increased its paid-in capital from Rmb 84,000,000 to Rmb 100,000,000. For the purpose of this report, it is regarded as a capital injection from the Controlling Equity Owners.

During the year ended 31 December 2008, Zall Holding established Wuhan Zhongbang a wholly owned subsidiary, by capital injection of Rmb 5,000,000. For the purpose of this report, it is regarded as a capital injection from the Controlling Equity Owners.

(ii) During the year ended 31 December 2009, Zall Investment Group paid a cash consideration of Rmb 3,800,000 to Zall Holding for the acquisition of the entire equity interests in Zall Center Investment. For the purpose of this report, it is regarded as a deemed distribution to the Controlling Equity Owners.

During the year ended 31 December 2009, North Hankou Group paid a cash consideration of Rmb 5,000,000 to Zall Holding for the acquisition of the entire equity interests in Wuhan Zhongbang Network. For the purpose of this report, it is regarded as a deemed distribution to the Controlling Equity Owners.

During the year ended 31 December 2009, Zall Investment Group paid a cash consideration of Rmb 15,000,000 to Zall Holding for the acquisition of the entire equity interests in Zall Biotech Construction. For the purpose of this report, it is regarded as a deemed distribution to the Controlling Equity Owners.

During the year ended 31 December 2009, Zall Holding increased its investment in Zall Property Management by capital injection of Rmb 1,500,000 which increased its paid-in capital from Rmb1,500,000 to Rmb 3,000,000. For the purpose of this report, it is regarded as a capital injection from the Controlling Equity Owners.

During the year ended 31 December 2009, Zall Holding established Zhuohua Real Estate together with an unrelated third party by injecting a paid-up capital of Rmb 50,000,000 and held 50% equity interests of this entity. For the purpose of this report, it is regarded as a capital injection from the Controlling Equity Owners.

During the year ended 31 December 2009, Zall Holding established a wholly owned subsidiary North Hankou Group, by capital injection of Rmb59,600,000. For the purpose of this report, it is regarded as a capital injection from the Controlling Equity Owners.

(iii) During the year ended 31 December 2010, Zall Investment Group paid a cash consideration of Rmb3,000,000 to Zall Holding for the acquisition of the entire equity interests in Zall Property Management. For the purpose of this report, it is regarded as a deemed distribution to the Controlling Equity Owners.

During the year ended 31 December 2010, Zall Investment Group disposed of Zall Jiye Investment Construction and Zall Biotech Construction to Zall Holdings at cash considerations of Rmb 50,000,000 and Rmb 15,000,000 respectively. North Hankou Group disposed of Wuhan Zhongbang Network to Zall Holding at a cash consideration of Rmb 4,500,000. The considerations received less the net assets of the subsidiaries disposed of were recognised as deemed distributions to the Controlling Equity Owners in the consolidated statements of changes in equity.

During the year ended 31 December 2010, Zall Development China paid a cash consideration of Rmb 74,500,000 to Zall Holdings for the acquisition of the entire equity interests in North Hankou Group. For the purpose of this report, it is regarded as a deemed distribution to the Controlling Equity Owners.

During the year ended 31 December 2010, Zall Development China paid a cash consideration of Rmb 92,416,000 to Zall Holdings for the acquisition of the entire equity interests in Zall Investment Group. For the purpose of this report, it is regarded as a deemed distribution to the Controlling Equity Owners.

During the year ended 31 December 2010, Zall Investment Group paid a cash consideration of Rmb 50,000,000 to Zall Holdings for the acquisition of the entire equity interests in Zhuohua Real Estate. For the purpose of this report, it is regarded as a deemed distribution to the Controlling Equity Owners.

28 Reserves and non-controlling interests

(a) PRC statutory reserve

Pursuant to the Articles of Association of the PRC subsidiaries now comprising the Group, appropriations to the general reserve fund were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the respective subsidiaries. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

(b) Exchange reserve

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

(c) Equity-settled share-based payment reserve

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

(d) Other reserve

Other reserve is resulted from transactions with owners in their capacity as the equity owners. The balance comprises capital reserve surplus / deficit arising from the difference between the disposal / acquisition consideration and its net assets value at the respective date of disposal/acquisition.

As part of the Reorganisation, Zall Holding transferred its equity interests in Wuhan Zall Property Management, Zhuohua Real Estate, North Hankou Group and Zall Investment Group to the Group during the year ended 31 December 2010. For the purpose of this report, a capital contribution of Rmb 7,316,000 was resulted from these transfers.

