Zall Development (Cayman) Holding Co., Ltd.
卓爾發展(開曼)控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 2098

2011

Annual Report

Contents

Zall Development (Cayman) Holding Co., Ltd.
2011 Annual Report

Corporate Information

Directors

Executive Directors	Mr. Yan Zhi *(Chairman and Chief Executive Officer)* Mr. Cui Jinfeng Mr. Fang Li Ms. Wang Danli
Non-Executive Director	Mr. Fu Gaochao
Independent Non-Executive Directors	Ms. Yang Qiongzhen Mr. Cheung Ka Fai Mr. Peng Chi
Registered Office	Cricket Square Hutchins Drive P. O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head Office in the PRC	Zall Plaza No. 1 Enterprise Community 1 Chutian Avenue Panlongcheng Economics and Technology Development Zone Wuhan, Hubei Province China 430000
Principal Place of Business in Hong Kong	Suite 1606, 16/F., Two Exchange Square, Central, Hong Kong
Audit Committee	Mr. Cheung Ka Fai *(Chairman)* Mr. Peng Chi Ms. Yang Qiongzhen

Corporate Information

Nomination Committee	Ms. Yang Qiongzhen *(Chairman, appointed on 9 March 2012)* Mr. Cui Jinfeng *(resigned as Chairman on 9 March 2012)* Mr. Peng Chi
Remuneration Committee	Mr. Peng Chi *(Chairman, appointed on 9 March 2012)* Mr. Fang Li *(resigned as Chairman on 9 March 2012)* Ms. Yang Qiongzhen
Company Secretary	Mr. Fung Che Wai Anthony
Company Website	http://www.zallcn.com/
Authorized Representatives	Ms. Wang Danli Mr. Fung Che Wai Anthony
Hong Kong Share Registrar	Tricor Investor Services Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong
Principal Share Registrar and Transfer Office	Butterfield Fulcrum Group (Cayman) Limited Butterfield House 68 Fort Street P. O. Box 609 Grand Cayman KY1-1107 Cayman Islands
Compliance Advisor	Oriental Patron Asia Limited
Legal Advisor	Sidley Austin
Auditor	KPMG Certified Public Accountants
Principal Bankers	China Construction Bank China Mingsheng Banking Corp.,Ltd. Bank of Communications Hankou Bank

Financial Highlights

	2011 RMB'000	2010 RMB'000	Change
Turnover	**2,454,208**	769,737	218.8%
Gross profit	**1,739,034**	356,527	387.8%
Gross profit margin	**70.9%**	46.3%	24.6%
Profit for the year	**1,183,875**	633,186	87.0%
Earnings per share* — Basic (RMB)	**0.34**	0.18	88.9%
— Diluted (RMB)	**0.34**	0.18	88.9%
Final dividend proposed	**HK3 cents per share (or equivalent to approximately RMB2.43 cents)**	—	N/A

* The calculation of basic earnings per share is based on 3,500,000,000 ordinary shares in issue as at date of this report, as if the global offering of the shares of the Company had been completed at the beginning of the years presented.

	2011 RMB'000	2010 RMB'000
Total non-current assets	**3,835,862**	2,267,963
Total current assets	**5,248,102**	2,820,055
Total assets	**9,083,964**	5,088,018
Total non-current liabilities	**1,552,053**	666,215
Total current liabilities	**3,225,928**	2,623,000
Total liabilities	**4,777,981**	3,289,215
Net assets	**4,305,983**	1,798,803

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors"), I am pleased to present the annual report of Zall Development (Cayman) Holding Co., Ltd. ("Zall Development" or the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2011, which is the first annual report since its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 July 2011 (the "Listing").

Despite the challenging market environment in 2011, leveraging its unique business model and solid support from the local government, Zall Development expanded rapidly and recorded satisfactory results. For the year ended 31 December 2011, the Group recorded turnover of RMB2,454.2 million, representing an increase of 218.8% as compared with the corresponding period of last year. The increase was mainly attributable to the Group's flagship project, North Hankou International Trade Center ("North Hankou"). During the year under review, profit for the year increased to RMB1,183.9 million, representing an increase of 87.0% as compared with the corresponding period of last year.

In 2011, due to sluggish overseas demand and the adjustment of domestic demand, the growth of GDP in China decreased to 8.9% for the fourth quarter from 9.7% in the first quarter. However, the GDP still recorded high growth of 9.2% throughout the year. Although China's economic growth slightly slowed down, the structural adjustment recorded satisfactory achievements. According to the macro-economic data released by the National Bureau of Statistics, consumption contributed 51.6% to GDP in 2011, representing an increase of 14.3 percentage points as compared with last year. Total retail sales of social consumer goods of China exceeded RMB18,120 billion, representing an increase of 17.1% as compared with the corresponding period of last year, reflecting consistently strong demand in the consumer market, which provided a favourable environment and conditions for the growth of the Group.

Since the stimulation of domestic demand was included in the "12th Five Year Plan" by the central government, domestic consumption has become a major driver for the economic growth. Under these favourable government policies, Zall Development has adopted a business model that focuses on the wholesale market in the consumer industry and provides a one-stop procurement platform for small and medium enterprises which covers logistics and administrative services, including customs clearance and tax returns with the local government. This enables customers to reduce onerous and complicated distribution processes and increases the convenience and efficiency for their business operations. Accordingly, as the flagship project of the Group, the North Hankou project has been well received by customers of the consumer industry and has been a hot spot for commercial occupants since its opening.

Chairman's Statement

As the local government supported the development of North Hankou into a national leading wholesale market, the relocation of Hanzheng Street was expedited. No trucks have been allowed into Hanzheng Street and its surrounding area since 15 August 2011. On the same day, three major long-haul bus stations at Hanzheng Street were closed and relocated to North Hankou Bus Terminal. After the issuance of an order for the general relocation of Hanzheng Street, the outcomes were obvious. During the sessions of NPC and CPPCC, the mayor of Wuhan also announced that the local government will systematically establish and plan the construction of infrastructure in Huangpi district and its surrounding area in order to develop North Hankou into a national commercial center. With comprehensive ancillary facilities, North Hankou Project has been highly recognized by various parties and has seized opportunities brought by the relocation of Hanzheng Street. Such "4th generation" wholesale market will be a trend in the redevelopment and upgrading of traditional wholesale markets and will bring positive results to various parties in the future.

During the period under review, approximately 9,000 occupants registered to move to North Hankou, of which approximately 5,000 were previous occupants of the Hanzheng Street Wholesale Market. Apart from the occupants from Hanzheng Street, the first batch of 78 occupants from Haining Leather Mall (海寧皮革城), a leading listed company in the professional leather market in China, moved to North Hankou and began operation of their businesses by the end of September 2011. Haining Leather Mall in North Hankou was well received by customers, and a leather zone was established and put into operation in the middle of November 2011, which includes concessionaire of notable domestic brands of leather products. The operating area of Haining Leather Mall in North Hankou will be expanded to more than 40,000 sq.m. The total rentals for a term of two years under the first leasing agreement is approximately RMB9.0 million.

Chairman's Statement

In view of the proven fourth generation of the wholesale market business model of North Hankou and the positive response from the industry, major financial institutions, including China Construction Bank, Agricultural Bank of China, Hankou Bank and Bank of Communications, believe that the future of North Hankou is promising and have set up offices in North Hankou. The Company and such financial institutions entered into leasing agreements with terms of 10 years. The aggregate leasing area was approximately 1,800 sq.m. and the aggregate rent exceeded RMB32.0 million over the lease terms. During the year under review, Zall Development also entered into cooperation agreement with China Minsheng Bank, Wuhan branch, pursuant to which it granted a total combined facility of approximately RMB12 billion and provided various integrated financial services for the Group and its occupants at North Hankou. These have stimulated commercial activities at North Hankou and provided a favourable operating environment for the occupants at North Hankou.

In addition to North Hankou, to facilitate the diversified and sustainable development of the Group, Zall Development has planned several projects under development and also proactively acquired lands to expand its market coverage. In August 2011, we acquired a 51% equity interest in Zall Yulong International Finance Center (卓爾鈺龍國際金融中心), a premier commercial building located in the core financial district of Wuhan. By taking advantage of the strategic geographical location of this premier commercial center and Grade A office building, the Group is able to meet the substantial demand spurred by economic development in central China. In October 2011, the Group obtained a land use rights for a parcel of land with an area of 150,000 sq.m. in Yuhong District of Shenyang through a tender. The land was planned to be themed as a cultural development and to be developed into "Shenyang Salon (瀋陽客廳)". In addition, in January 2012, the Group obtained a land use rights of a parcel of land for over 64,000 sq.m. in Kaifu District of Changsha. The land will be developed as the Zall No. 1 Enterprise Community • Changsha (卓爾第一企業社區 • 長沙總部基地), which will include a business hotel, Grade A office buildings and single-tenant office buildings. The Group is devoted to replicating its successful business model to other regions so as to explore income sources and increase the market share and competitiveness of the Group.