As part of the Reorganisation, North Hankou Group and Zall Investment Group transferred their equity interests in Wuhan Zhongbang Network, Zall Biotech Construction and Zall Jiye Investment to Zall Holding during the year ended 31 December 2010. For the purpose of this report, a deemed contribution of Rmb 2,738,000 was resulted from these transfers.

(e) Non-controlling interests

(i) During the year ended 31 December 2008, the Group disposed of 50% equity interests in Wuhan Eastern Zall Properties to an independent third party at a cash consideration of Rmb 15,000,000.

(ii) During the year ended 31 December 2010, the Group acquired the non-controlling interests in Wuhan Eastern Zall Properties at a cash consideration of Rmb 15,000,000.

(iii) During the year ended 31 December 2009, Zall Holding disposed of its 10% equity interests in a wholly owned subsidiary, Wuhan Zhongbang Network, to an independent third-party at Rmb 500,000. During the year ended 31 December 2010, the Group disposed of its remaining 90% interests in Wuhan Zhongbang Network to Zall Holding at Rmb 4,500,000.

(iv) During the year ended 31 December 2009, Zall Holding established a 50% owned subsidiary, Zhuohua Real Estate together with an unrelated third party, which held the remaining 50% equity interests. The paid-up capital of Zhuohua Real Estate amounted to Rmb 100,000,000 and the corresponding capital contribution from the non-controlling interests equity holder was Rmb 50,000,000. During the year ended 31 December 2010, Zall Investment Group paid a cash consideration of Rmb 50,000,000 to Zall Holdings for the acquisition of 50% equity interests in Zhuohua Real Estate. Zall Investment Group then further acquired 1% equity interests in Zhuohua Real Estate from the non-controlling interests at a cash consideration of Rmb 1,000,000. Accordingly the Group's effective interests in Zhuohua Real Estate has increased to 51%.

During the year ended 31 December 2010, Zhuohua Real Estate acquired the entire equity interests in Wuhan Panlong Properties from Zall Holding. This resulted in a partial disposal of the Group's effective interests in Wuhan Panlong Properties from 100% to 51%.

(f) Capital management

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

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

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

(g) Distributable reserve

The Company was incorporated on 22 September 2010 and had not commenced operation as of 31 December 2010. Accordingly, there was no reserve available for distribution to shareholders at 31 December 2010. The accumulated losses of the Company as at 31 December 2010 was Rmb Nil.

(h) Dividend

During the year ended 31 December 2010, North Hankou Group declared dividend of approximately Rmb 144,975,000 to Zall Holding.

29 Equity settled share based payments

A subsidiary of the Company, namely Zall Development Hong Kong, adopted a share option scheme (the "2010 Share Option Scheme") on 1 June 2010, to invite certain eligible participants to take up options (the "2010 Share Options") to subscribe for shares of the to-be-listed company that will be incorporated as part of the Reorganisation of the Company at an exercise price of Rmb 227,047 per share. Pursuant to the 2010 Share Option Scheme documents, the 2010 Share Options cannot be vested until after an initial public offering occurs.

5 directors of the Company and 16 employees of the Group accepted the 2010 Share Options granted by the Company on 1 June 2010.

The terms and conditions of the 2010 Share Options that existed during the Relevant Period are as follows:

Date granted	Vesting date	Expiry date	Number of 2010 IPO Share Options granted Director	Employee	Total
1 June 2010	27 May 2011	26 May 2012	7	3	10
1 June 2010	27 May 2012	26 May 2013	10	5	15
1 June 2010	27 May 2013	26 May 2014	14	6	20
1 June 2010	27 May 2014	26 May 2015	17	8	25
1 June 2010	27 May 2015	26 May 2016	21	9	30
			69	31	100

(i) *The number and weighted average exercise prices of 2010 Share Option are as follows:*

	Year ended 31 December					
	2008		2009		2010	
	Weighted average exercise price per share Rmb	Number of options '000	Weighted average exercise price per share Rmb	Number of options '000	Weighted average exercise price per share Rmb	Number of options '000
Outstanding at the beginning of the year	—	—	—	—	—	—
Granted during the year	—	—	—	—	227,047	100
Outstanding at the end of the year	—	—	—	—	227,047	100

The 2010 Share Options outstanding at 31 December 2010 had an exercise price of Rmb 227,047 per share and a weighted average remaining expected life 5.4 years.

(ii) *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:

Fair value of the 2010 Share Options and assumptions

Fair value per share at measurement date	Rmb 567,617
Exercise price per option	Rmb 227,047
Expected volatility (expressed as weighted average volatility used in the modeling 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 2010 Share Options.

30 Financial risk management and fair value

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

(a) Credit risk

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

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

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

The Group has no concentrations of credit risk in view of its large number of customers. The Group did not record significant bad debts losses during the Relevant Period.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position. Except for the financial guarantees given by the Group as set out in Note 32, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in Note 32.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 18.

(b) Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor the Group's liquidity requirements in the short and longer terms.

Details of maturity analysis for financial liabilities are disclosed in Notes 23 and 24.

Year 2008

	Note	Carrying amount Rmb'000	Contractual cash flow Rmb'000	Within 1 year Rmb'000	More than 1 year but less than 2 years Rmb'000	More than 2 years but less than 5 years Rmb'000	More than 5 years Rmb'000
Bank loans	24	137,000	150,372	40,315	74,190	35,867	—
At 31 December 2008		137,000	150,372	40,315	74,190	35,867	—

Year 2009

	Note	Carrying amount Rmb'000	Contractual cash flow Rmb'000	Within 1 year Rmb'000	More than 1 year but less than 2 years Rmb'000	More than 2 years but less than 5 years Rmb'000	More than 5 years Rmb'000
Bank loans	24	270,936	301,645	54,179	166,578	80,888	—
At 31 December 2009		270,936	301,645	54,179	166,578	80,888	—

Year 2010

	Note	Carrying amount Rmb'000	Contractual cash flow Rmb'000	Within 1 year Rmb'000	More than 1 year but less than 2 years Rmb'000	More than 2 years but less than 5 years Rmb'000	More than 5 years Rmb'000
Bank loans	24	339,693	376,179	190,757	185,422	—	—
At 31 December 2010		339,693	376,179	190,757	185,422	—	—

(c) Interest rate risk

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

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

The interest rates and terms of repayment of bank loans of the Group are disclosed in Note 24 to the Financial Information. The Group does not carry out any hedging activities to manage its interest rate exposure.

Sensitivity analysis

At 31 December 2010, it is estimated that a general increase/decrease of 54 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss after tax (decrease/increase the Group's profit after tax) and total equity attributable to equity shareholders of the Company by approximately Rmb 321,000, Rmb 598,000 and Rmb 89,000 for the year ended 31 December 2008, 2009 and 2010 respectively, in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 54 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual end of the reporting period. The analysis is performed on the same basis for the years 2008 and 2009.

(d) Currency risk

The Group's business are located in the PRC and all sales transactions are conducted in Rmb. Most of the Group's assets and liabilities are denominated in Rmb.

(e) Fair value

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

All other significant financial assets and liabilities are carried at amounts not materially different from their fair values as at each of the year end during the Relevant Period.

31 Commitments

(a) Operating lease commitment

- Lessor

The Group leases out a number of building facilities under operating leases. The leases typically run for an initial period of 1 to 5 years, with an option to renew the leases after that date at which time all terms are renegotiated. Further details of the carrying value of the properties are contained in Note 11.

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

	At 31 December		
	2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
Within 1 year	—	4,008	4,847
After 1 year but within 5 years	—	11,365	16,827
	—	15,373	21,674

- Lessee

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

During the year ended 31 December 2009 and 2010, Rmb 796,000 and Rmb 5,457,000 respectively were recognised as an expense in the consolidated income statements in respect of leasing of building facilities.

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

	At 31 December		
	2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
Within 1 year	—	4,639	7,802
After 1 year but within 5 years	—	17,743	24,680
	—	22,382	32,482

(b) Capital commitments on development costs

As at 31 December 2008, 2009 and 2010, the Group's capital commitments in respect of investment properties and properties under development are as follows:

	At 31 December		
	2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
Contracted but not provided for			
— Investment properties	53,858	11,796	74,265
— Properties under development	157,530	15,576	183,822
— Non-current assets classified as held for sale	—	—	10,787
	211,388	27,372	268,874

32 Contingent liabilities

Guarantees

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

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

	At 31 December		
	2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	20,414	136,261	489,417

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

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

33 Material related party transactions

(i) Key management personnel remuneration:

	At 31 December		
	2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
Wages, salaries and other benefits	289	448	1,333
Contribution to defined contribution retirement schemes	12	15	34
Equity-settled share-based payment expenses (Note 29)	—	—	8,693
	301	463	10,060

The above remuneration to key management personnel is included in "staff costs" (Note 4(b)).