Last year, leveraging its dedication and unique business model, Zall Development was well received by industrial players and the media. The Group and its North Hankou project won a significant number of awards, including ranking the fourth in "Top 10 Real Estate Development Enterprises in Wuhan" and was ranked first in the commercial property sector by Wuhan Real Estate Development Association; named a Top 10 Influential Enterprises in Wuhan, jointly selected by Wuhan TV, Wuhan Evening News Press and www.cjn.cn; ranking sixth among the "Top 10 Private Enterprises in Hubei Province in 2011 (2011年湖北省民營企業10強)" jointly by the Provincial Industrial and Commercial Association, the Provincial Statistics Bureau, Provincial Academy of Social Science and Hubei Daily. These awards have, not only encouraged our staff of all levels, but also helped to enhance the reputation of the Group and its projects, which also enhanced the confidence of the industry and consumers towards the Group.

Chairman's Statement

Although the overall economic growth of China was affected by various uncertainties, including the sovereign debt crises in Europe and the US and the adjustment of the property market, the growth of domestic consumption market and economic development has maintained its momentum by strong government support. As a result, small to medium enterprises, which play important roles in driving domestic demand, will generate more demand for premises and ancillary services. Leveraging such business opportunities and its strategic geographical location, the quality services of North Hankou will attract more occupants and bring satisfactory income for the Group.

Looking forward, the Group will leverage its competitiveness and will continue to promote the development of its projects so as to satisfy market demand and enhance its leading position in the wholesale market of Wuhan. In addition, the Group will also proactively expand its businesses by replicating its successful business model in other appropriate regions.

I would like to express my gratitude to our shareholders, customers and investors for their support and trust in the past year; and to our directors, management and our staff for their contribution to the outstanding performance of the Group. The Group will pursue for a stronger, more rapid development with a view to maximizing the investment returns for its shareholders.

Yan Zhi
Chairman

Hong Kong, 20 March 2012

Management Discussion and Analysis

Business Overview

North Hankou Project

The North Hankou International Trade Center (the “North Hankou Project”), the Group’s flagship project, is located in Wuhan, which has been known as “thoroughfare to nine provinces” (“九省通衢”). With such a prime location for China’s major business center boasts excellent geographical advantages and strategic competitive edges. As the largest wholesale shopping mall in Central China focusing on consumer products, the North Hankou Project is of a large scale with a total site area of approximately over 1.8 million sq.m. Its wholesale mall units have a total GFA of over 3.5 million sq.m. and its ancillary facilities cover an area of approximately 0.8 million sq.m. It consists of 20 separate wholesale shopping malls, each serving a particular consumer product sector. Featuring over one million kinds of merchandise, it will become a versatile international marketplace for trading, exhibition, logistics, entertainment, service provision, etc. During the year under review, the progress of the North Hankou Project was satisfactory, with construction of its first phase expected to be completed in 2013 as scheduled.

The design of the North Hankou Project was inspired by the traditional wholesale trading district on Hanzheng Street in Wuhan, from which tenants have been relocated starting in 2011. With the auspices of the Wuhan government and its favourable policies, the North Hankou Project will become the fourth generation of innovative wholesale market integrating comprehensive logistic ancillaries, transport network, trading platform and amenities. The relocation of Hanzheng Street has been expedited since the issuance of an order of the general relocation by the government in August 2011, which in turn boosted sales growth of the North Hankou Project. During the year under review, the Group sold and delivered a total GFA of 267,694 sq.m., at an average sale price of RMB8,979 per sq.m. The North Hankou Project contributed sales revenue of

RMB2,403.7 million to the Group, representing an increase of 295.9% over the corresponding period last year. As at 31 December 2011, construction of a total GFA of approximately 850,000 sq.m. at the North Hankou Project was completed.

In 2011, the North Hankou Project entered into lease agreements with occupants for a total leased area of approximately 52,000 sq.m.. During the year 2011, rental income amounted to RMB11.1 million, representing an increase of 167.4% over the corresponding period last year.

As at 31 December 2011, over 5,000 occupants of the North Hankou Project started their operations, of which approximately 60% had relocated from Hanzheng Street. Haining Leather Mall (海寧皮革城) officially opened for business at the footwear and leather products mall of the North Hankou Project in September 2011. The initial lease agreements in respect of the tenants from Haining Leather Mall have a term of three years and contributed a total rental income of approximately RMB2.0 million. As at 31 December 2011, Haining Leather Mall has a total of over 300 occupants with an operating area extending to over 20,000 sq.m.

To cope with the development needs of the North Hankou Project, the Integrated Development Plan of North Hankou Xincheng (漢口北新城綜合發展規劃) was implemented in Huangpi District, Wuhan, in October 2011. It capitalized on projects under construction such as the extension of Metro Line 1 and the extension of Jiefang Avenue (解放大道), as well as the completed Wuhan Boulevard (武漢大道), to form an express network with three channels to access the North Hankou Project. Together with the North Hankou Passenger Terminal, the largest passenger terminal of Wuhan which commenced construction at the end of 2011, the development of North Hankou Xincheng is expected to be boosted. After the implementation of the plan, an extensive logistic network between the North Hankou Project and the city of Wuhan will be formed and will bolster the integration of the North Hankou Project into the city to facilitate its promising development.

No. 1 Enterprise Community

No. 1 Enterprise Community is a unique business park located in the Panlongcheng Economic and Technology Development Zone (盤龍城經濟技術開發區) of Wuhan. It comprises low-density, low-rise, single-tenant office buildings and high-rise office towers. Its major targets are small and medium enterprises which are in need of business headquarters. Located within three kilometres of the North Hankou Project, No. 1 Enterprise Community complements the North Hankou Project by offering offices in close proximity for its North Hankou occupants.

No. 1 Enterprise Community, which consists of four phases, has a total site area of approximately 767,000 sq.m. and a total planned GFA of approximately 1.1 million sq.m.. It is expected to be fully completed by 2015.

As at 31 December 2011, construction of phases I and II and No. 1 high-rise office tower has been completed with a total GFA of approximately 170,000 sq.m.. For the year ended 31 December 2011, the total GFA sold and delivered was 7,253 sq.m., accounted for a total sales revenue of RMB35.5 million with an average sale price of RMB4,890 per sq.m., representing an increase of 68.7% as compared with the corresponding period last year.

Construction of phase III is expected to be completed by end of 2012 whereas the construction of No. 2 and No. 3 high-rise office towers of No. 1 Enterprise Community commenced in March 2011 and is expected to be completed by December 2013.

In January 2012, the Group entered into an agreement for the acquisition of a parcel of land in Kaifu District, Changsha, Hunan Province (湖南省長沙市開福區), at a total consideration of RMB38.7 million. The land use right covers an area of over 64,000 sq.m. and a planned GFA of 77,000 sq.m. The Group will develop the parcel of land as Zall No. 1 Enterprise Community • Changsha (卓爾第一企業社區 • 長沙總部基地). The project will comprise various types of commercial buildings, such as a business hotel, Grade A office buildings and single-tenant office buildings, to provide comprehensive ancillary facilities for its customers.

Wuhan Salon

In 2010, the PRC Government designated Wuhan as the key regional center for Central China in its strategic Central China Revitalization Plan, and the government intended to develop the cultural industry in Central China. In March 2010, the Group entered into an investment agreement with the People's Government of Dongxihu District (東西湖區人民政府) of Wuhan Municipality for the development of Wuhan Salon. Pursuant to the agreement, the Group obtained parcels of land for the development of Wuhan Salon and intended to transform it into a multi-structure and multi-function cultural center in the vicinity of the city center of Wuhan.

The Group planned to develop Wuhan Salon in three phases. The total site area of Wuhan Salon (Phase I) is approximately 270,000 sq.m. with a total GFA of approximately 613,000 sq.m., including retail facilities, convention center facilities, high-end office space, restaurants and other supporting facilities. Construction of the project commenced in July 2011 and is expected to be completed by December 2013.

During the year 2011, the Group obtained another parcel of land in Dongxihu District, Wuhan, at a total consideration of RMB63.7 million for the development of hotels and residential properties of Wuhan Salon (Phase II). The parcel of land has a site area of 16,000 sq.m. and a planned GFA of 48,000 sq.m. Construction of this project is expected to commence in June 2013 and is expected to be completed by June 2015.

North Hankou • Zall Life City — Zhujinyuan Residences

North Hankou • Zall Life City — Zhujinyuan Residences is a residential development project in the Panlongcheng Economic and Technology Development Zone of Wuhan. The project has a total site area of approximately 60,000 sq.m. and a total GFA of approximately 170,000 sq.m.

North Hankou • Zall Life City — Hupan Haoting Residences

North Hankou • Zall Life City — Hupan Haoting Residences is a residential development project of the Group in the Panlongcheng Economic and Technology Development Zone of Wuhan. The project has a total site area of approximately 180,000 sq.m. and a total GFA of over 330,000 sq.m. The project will be developed in two phases. Construction of Phase I and II commenced in March 2011 and March 2012, respectively and the entire project is expected to be completed by the end of 2013.

Zall Yulong International Finance Center

In August 2011, the Group acquired a 51% equity interest in 正安實業 (武漢) 有限公司 (Zhen An Wuhan Company Limited) ("Zhen An") at a total consideration of RMB523,680,000. Zhen An owns the land use rights of a parcel of land with a total site area of approximately 10,000 sq.m. in the city center of Wuhan with a total planned GFA of over 97,000 sq.m.

The Group intends to develop the parcel of land into Zall Yulong International Finance Center (卓爾鈺龍國際金融中心), which will be positioned as a premier commercial center and Grade A office building. The project is strategically located in the financial center of Wuhan, surrounded by China Construction Bank Building to the north, Bank of China Building to the south, New World Trade Centre and New World Department Store to the west and China Minsheng Bank Building to the east. Construction of the project is expected to be fully completed in 2014.

Management Discussion and Analysis

Results of Operation

Turnover

Turnover increased by 218.8% from RMB769.7 million for the year ended 31 December 2010 to RMB2,454.2 million for the year ended 31 December 2011. The increase was primarily due to an increase in the Group's revenue from sales of properties. Also, the Group's revenue from rental income for the year ended 31 December 2010 increased by 167.4% from RMB4.1 million to RMB11.1 million for the year ended 31 December 2011.

Sales of properties

Revenue from sales of properties increased by 224.9% from RMB750.8 million for the year ended 31 December 2010 to RMB2,439.1 million for the year ended 31 December 2011.

The Group's revenue from sales of properties was mainly generated from sales of wholesale shopping mall units in the North Hankou Project and the offices and retail units in the No. 1 Enterprise Community Project. The GFA and average sale prices of the respective projects during the period under review are set forth below:

	For the year ended 31 December					
	2011			2010		
	GFA Sold (sq.m.)	**Average sale price (net of business tax) RMB/sq.m.**	**Turnover (RMB'000)**	GFA Sold (sq.m.)	Average sale price (net of business tax) RMB/sq.m.	Turnover (RMB'000)
North Hankou Project	**267,694**	**8,979**	**2,403,652**	118,546	5,122	607,149
No. 1 Enterprise Community	**7,253**	**4,890**	**35,469**	49,539	2,899	143,613
Total	**274,947**		**2,439,121**	168,085		750,762

The Group's turnover from sales of properties increased significantly during the year ended 31 December 2011 mainly due to the significant increase in both the total GFA and the average sale price of North Hankou Project. The total GFA sold in North Hankou Project increased by 125.8% from 118,546 sq.m. for the year ended 31 December 2010 to 267,694 sq.m. for the year ended 31 December 2011. In addition, the average sale price of North Hankou Project increased by 75.3% from RMB5,122 per sq.m. for the year ended 31 December 2010 to RMB8,979 per sq.m. for the year ended 31 December 2011.

Rental income

The Group's rental income increased significantly for the year ended 31 December 2011 as it started to retain an increasing number of wholesale shopping mall units in the North Hankou Project for leasing.

Cost of sales

Cost of sales increased by 73.1% from RMB413.2 million for the year ended 31 December 2010 to RMB715.2 million for the year ended 31 December 2011, primarily as a result of the increase in the sales of properties.

Gross profit

Gross profit increased by 387.8% from RMB356.5 million for the year ended 31 December 2010 to RMB1,739.0 million for the year ended 31 December 2011, primarily as a result of the increase in the sales of properties. The Group's gross profit margin increased from 46.3% in 2010 to 70.9% in 2011 mainly due to the increase in the average sale prices of the wholesale shopping mall units in the Group's North Hankou Project.

Other net (loss)/income

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

Selling and distribution expenses

Selling and distribution expenses increased by 73.1% from RMB25.1 million for the year ended 31 December 2010 to RMB43.4 million for the year ended 31 December 2011. The increase was primarily due to the increased advertising and promotional campaigns for the Group's North Hankou Project in 2011.

Administrative expenses

Administrative expenses increased by 176.2% from RMB39.9 million for the year ended 31 December 2010 to RMB110.1 million for the year ended 31 December 2011. The increase was primarily due to (i) a RMB11.2 million increase in staff related costs resulting from an increase in the number of the Group's administrative and management personnel and an increase in salaries; (ii) a RMB3.9 million increase in equity-settled share-based payment expenses in relation to the share options granted under the Pre-IPO Share Option Scheme; (iii) a RMB16.3 million increase in legal and professional fees in relation to the listing of the Company's shares on the Main Board of the Stock Exchange; (iv) a RMB3.0 million increase in charitable and other donations; (v) a RMB3.0 million increase in travelling expenses; (vi) a RMB4.1 million increase in entertainment and related expenses; and (vii) a RMB1.7 million increase in auditors' remuneration.

Increase in fair value of investment properties

The Group holds a portion of properties developed for rental income and/or capital appreciation purposes. The Group's investment properties are revaluated at the end of the respective review period on an open market value or existing use basis by an independent property valuer. For the year ended 31 December 2011, the Group recorded increases in fair value of investment properties of RMB255.9 million (2010: RMB626.6 million). The significant increase in fair value of the Group's investment properties during the years ended 31 December 2011 and 2010 reflected a rise in the property prices in Wuhan over the period under review.

Share of losses of a jointly controlled entity

Share of losses of a jointly controlled entity consisted primarily of losses from Wuhan Big World Investment Development Co., Ltd., which reflected the Group's 50% equity interest share of losses of this entity for the years ended 31 December 2011 and 2010.

Finance income/(costs)

For the year ended 31 December 2011, the Group incurred a net finance cost of RMB1.9 million charged to the income statement (2010: RMB0.3 million).

Income tax

Income tax increased by 112.9% from RMB288.4 million for the year ended 31 December 2010 to RMB613.9 million for the year ended 31 December 2011. The increase was primarily due to the increase in PRC Corporate Income Tax as a result of increase in operating profits of the Group and the increase in PRC Land Appreciation Tax due to the increase in property values. The Group's effective tax rate was increased from 31.3% for the year ended 31 December 2010 to 34.1% for the year ended 31 December 2011.

Profit for the year

For the year ended 31 December 2011, the Group recorded a net profit of RMB1,183.9 million. Net profit attributable to shareholders of the Company was RMB1,194.7 million, representing an increase of 88.1% over the amount of RMB635.1 million for the corresponding year in 2010.

Liquidity and capital resources

As at 31 December 2011, cash and cash equivalents of the Group was RMB970.5 million (2010: RMB304.9 million). The Group's cash and cash equivalents consist primarily of cash on hand and bank balances which are primarily held in RMB denominated accounts with banks in the PRC.

Capital expenditure

For the year ended 31 December 2011, the Group's total expenditure in respect of property, plant and equipment and investment properties under development amounted to RMB4.4 million and RMB243.6 million (2010: RMB2.3 million and RMB161.5 million), respectively.

Interest-bearing bank borrowings

As at 31 December 2011, the Group's total long-term and short-term bank borrowings was RMB1,378.4 million, representing an increase of RMB1,038.7 million over the amount of RMB339.7 million as at 31 December 2010. All bank borrowings were denominated in RMB, being the functional currency of the Group.

Details of the Group's interest-bearing bank borrowings are set out in note 25 to the financial statements.

Gearing ratio

As at 31 December 2011, the gearing ratio (calculated by dividing total bank borrowings by total equity) of the Group remained at a low level of 32.0% (2010: 18.9%).

Foreign exchange risk

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

Charge on assets

As at 31 December 2011, the Group had pledged certain of its assets with a total book value of RMB2,960.0 million (2010: RMB1,192.1 million) for the purpose of securing certain of the Group's bank borrowings. Details of which are set out in note 25 to the financial statements.

Contingent liabilities

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

As at 31 December 2011, the guarantees provided to banks in relation to mortgage facilities granted to purchasers of the Group's properties amounted to RMB998.8 million (2010: RMB489.4 million).

Material acquisition

On 21 August 2011, (i) Zall Development (HK) Holding Company Limited, a wholly-owned subsidiary of the Company, entered into an acquisition agreement with an independent third party in relation to the acquisition of the entire issued share capital of Zhen An Properties Limited, which in turn owns 48% interest in 正安實業 (武漢) 有限公司 (Zhen An Wuhan Company Limited), a company established under the PRC with limited liability on 18 October 1996 (hereafter "Zhen An"); and (ii) 卓爾發展 (武漢) 有限公司 (Zall Development (Wuhan) Co., Ltd.), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with 惠譽房地產股份有限公司 (Huiyu Real Estate Company Limited) in relation to the acquisition of 3% interest in Zhen An.

Upon completion of the acquisitions, the Group owns a 51% equity interest in Zhen An and Zhen An is accounted for as a subsidiary in the consolidated financial statements of the Company, details of which are set out in note 35 to the financial statements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2011, the Group employed a total of 598 full time employees (2010: 450). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2011, the employees benefit expenses were RMB40.5 million (2010: RMB28.1 million). The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company (the "Remuneration Committee") reviews such packages annually, or when the occasion requires.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The Company's shares were listed on the Stock Exchange in July 2011 and the Company raised net proceeds of HK$1,449.3 million (equivalent to RMB1,208.8 million) from the initial public offering.

For the year ended 31 December 2011, the Group had utilized RMB868.2 million of the net proceeds as follows:

- RMB205.6 million for the construction and/or extension of our wholesale shopping malls and supporting facilities in North Hankou Project;

- RMB57.5 million for the construction of the low rise office building, high rise office tower and service center in No. 1 Enterprise Community;

- RMB264.4 million for the construction of Wuhan Salon (Phase I);

- RMB58.7 million for the construction of residential projects such as Zall Hupan Haoting Residences and Zall Zhujinyuan Residences; and

- RMB282.0 million for the land acquisition and preliminary construction of Northeastern China (Shenyang) International Trade Center, No. 1 Enterprise Community Northeastern China Headquarters Business Park and Northeastern Logistic Enterprise Community.

Such utilization of the net proceeds was in accordance with the proposed allocations as set out in the section headed "Use of Proceeds" of the prospectus of the Company dated 30 June 2011 (the "Prospectus") for the Listing. The unutilized portion of the net proceeds is currently held in cash and cash equivalents and it is intended that it will also be applied in a manner consistent with the proposed allocations in the Prospectus.

Management Discussion and Analysis

PROSPECTS

Looking ahead, in order to capture the ample business opportunities arising from the central government policy of stimulating domestic demand, the Group will continue to develop existing projects and seize opportunities to expand its successful wholesale shopping mall business model to other areas in China.

Since the start of the relocation of the traditional market on Hanzheng Street, more effort has been made by the local government to expedite the relocation of Hanzheng Street to the North Hankou Project. The development of the transportation infrastructure is also in full swing to facilitate the development of the North Hankou Project. Capitalizing on these substantial opportunities, the North Hankou Project will complete construction in accordance with its development plan and will continue to be the major growth driver of the Group.

In order to increase the popularity, traffic and transaction volumes of the North Hankou Project, the Group launched various promotion activities during the year in the traditional prime wholesale market locations of different sectors all over China. Benefiting from the rapid growth of traffic and business flow, the transaction volume of the North Hankou Project's occupants has continued to rise since the launch of the project. In particular, the hotel products and supplies mall and the footwear and leather products mall have already become the largest markets, enjoying the highest transaction volumes in Central China their respective industries over the year.

As of 31 December 2011, the Group has land reserves of approximately 5.7 million sq.m., which have been granted land use rights, certificates by the government authorities. The land reserves are expected to be able to meet the development needs of the Group over the coming three to five years. Leveraging its unique wholesale market business model, the Group experienced significant growth in 2011. Looking forward, the Group will continue to identify projects with great development potential. By negotiating and entering into master agreements, cooperation or investment agreements with local government authorities, new development projects in Xiangyang, Tianjin and Shenyang will be carried out in the near future. These projects will contribute to the significant and sustainable growth of the Group and will create maximum value for the shareholders of the Company.

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Yan Zhi (閻志), aged 39, is the chairman of the Board, the chief executive officer of the Company, an executive Director and the founder of the Group. He is primarily responsible for the formulation of our overall business and investment strategies, as well as supervising our project planning, business and operation management. He has approximately seven years of experience in the commercial property and wholesale shopping mall industries, as well as approximately 16 years of experience in the advertising and media industry and business management. He is currently an executive director of China Society for Promotion of Guangcai Program (中國光彩事業促進會), a representative of Hubei Provincial People's Congress (湖北省人民代表大會), a vice-chairman of Hubei Federation of Youth (湖北省青年聯合會) and Hubei Federation of Industry & Commerce (湖北省工商業聯合會), a vice-president of Hubei Association of Entrepreneurs (湖北省企業家協會) and a council member of Hubei Society for Promotion of Guangcai Program (湖北省光彩事業促進會). Mr. Yan has been appointed as a non-executive director and the chairman of the board of directors of CIG Yangtze Ports PLC, a company listed on the GEM Board of the Stock Exchange, since 21 November 2011.

Mr. Yan received a master's degree in business administration for senior executives from Wuhan University (武漢大學) in February 2008 and is currently studying for his executive master of business administration degree at Cheung Kong Graduate School of Management (長江商學院).

Mr. Yan was appointed as a director on 16 December 2010 and was re-designated as an executive Director on 20 June 2011.

Mr. Cui Jinfeng (崔錦鋒), aged 33, was appointed an executive Director on 20 June 2011. He is the deputy chief executive officer of Zall Development (Wuhan) Co., Ltd. He joined the Group in July 2005 and is primarily responsible for the overall day-to-day management of our projects in Beijing, Tianjin, Shenyang and Changsha. Mr. Cui has over seven years of experience in the wholesale market and commercial property industries. He currently serves as a representative of the People's Congress of Huangpi District, Wuhan City (武漢市黃陂區人民代表大會代表), a member of Standing Committee of Wuhan People's Political Consulting Conference (武漢市人民政治協商會議) and an executive director of Association of Wuhan Real Estate Enterprises (武漢市房地產企業協會). Mr. Cui was recognized as one of the "Top 10 Outstanding Young Entrepreneurs of Hubei Province" (湖北省十大優秀青年企業家) in 2010. Mr. Cui received a diploma in motor vehicle manufacturing and maintenance from Jianghan University (江漢大學) in June 2000. Mr. Cui is currently studying for his master's degree in business administration at The Chinese University of Hong Kong.

Biographical Details of Directors and Senior Management

Mr. Fang Li (方黎), aged 38, was appointed an executive Director on 20 June 2011. He is the deputy chief executive officer of Zall Development (Wuhan) Co., Ltd., and also the general manager of the Group's Wuhan Salon project. He joined the Group in June 2003 and is primarily responsible for the development of our business and the designing of our projects. Mr. Fang has over 11 years of experience in the media and advertising industry and real estate marketing. In January 2011, Mr. Fang was awarded the "2010 Hubei Real Estate Contributor Award" (湖北房地產2010年度貢獻人物) and the "2010 Hubei Real Estate Marketing Outstanding Award" (湖北房地產2010年度營銷卓越人物). Mr. Fang received a graduate certificate in Chinese language and literature education from Hubei University of Education (湖北第二師範學院) (formerly known as Hubei Education College (湖北教育學院)) in June 1999. Mr. Fang completed an advanced course for business executives at Wuhan University (武漢大學) in June 2010 and is currently studying for his master's degree in business administration at Wuhan University.

Ms. Wang Danli (王丹莉), aged 34, was appointed an executive Director on 20 June 2011. Ms. Wang joined the Group in June 2010 as an assistant to our chief executive officer, and is primarily responsible for our corporate finance, investor relations and legal affairs. Ms. Wang has over 12 years of experience in equity financing, financial management, merger and acquisition and asset management. Prior to joining the Group, Ms. Wang was an assistant general manager in the investment banking department of Changjiang Financing Services Co., Ltd. (長江證券承銷保薦有限公司) since July 1999, focusing on corporate finance transactions and other financial and compliance advisory matters. Ms. Wang received a bachelor's degree in engineering from Shanghai Jiao Tong University (上海交通大學) in July 1999 and a diploma in finance from Wuhan University (武漢大學) in June 2003. She also obtained a certificate of qualification for securities underwriting and issuance from Securities Association of China (中國證券業協會) in September 2007. Ms. Wang is currently studying for her master's degree at CEIBS (中歐國際工商學院).

Non-executive Director

Mr. Fu Gaochao (傅高潮), aged 56, was appointed a non-executive Director on 20 June 2011. He is the chairman of the supervisory committee of Zall Development (Wuhan) Co., Ltd.. Mr. Fu joined the Group in 1998 and has over seven years of experience in the commercial property and wholesale shopping mall industries, as well as experience in the news media industry. He was recognized as a "star entrepreneur" of Wuhan in 2009 by Wuhan Business Association (武漢企業聯合會), Wuhan Entrepreneur Association (武漢企業家協會), Wuhan Television Broadcast Bureau (武漢市廣播電視局) and Changjiang Daily Group (長江日報報業集團). Mr. Fu received a diploma in business administration from Huazhong University of Technology (華中理工大學) (currently known as Huazhong University of Science and Technology (華中科技大學)) in 1993. Mr. Fu received an advanced business administration certificate (高級經營師資格證書) from Hubei Province Labour Bureau (湖北省勞動廳) in December 1999.

Biographical Details of Directors and Senior Management

Independent Non-executive Directors

Ms. Yang Qiongzhen (楊瓊珍), aged 48, was appointed an independent non-executive Director on 20 June 2011. Ms. Yang has approximately 11 years of experience in corporate legal affairs. In March 2001, she co-founded Hubei Zhonghexin Law Firm (湖北中和信律師事務所) and has been serving as a partner from March 2001 to present. From December 2002 to November 2006, Ms. Yang was the secretary-general of the Economic Law Committee of Hubei Lawyers Association (湖北省律師協會經濟法委員會). Ms. Yang received a bachelor's degree in law from Zhongnan University of Economics and Law (中南財經政法大學) in July 1984 and a master's degree in law from Wuhan University (武漢大學) in July 1987.

Mr. Cheung Ka Fai (張家輝), aged 37, was appointed an independent non-executive Director on 20 June 2011. Mr. Cheung has over 14 years of experience in auditing, accounting and finance. Prior to joining the Group, Mr Cheung worked as an auditor at Deloitte Touche Tohmatsu and served as the financial controller and company secretary of two companies listed on the GEM Board of the Stock Exchange. Mr. Cheung has been serving as the chief financial officer and company secretary of Huscoke Resources Holdings Limited, a company listed on the Main Board of the Stock Exchange from June 2008 to present and an executive director of Huscoke Resources Holdings Limited from October 2009 to present. Mr. Cheung is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. He obtained a bachelor's degree in accountancy from the Hong Kong Polytechnic University in November 1997 and a master's degree in business administration from the University of Bradford in January 2008.

Mr. Peng Chi (彭池), aged 49, was appointed an independent non-executive Director on 20 June 2011. Mr. Peng has over 13 years of experience in real estate development and management of large-scale infrastructure constructions. From May 1999 to present, Mr. Peng has been serving as a director of Ramada Hotel Xiamen Co., Ltd. (廈門長升大酒店有限公司). From July 2001 to March 2004, he was a director of Xiamen Rong Tai Real Estate Development Co., Ltd. (廈門榮泰房地產開發有限公司). From May 2004 to December 2006, Mr. Peng was the general manager of Hubei Jingdong Highway Construction and Development Co., Ltd. (湖北荊東高速公路建設開發有限公司). From May 2004 to present, Mr. Peng has been serving as a director of Wuhan Tianshi Property Development Co., Ltd. (武漢市天時物業發展有限責任公司). From January 2008 to present, Mr. Peng has been serving as a director of Hubei E'dong Yangtze River Highway Bridge Co., Ltd. (湖北鄂東長江公路大橋有限公司). Mr. Peng obtained a bachelor's degree in history and literature from Hubei University (湖北大學) in July 1984.

Biographical Details of Directors and Senior Management

Mr. Fung Che Wai Anthony (馮志偉), aged 43, is our chief financial officer and company secretary. Mr. Fung joined the Group in January 2011 and is primarily responsible for the financial management and investor relations of our Company. Mr. Fung has over 19 years of experience in auditing, advisory accounting and financial management. From August 1992 to September 1999, he worked for Deloitte Touche Tohmatsu, with his last designation as an audit manager. From October 1999 to August 2007, Mr. Fung served as a director of Winsmart Consultants Limited, a financial consulting company. From August 2007 to December 2007, he served as the financial controller of corporate finance and development of China Eagle Management Limited, a subsidiary of Gome Electrical Appliances Holding Limited, a company listed on the Main Board of the Stock Exchange. From January 2008 to August 2010, Mr. Fung was the vice president responsible for investor relations of NagaCorp Limited, a company listed on the Main Board of the Stock Exchange. Mr. Fung is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He graduated from Hong Kong Polytechnic University with a bachelor's degree in accounting in 1992.

Mr. Tian Xudong (田旭東), aged 40, is the deputy chief executive officer of Zall Development (Wuhan) Co., Ltd.. Mr. Tian joined the Group in January 2007 and is primarily responsible for the auctioning and purchasing of land for our Group and management of the initial stages of development of our projects. Mr. Tian has over seven years of experience in the real estate development industry and approximately six years of experience working for the PRC government. Mr. Tian received a diploma in economic management from the Party School of the Central Committee of C.P.C. (中共中央黨校) in December 1997 and a diploma in business administration from Wuhan University (武漢大學) in December 2003. He is currently studying for an executive master of business administration degree at Huazhong University of Science and Technology (華中科技大學).

Ms. Liu Qin (劉琴), aged 43, is an assistant to our chief executive officer. Ms. Liu joined the Group in 2007 and is responsible for the human resources and administration of our Group. Ms. Liu has over 11 years of experience in real estate sales, human resources management and administrative management. Ms. Liu graduated from Wuhan Radio and TV University (武漢市廣播電視大學) with a diploma in economic management. Ms. Liu is currently studying for an executive master of business administration degree at Tsinghua University (清華大學). Ms. Liu has been appointed as an executive director of CIG Yangtze Ports PLC, a company listed on the GEM Board of the Stock Exchange, since 21 November 2011.

Mr. An Shenglong (安升龍), aged 44, is an assistant to our chief executive officer and our deputy chief financial officer. Mr. An is primarily responsible for the financial and operational management of North Hankou Project and No.1 Enterprise Community. Mr. An has approximately six years of experience in real estate, financial management, project management and hotel management. He joined the Group in August 2008 as the general manager of Wuhan Eastern Zall Properties Co., Ltd. and has held various positions within our Group, including department head of the finance and engineering departments of Zall Development (Wuhan)

Biographical Details of Directors and Senior Management

Co., Ltd.. From July 2003 to June 2005, he was the general manager of Ramada Hotel Xiamen Co., Ltd. (廈門長升大酒店有限公司). Mr. An received a bachelor's degree in economics from Zhongnan University of Economics and Law (中南財經政法大學) in July 1989.

Mr. Li Bin (李斌), aged 41, is the deputy general manager of North Hankou Group Co., Ltd.. Mr. Li is currently responsible for the day-to-day operational management and property management of our North Hankou Project. Mr. Li has over 12 years of experience in property management and market management. Mr. Li joined the Group in July 2007 as the general manager of Wuhan North Hankou Market Management Co., Ltd. and has held various positions within our Group. From May 1999 to June 2007, Mr. Li was manager of the property management department of Meijia Property Management (Wuhan) Co., Ltd. (美佳物業管理（深圳）有限公司武漢分公司). Mr. Li received a diploma in Chinese language and literature education from Hubei University (湖北大學) in 1995.

Mr. Tian Hu (田虎), aged 42, is the general manager of the decoration works department of Zall Development (Wuhan) Co., Ltd.. Mr. Tian is primarily responsible for the construction and decoration of our North Hankou Project and No.1 Enterprise Community. Mr. Tian has approximately ten years of experience in engineering management and project decoration management. He joined the Group in June 2006 as head of the decoration works department of Zall Development (Wuhan) Co., Ltd.. From October 2005 to March 2006, Mr. Tian was the general manager of Shenzhen Jiayin Decoration Co., Ltd. (Wuhan Branch) (深圳嘉音裝飾公司武漢分公司). Mr. Tian received a diploma in industrial arts from Jianghan University (江漢大學) in July 1992.

Mr. Cao Tianbin (曹天斌), aged 43, is the general manager of our marketing department. Mr. Cao is primarily responsible for the overall marketing and promotion of our North Hankou Project and No.1 Enterprise Community. Mr. Cao has approximately four years of experience in the wholesale market and investment management industries, and has over 15 years of experience in the operational management of commercial projects. He joined us in August 2008 as the general manager of the merchandising department of North Hankou Group Co., Ltd. and has also been assistant general manager of North Hankou Market Management Co., Ltd. since October 2009. Prior to joining the Group in August 2008, he was the vice general manager of Wuhan Wenhua Printing Co., Ltd. (武漢文華印務有限公司) from August 1996 to July 2008. Mr. Cao was recognized as one of the "Top Ten Creative Green Marketers" (十大綠色創新營銷標杆人物) and was awarded "The Fifth China Golden Qilin Award" (第五屆中國金麒麟獎) in 2010. Mr. Cao received a diploma in mechanical and electrical engineering from Lanzhou University of Technology (蘭州理工大學) (formerly known as Gansu University of Industry (甘肅工業大學)) in July 1991 and a master's degree in finance from Zhongnan University of Economics and Law (中南財經政法大學) in December 2001.

Report of the Directors

The Board is pleased to present the annual report and the audited financial statements of the Group for the year ended 31 December 2011.

GENERAL INFORMATION

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.

In preparing for the Listing of the Company on 13 July 2011, the Group has undergone a reorganization since September 2010. As a result, the Company became the holding company of each of the companies currently comprising the Group. Details of the reorganization are set out in the Prospectus.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year under review.

RESULTS AND DISTRIBUTION

The results of the Group for the year ended 31 December 2011 are set out in the financial statements on page 53.

An interim dividend of HK7 cents per share (or equivalent to approximately RMB5.74 cents) amounting to RMB200.8 million was paid to the shareholders of the Company in September 2011.

The Board recommends the payment of a final dividend of HK3 cents per share (the "Final Dividend") (or equivalent to approximately RMB2.43 cents) for the year ended 31 December 2011 to the shareholders of the Company whose names appear on the Company's register of members on Wednesday, 16 May 2012 amounting to approximately HK$105.0 million (or equivalent to approximately RMB85.1 million), subject to the approval of the shareholders of the Company at the forthcoming annual general meeting ("AGM"). It is expected that the Final Dividend will be paid on or about 31 May 2012.

Report of the Directors

FINANCIAL STATEMENTS

The summary of the results, assets and liabilities of the Group for the year ended 31 December 2011 is set out on pages 53 to 56.

RESERVES

Movements in the reserves of the Group during the year ended 31 December 2011 is set out on page 59.

DISTRIBUTABLE RESERVES

As at 31 December 2011, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB1,188,117,000 (2010: RMB Nil). It represents the Company's share premium account of approximately RMB1,179,689,000 and retained earnings of approximately RMB8,428,000 in aggregate as at 31 December 2011, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

SHARE CAPITAL

Changes in share capital of the Company for the year ended 31 December 2011 and as at that date are set out in note 30 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company (the "Articles") or the laws of Cayman Islands, which would oblige the Company to offer new shares to existing shareholders on a pro-rata basis.

SHARE OPTION SCHEME

Pursuant to the sole shareholder's resolutions of the Company on 20 June 2011, the Company has adopted a share option scheme (the "Share Option Scheme") and a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

A. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme:

1. Purpose of the Share Option Scheme

The Share Option Scheme is established to recognize and acknowledge the contributions of the Eligible Participants (as defined in paragraph 2 below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants (as defined below) an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

2. Participants of the Share Option Scheme

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "Eligible Participants") to subscribe for such number of new shares as the Board may determine:

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; and

(iii) any advisors, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

3. Total number of shares available for issue under the Share Option Scheme

The maximum number of shares which maybe issued upon exercise of options which may be granted under the Share Option Scheme shall not in aggregate exceed 350,000,000 shares.

4. Maximum entitlement of each participant under the Share Option Scheme

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"); and

(ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting.

5. The period within which the shares must be exercised under the Share Option Scheme

An option may be exercised at any time during a period to be determined and notified by the directors to each grantee, but shall not be more than 10 years from the date of grant of options subject to the provisions for early termination set out in the Share Option Scheme.

6. The minimum period for which an option must be held before it can be exercised

There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.

7. **The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be paid**

Options granted must be taken up within 21 days of the date of offer, upon payment of HK$1 per grant.

8. **The basis of determining the exercise price**

The exercise price shall be determined by the Board but shall not be less than the highest of (i) the closing price of the ordinary shares as stated in the Stock Exchange's daily quotation sheets on the date of grant of options, which must be a trading day, (ii) the average closing price of the ordinary shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of options; and (iii) the nominal value of an ordinary share.

9. **The remaining life of the Share Option Scheme**

It will remain in force for a period of 10 years, commencing on 20 June 2011.

Since the adoption of the Share Option Scheme and up to 31 December 2011, no options had been granted under the Share Option Scheme.

B. Pre-IPO Share Option Scheme

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme:

1. **Purpose of the Pre-IPO Share Option Scheme**

The Pre-IPO Share Option Scheme is established to recognize the contribution the Pre-IPO Eligible Participants (as defined in paragraph 2 below) have or may have made to the Group. The Pre-IPO Share Option Scheme will provide the Pre-IPO Eligible Participants (as defined below) an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivate the Pre-IPO Eligible Participants to optimize their performance efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain relationship with the Pre-IPO Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

2. **Participants of the Pre-IPO Share Option Scheme**

   The Board may, at its discretion, offer to grant an option to the following persons (collectively the "Pre-IPO Eligible Participants") to subscribe for such number of new shares as the Board may determine:

   (i) any full-time employees, executives or officers (including executive, non-executive and independent non-executive Directors) of the Company; or

   (ii) any full-time employees of any subsidiaries of the Company of the level of manager or above; or

   (iii) other full-time employees of the Company or any of the subsidiaries who have been in employment with the Group for over 3 years from the date of the adoption of the Pre-IPO Share Option Scheme who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of the subsidiaries or persons who, in the sole opinion of the Board, have made past contribution to the development of the Company and/or any of the subsidiaries.

3. **Total number of shares available for issue under the Pre-IPO Share Option Scheme is 29,750,000 shares and no further option could be granted under the Pre-IPO Share Option Scheme.**

4. **The followings are details of the options granted pursuant to the Pre-IPO Share Option Scheme but not yet exercised:**

Grantee and position	Date of grant of options	Number of Shares under the options granted	Number of options not yet exercised on 31 December 2011	Approximate percentage of shareholding upon fully exercise of share options
Directors				
Yan Zhi (閻志)	20 June 2011	14,875,000	14,875,000	0.4214%
Cui Jinfeng (崔錦鋒)	20 June 2011	1,487,500	1,487,500	0.0421%
Fang Li (方黎)	20 June 2011	1,190,000	1,190,000	0.0337%
Wang Danli (王丹莉)	20 June 2011	1,338,750	1,338,750	0.0379%
Fu Gaochao (傅高潮)	20 June 2011	1,487,500	1,487,500	0.0421%
Senior Management and/or other employees of our Group				
Tian Xudong (田旭東)	20 June 2011	1,190,000	1,190,000	0.0337%
Liu Qin (劉琴)	20 June 2011	892,500	892,500	0.0253%
Li Bin (李斌)	20 June 2011	788,375	788,375	0.0223%
Cao Tianbin (曹天斌)	20 June 2011	788,375	788,375	0.0223%
An Shenglong (安升龍)	20 June 2011	714,000	714,000	0.0202%
Tian Hu (田虎)	20 June 2011	714,000	714,000	0.0202%
Min Xueqin (閩雪琴)	20 June 2011	714,000	714,000	0.0202%
Zhang Jing (張晶)	20 June 2011	446,250	446,250	0.0126%
Zhang Xuefei (張雪飛)	20 June 2011	446,250	446,250	0.0126%
Huang Xuan (黃萱)	20 June 2011	446,250	446,250	0.0126%
Zeng Yu (曾宇)	20 June 2011	446,250	446,250	0.0126%
Ming Hanhua (明漢華)	20 June 2011	297,500	297,500	0.0084%
Peng Jing (彭璟)	20 June 2011	297,500	297,500	0.0084%
Liu Hong (劉虹)	20 June 2011	297,500	297,500	0.0084%
Ding Sheng (丁勝)	20 June 2011	297,500	297,500	0.0084%
Zhang Min (張敏)	20 June 2011	297,500	297,500	0,0084%
Peng Tao (彭濤)	20 June 2011	297,500	297,500	0.0084%
Total		**29,750,000**	**29,750,000**	**0.85%**

5. **The period within which the shares must be exercised under Pre-IPO Share Option Scheme:**

Exercise Period	Number of Options Exercisable
From the Listing Date to the 5th anniversary of the Listing Date	Up to 10% of the total number of options granted
From the 1st anniversary of the Listing Date to the 5th anniversary of the Listing Date	Up to 15% of the total number of options granted
From the 2nd anniversary of the Listing Date to the 5th anniversary of the Listing Date	Up to 20% of the total number of options granted
From the 3rd anniversary of the Listing Date to the 5th anniversary of the Listing Date	Up to 25% of the total number of options granted
From the 4th anniversary of the Listing Date to the 5th anniversary of the Listing Date	Up to 30% of the total number of options granted

6. **The subscription price of a share in respect of any particular option granted under the Pre-IPO Share Option Scheme shall be at a price of HK$0.871 per share.**

MAJOR SUPPLIERS AND CUSTOMERS

During the year under review, the aggregate sales attributable to the Group's five largest customers comprised approximately 1.2% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 0.4% of the Group's total sales. The aggregate purchases during the year under review attributable to the Group's five largest suppliers were approximately 59.1% of the Group's cost of sales and the purchases attributable to the Group's largest supplier were approximately 20.9% of the Group's cost of sales.

So far as to the knowledge of the directors, none of the directors, their associates or substantial shareholders owns more than 5% of the Company's issued share capital nor had any interest in the share capital of any of the five largest customers and suppliers of the Group.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2011 are set out in note 25 to the financial statements.

DONATIONS

Charitable and other donations made by the Group during the year under review amounted to approximately RMB2,997,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

INVESTMENT PROPERTIES, PROPERTIES UNDER DEVELOPMENT, COMPLETED PROPERTIES HELD FOR SALE AND NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Details of the movements in the investment properties of the Group during the year are set out in note 12 to the financial statements. Particulars of investment properties, properties under development, completed properties held for sale and non-current assets classified as held for sale are shown under the section of "Major Properties Information" on the pages 144 to 145.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the period from the date of Listing to 31 December 2011, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Report of the Directors

DIRECTORS

The directors during the year and up to the date of this report are:

Executive Directors:
Mr. Yan Zhi *(Chairman) (appointed on 16 December 2010)*
Mr. Cui Jinfeng *(appointed on 20 June 2011)*
Mr. Fang Li *(appointed on 20 June 2011)*
Ms. Wang Danli *(appointed on 20 June 2011)*

Non-executive Director:
Mr. Fu GaoChao *(appointed on 20 June 2011)*

Independent non-executive Directors:
Ms. Yang Qiongzhen *(appointed on 20 June 2011)*
Mr. Cheung Ka Fai *(appointed on 20 June 2011)*
Mr. Peng Chi *(appointed on 20 June 2011)*

In accordance with article 84 of the Articles, Mr. Cui Jinfeng, Ms. Wang Danli and Mr. Cheung Ka Fai, will retire from the office of Director by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and non-executive Director has entered into a service contract with the Company for a term of three years commencing from 13 July 2011, which may be terminated by not less than three months' notice in writing served by either party on the other. Each independent non-executive Director has entered into an appointment letter with the Company for a term of three years commencing from the date of Listing, which may be terminated by not less than three months' notice in writing served by either party on the other.

None of the Directors being proposed for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

DIRECTORS' REMUNERATION

The Remuneration Committee considers and recommends to the Board the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate. Details of Directors' remuneration are set out in note 7 to the financial statements.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 21 to 25.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed "Connected Transaction" and note 34 to the financial statements, there was no contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party to and in which a Director has a material interest in, whether directly or indirectly, and subsisted at the end of the financial year under review or at any time during the financial year under review.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors held any interests in any competing business against the Company or any of its jointly controlled entities and subsidiaries for the year ended 31 December 2011.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2011, the interests or short positions of each Director and chief executive in the shares, underlying shares or debentures of the Company or its any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are being taken or deemed to have taken under such provision of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of the Company (the "Model Code") as set out in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

(1) Interests in shares of the Company

Name of director	Nature of interest	Number of ordinary shares in the Company	Approximate percentage of shareholding*
Yan Zhi *(Note)*	Interest of a controlled corporation	2,975,000,000	85%

Note: The 2,975,000,000 Shares are held by Zall Development Investment Company Limited, a company which is wholly owned by Yan Zhi.

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2011.

(2) Interests in underlying shares of the Company

Name of director	Nature of interest	Exercised/lapsed/ cancelled share options from 20 June 2011 to 31 December 2011	Number of share options outstanding as at 31 December 2011	Approximate percentage of shareholding upon fully exercise of share options*
Yan Zhi	Beneficial owner	–	14,875,000	0.4214%
Cui Jinfeng	Beneficial owner	–	1,487,500	0.0421%
Fang Li	Beneficial owner	–	1,190,000	0.0337%
Wang Danli	Beneficial owner	–	1,338,750	0.0379%
Fu Gaochao	Beneficial owner	–	1,487,500	0.0421%

Note: Details of the above share options as required by the Listing Rules have been disclosed in the above paragraph headed “Share Option Scheme”.

* The percentage represents the number of underlying shares interested divided by the enlarged issued share capital assuming the relevant share options are exercised.

Save as disclosed above, as at 31 December 2011, none of the directors or chief executive of the Company and their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be maintained under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, the following persons, other than a director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company, being 5% or more in the issued share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Nature of interest	Number of shares	Percentage of shareholding*
Zall Development Investment Company Limited *(Note)*	Beneficial owner	2,975,000,000	85%

Note: Zall Development Investment Company Limited is wholly owned by Yan Zhi.

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2011.

SUFFICIENCY OF PUBLIC FLOAT

The Stock Exchange has exercised its discretion under Rule 8.08(1)(d) of the Listing Rules to accept a lower public float percentage of the Company of 15% and the Company, based on the information available to the Company and to the knowledge of the Directors, confirmed sufficiency of public float at the date of this report.

RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at 20% of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

For the year ended 31 December 2011, the Group's total contributions to the retirement schemes charged in the consolidated income statement amounted to approximately RMB1.6 million (2010: approximately RMB1.0 million).

CONNECTED TRANSACTION

During the year ended 31 December 2011, the Group entered into a connected transaction with its connected persons. The transaction constituted "continuing connected transactions" for the Company under the Listing Rules. Since each of the percentage ratios for the transaction is less than 0.1%, the transaction is exempted from the reporting, annual review, announcement and independent shareholders' approval requirements applicable under Chapter 14A of the Listing Rules as it falls within the de minimis threshold under Rule 14A.33 of the Listing Rules.

Lease agreement with Zall Holding Co., Ltd. ("Zall Holding") (卓爾控股有限公司)

On 23 June 2011, Zall Holding entered into a property lease agreement (the "Lease Agreement") with North Hankou Group Co., Ltd. ("North Hankou Group") (漢口北集團有限公司), a subsidiary of the Company, pursuant to which Zall Holding agreed to lease from North Hankou Group a property situated at 4/F, No. 1A building, 1# Chutian Avenue, Panlongcheng Economic Development Zone, Wuhan, with a total GFA of approximately 50 square meters for office use. The Lease Agreement has a term of three years commencing from 1 January, 2011 to 31 December, 2013 at an annual rent (exclusive of rates and utilities charges) of RMB12,000 for each of the three years ending 31 December, 2011, 2012 and 2013. For the year ended 31 December 2011, the aggregate amount of rent paid by Zall Holding to North Hankou Group amounted to RMB12,000 (2010: RMB12,000).

Zall Holding is owned as to 95% by Mr. Yan Zhi, one of the Company's controlling shareholders, and is a connected person of the Company for the purpose of the Listing Rules. The transaction under the Lease Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

The rent received from Zall Holding under the Lease Agreement was determined on an arm's length basis and reflected the prevailing market rent at that time. The Lease Agreement was entered into on normal commercial terms. The rent payable under the Lease Agreement is to be reviewed every three years, taking into account the market conditions and the prevailing market rent at the relevant time and no less favorable than that offered to independent third parties.

Our Directors (including the independent non-executive Directors) are of the view that the transaction under the Lease Agreement is conducted on normal commercial terms and is fair and reasonable and in the interests of the Company and the Company's shareholders as a whole and is in the ordinary and usual course of the Group's business.

CLOSURE OF REGISTER OF MEMBERS AND THE RECORD DATE

(a) For determining the entitlement to attend and vote at the AGM

The Company's register of members will be closed for three days from Friday, 4 May 2012 to Tuesday, 8 May 2012 (both days inclusive), during which no transfer of shares of the Company will be effected. In order to qualify to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 3 May 2012.

(b) For determining the entitlement to the Final Dividend

The Final Dividend is subject to the approval of shareholders at the AGM. The record date for the determination of entitlement to the Final Dividend for the year ended 31 December 2011 will be on Wednesday, 16 May 2012, that is, the Final Dividend will be paid to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday,16 May 2012. The Company's register of members will be closed for three days from Monday, 14 May 2012 to Wednesday, 16 May 2012 (both days inclusive), during which no transfer of shares of the Company will be effected. In order to qualify for the Final Dividend, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 11 May 2012.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2011 and has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters.

The Audit Committee consists of three independent non-executive Directors: Mr. Cheung Ka Fai, Mr. Peng Chi and Ms. Yang Qiongzhen. Mr. Cheung Ka Fai serves as the chairman of the Audit Committee.

AUDITORS

The consolidated financial statements for the year ended 31 December 2011 have been audited by KPMG, Certified Public Accountants, who shall retire at the forthcoming AGM. A resolution will be proposed at the forthcoming AGM to re-appoint KPMG, Certified Public Accountants, as auditor of the Company.

By order of the Board
Yan Zhi
Chairman

Hong Kong, 20 March 2012

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2011.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Company's shareholders. The Board strives to adhere to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for shareholders of the Company.

The Company has adopted the CG Code contained in Appendix 14 to the Listing Rules as its corporate governance code of practices upon Listing. In the opinion of the Board, save as the deviation sets out below, the Company has complied with the code provisions as set out in the CG Code for the year ended 31 December 2011.

Code Provision A.2.1

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

During the year ended 31 December 2011, the Company has not separated the roles of chairman and chief executive officer of the Company and Mr. Yan Zhi was the chairman and also the chief executive officer of the Company responsible for overseeing the operations of the Group during such period. The Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies currently and in the foreseeable future. The Group will nevertheless review the structure from time to time in light of the prevailing circumstances.

Corporate Governance Report

THE BOARD

The Board consists of 8 Directors, 4 of whom are executive Directors, 1 of whom is non-executive Director and 3 of whom are independent non-executive Directors. The functions and duties conferred on the Board include convening shareholders' meetings and reporting on the work of the Board to the shareholders at shareholders' meetings as may be required by applicable laws, implementing resolutions passed at shareholders' meetings, determining the Company's business plans and investment plans, formulating the Company's annual budget and final accounts, formulating the Company's proposals for dividend and bonus distributions as well as exercising other powers, functions and duties as conferred on it by the Articles and applicable laws. The senior management is delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. The Board meets regularly to review the financial and operating performance of the Company, and considers and approves the overall strategies and policies of the Company. The composition of the Board is well balanced with the directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The executive Directors, non-executive director and independent non-executive Directors bring a variety of experience and expertise to the Company.

The Company has received an annual confirmation of independence from each of its independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. Based on the contents of such confirmation, the Company considers that the three independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in Rule 3.13 of the Listing Rules.

All Directors have separate and independent access to the Company's senior management to fulfill their duties and, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense. All Directors also have access to the company secretary who is responsible for ensuring that the Board procedures, and all applicable rules and regulations, are followed. An agenda and accompanying Board/committee papers are distributed to the Directors/Board committee members with reasonable notice in advance of the meetings. Minutes of Board meetings and meetings of Board committees, which record in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views expressed, are kept by the company secretary and are open for inspection by Directors.

The Company has subscribed appropriate and sufficient insurance coverage on Directors' liabilities in respect of legal actions taken against Directors arising out of corporate activities.

The Board meets regularly to review the financial and operating performance of the Group and considers and approves the overall strategies and policies of the Company.

In accordance with article 84 of the Articles, at each annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

Non-executive Directors

Each of the non-executive Director has entered into a service contract with the Company for a term of three years commencing from 13 July 2011.

BOARD COMMITTEES

As an integral part of sound corporate governance practices, the Board has established the following Board committees to oversee the particular aspects of the Group's affairs. Each of these committees comprises independent non-executive Directors who are being invited to join as members.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2011 and has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters.

The Audit Committee consists of three independent non-executive Directors: Mr. Cheung Ka Fai, Mr. Peng Chi and Ms. Yang Qiongzhen. Mr. Cheung Ka Fai serves as the chairman of the Audit Committee.

The Audit Committee was established on 20 June 2011 and held its meetings on 29 August 2011 and 20 March 2012.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 20 June 2011 with written terms of reference in compliance with the CG Code. The principal responsibilities of the Remuneration Committee are to formulate and recommend remuneration policy to the Board, to determine the remuneration of executive Directors and members of senior management, to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time and to make recommendation on other remuneration related issues. The Board expects the Remuneration Committee to exercise independent judgment and ensures that executive Directors do not participate in the determination of their own remuneration.

The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires.

The Remuneration Committee consists of two independent non-executive Directors: Mr. Peng Chi and Ms. Yang Qiongzhen and one executive Director, Mr. Fang Li. Mr. Peng Chi serves as the chairman of the Remuneration Committee.

The Remuneration Committee held its last meeting on 20 March 2012.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established on 20 June 2011 with its written terms of reference in compliance with the CG code. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, making recommendation to the Board on selection of candidates for directorships, appointment, reappointment of Directors and Board succession and assessing the independence of independent non-executive Directors.

The Nomination Committee consists of two independent non-executive Directors: Ms. Yang Qiongzhen, and Mr. Peng Chi and one executive Director: Mr. Cui Jinfeng. Ms. Yang Qiongzhen serves as the chairman of the Nomination Committee.

The Nomination Committee held its last meeting on 20 March 2012.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

The individual attendance record of each Director at the meetings of the Board, Audit Committee, Remuneration Committee and Nomination Committee from the date of Listing to 31 December 2011 is set out below:

	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Yan Zhi	2/2	N/A	N/A	N/A
Mr. Cui Jinfeng	2/2	N/A	N/A	1/1
Mr. Fang Li	2/2	N/A	1/1	N/A
Ms. Wang Danli	2/2	N/A	N/A	N/A
Non-executive Director				
Mr. Fu Gaochao	2/2	N/A	N/A	N/A
Independent non-executive Directors				
Ms. Yang Qiongzhen	2/2	2/2	1/1	1/1
Mr. Cheung Ka Fai	2/2	2/2	N/A	N/A
Mr. Peng Chi	2/2	2/2	1/1	1/1

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the Directors upon the Listing. The Board confirms that, having made specific enquiries with all Directors, from the date of Listing to 31 December 2011, all Directors have complied with the required standards of the Model Code.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparation of the financial statements for the financial year ended 31 December 2011 which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the applicable statutory requirements and accounting standards. The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report".

AUDITORS' REMUNERATION

For the year ended 31 December 2011, the remuneration paid or payable to the Group's auditors, KPMG, Certified Public Accountants, in respect of their audit and non-audit services are as follows:

Items	**Amount (RMB'000)**
Audit services for 2011	2,016
Non-audit services:	
As Reporting Accountants for Initial Public Offering*	3,452

* *Approximately RMB518,000 was charged against the Company's share premium account upon successful listing of the Company's shares on the Main Board of the Stock Exchange on 13 July 2011. The remaining balance was recognised in the income statement during the year.*

INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal control systems in order to safeguard the Group's assets and shareholders' interests, and review and monitor the effectiveness of the Group's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems in place are adequate. The Group has a process for identifying, evaluating, and managing the significant risks to the achievement of its operational objective. This process is subject to continuous improvement and was in place since the date of Listing and up to the date of this report. The day-to-day operation is entrusted to the individual department, which is accountable for its own conduct and performance, and is required to strictly adhere to the policies set by the Board. The Company carries out reviews on the effectiveness of the internal control systems from time to time in order to ensure that they are able to meet and deal with the dynamic and ever changing business environment.

Corporate Governance Report

The Board has conducted a review and assessment of the effectiveness of the Group's internal control systems including financial, operational and compliance controls and risk management for the year ended 31 December 2011. Internal control department was assigned to assist the Board to perform high-level review of the internal control systems for its business operations and processes. Such review covered the financial, compliance and operational controls as well as risk management mechanisms and assessment was made by discussions with the management of the Company and its external auditors. The Board believes that the existing internal control system is adequate and effective.

DEED OF NON-COMPETITION

The Company has received, from each of the controlling shareholders of the Company, an annual declaration on his/her/its compliance with the undertakings contained in the deed of non-competition (the "Deed of Non-Competition") entered into by each of them in favour of the Company pursuant to which each of the controlling shareholders of the Company has undertaken to the Company that he/she/it