(ii) Non-recurring transactions

(a) Loan from related party and interest expense

	Note	At 31 December		
		2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
Loan from related parties		—	—	—
Interest expense	4(a)	—	309	—

(b) Other related party transactions

	At 31 December		
	2008 Rmb'000	2009 Rmb'000	2010 Rmb'000
Receiving construction services (note (1))	56,118	260,704	33,425
Provision of advertising service (note (2))	—	—	12,063
Provision of property management service and logistics management service (note (3))	—	—	1,860
Disposal of office building (note (4))	—	—	560

Notes:

(1) The related parties provided construction services to the Group.

(2) Zall Development China provided advertising services to the related parties.

(3) North Hankou Commercial Services and North Hankou Logistics provided property management service and logistics management service respectively, to a related party.

(4) Zall Development China disposed an office building to Ms. Chen Lifen, one of the Controlling Equity Owners.

(iii) Balances with related parties

Balance with related parties were mainly resulting from the funding arrangements between these parties. Balances at 31 December 2008, 2009 and 2010, and major terms of these balances are disclosed in Notes 18 and 23.

The directors consider that all related party transactions during the Relevant Period were conducted on normal commercial terms and in the ordinary and usual course of the Group's business. The directors confirmed that the above non-recurring transactions will not continue after listing of the Company's shares on the Stock Exchange.

(iv) Guarantee from related parties

Secured bank loans with the value of Rmb 35,000,000 and Rmb 31,500,000 as at 31 December 2009 and 2010 respectively, were guaranteed by Ms. Chen Lifen, one of the Controlling Equity Owners (see Note 24).

34 Acquisition and disposal of subsidiaries

(a) During the year ended 31 December 2008, Zall Holding acquired entire equity interests in Zall Center Investment.

	Note	Recognised values upon acquisition Rmb'000
Property, plant and equipment	10	1,079
Investment properties	11	14,959
Trade and other receivables		582
Trade and other payables		(4,830)
Short term loan		(7,990)
Net identifiable assets		3,800
Total considerations paid by Zall Holding		3,800

(b) During the year ended 31 December 2009, Zhuohua Real Estate acquired entire equity interests in Hupan Haoting Real Estate and Wuhan Xinrui Real Estate from an independent third-party individual and the effective interest held by the Group was 50%.

	Note	Recognised values upon acquisition Rmb'000
Property, plant and equipment	10	1,176
Properties under development and completed properties for sale		65,435
Trade and other receivables		43,457
Cash and cash equivalents		50,266
Trade and other payables		(90,333)
Current taxation		(1)
Net assets		70,000
Total considerations		70,000
Considerations satisfied in cash		(70,000)
Cash and cash equivalents acquired		50,266
Net cash outflow		(19,734)

In the circumstances of notes (a) and (b), the above acquired subsidiaries' major assets are properties held for development, properties under development and/or completed properties for sale. The directors consider that the purpose of acquiring those subsidiaries is solely to acquire the underlying properties.

(c) During the year ended 31 December 2010, the Group disposed of its entire equity interest in Wuhan Zhongbang Network, Zall Jiye Investment and Zall Biotech Construction to Zall Holding.

	Note	Net book value as of the disposal date
		Rmb'000
Property, plant and equipment		181
Intangible assets		283
Properties under development and completed properties for sale		50,682
Long term investment		11,001
Trade and other receivables		63,900
Cash and cash equivalents		5,035
Trade and other payables		(63,970)
Current taxation		(2)
Non-controlling interests		(348)
Net assets		66,762
Consideration received, satisfied in cash		69,500
Net gain on disposal	28(d)	2,738
Net cash inflow		64,465

The net loss of these disposed entities during the years ended 31 December 2008, 2009 and 2010 are Rmb Nil, Rmb 1,606,000 and Rmb 1,284,000 respectively, which are included in the Financial Information of the Group.

35 Accounting estimates and judgments

Estimates and judgments used in preparing the Financial Information are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Note 30 contain information about the assumptions and their risk factors relating to the fair value of financial instruments. Key sources of estimation uncertainty are as follows:

(a) Impairment

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

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

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

(b) Recognition of deferred tax assets

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

(c) Provision for PRC Land Appreciation Tax ("LAT")

As explained in Note 5(b), the Group has estimated, made and included in tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated. Significant judgment is required in determining the level of provision, as the calculation of which depends on the ultimate tax determination. Given the uncertainties of the calculation basis of LAT as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated at the end of the reporting period. Any increase or decrease in the actual outcomes/estimates will impact the income tax provision in the period in which such determination is made.

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

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

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

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

(e) Valuation of investment properties

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

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

As disclosed in Note 11, the investment properties of the Group were revalued as at 31 December 2008, 2009 and 2010 by Savills, an independent firm of surveyors. For the years ended 31 December 2008, 2009 and 2010, the Group recorded increases in fair value of investment properties of RMB 370.7 million, RMB 782.4 million and RMB 626.6 million, respectively. Taking into account the related deferred tax expenses, which amounted to RMB 92.7 million, RMB 195.6 million and RMB 182.7 million, for the years ended 31 December 2008, 2009 and 2010, respectively, the revaluation of the Group's investment properties has contributed to the Group's profit after tax by RMB 278.0 million, RMB 586.8 million and RMB 443.9 million for the years ended 31 December 2008, 2009 and 2010, respectively. The Directors considered that the fair values of the Group's investment properties at a subsequent date, which are dependent upon future market conditions and other future events that are beyond the Group's control, may differ significantly from their current estimated fair values.

(f) Fair value of non-derivative financial instruments

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

36 Parent and ultimate controlling party

At 31 December 2010, the directors consider the ultimate controlling party of the Group to be Mr. Yan Zhi. With the completion of Reorganisation on 13 October 2010, Zall Development Investment Company Limited and Mr. Yan Zhi became the immediate parent and ultimate controlling party of the Group respectively.

37 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2010

Up to the date of this report, the IASB has issued the following new standards, amendments to standards and interpretations which are not yet effective for the year ended 31 December 2010, and have not been applied in preparing this Financial Information.

Of these developments, the following relate to matter that may be relevant to the Group's operations and the Financial Information:

	Effective for accounting periods beginning on or after
Improvements to IFRSs 2010	1 January 2011
Revised IAS 24, Related party disclosures	1 January 2011
Amendments to IFRIC 14, IAS 19 — The limit on defined benefit asset, minimum funding requirements and their interaction — Prepayments of a minimum funding requirement	1 January 2011
Amendments to IFRS 7, Financial Instruments: Disclosures — Transfers of financial assets	1 July 2011
Amendments to IAS 12, Income taxes — Deferred tax: Recovery of underlying assets	1 January 2012
IFRS 9, Financial instruments (2009); Basis for conclusions on IFRS 9 (2009); Amendments to other IFRSs and guidance on IFRS 9 (2009)	1 January 2013
IFRS 9, Financial instruments (2010); Basis for conclusions on IFRS 9 (2010); Implementation guidance on IFRS 9 (2010)	1 January 2013

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

D SUBSEQUENT EVENTS

1. Capitalisation issue

Pursuant to written resolutions of the Company's shareholders passed on 20 June 2011, conditional upon the crediting of the share premium account of the Company as a result of the issue of shares pursuant to the global offering set out in the section headed "History, Reorganization and Corporate Structure", the directors had authorised to allot and issue a total of 2,974,990,000 shares, by way of capitalisation of the sum of HK$29,749,900 standing to the credit of the share premium account of the Company, credited as fully paid at par to the Shareholders as appearing on the register of members of the Company on the date of the Prospectus.

2. Dividends

Pursuant to the resolutions passed at the board of directors' meeting on 31 May 2011, dividends of HK$50,000,000 were declared by the Company to its shareholder. The dividends declared have not been recognised as a liability at 31 December 2010.

3. Pre-IPO Share Options

Pursuant to the relevant terms of the 2010 Share Option Scheme as described in Section C Note 29, the 2010 Share Options will be converted into share options of the Company with the exercise price and number of employee share options to be adjusted proportionately upon the exchange of the options.

Pursuant to the option exchange letters executed by each of the grantees in favour of the Company and Zall Development Hong Kong on 20 June 2011 (the date of modification), the 2010 Share Options were converted into share options of the Company. Accordingly, 100 share options under the 2010 Share Option Scheme were converted into 29,750,000 share options of Pre-IPO Share Option Scheme issued by the Company with same terms and conditions, except that the respective exercise prices were adjusted on a proportionate basis.

E FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated in the Cayman Islands on 22 September 2010 with an authorised share capital of HKD380,000, divided into 380,000 shares of HKD1 each. On the same date, one fully paid subscriber share with par value of HKD1 was allotted and issued to Zall Development Investment Company Limited ("Zall Investment Holding"), which is ultimately owned by the Controlling Equity Owners. On 8 October 2010, 99 additional shares with par value of HKD1 each were allotted and issued to Zall Investment Holding as part of the Reorganisation. The Company has not carried out any business during the period from 22 September 2010 (date of incorporation) to 31 December 2010.

F SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, its subsidiaries or the Group in respect of any period subsequent to 31 December 2010.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong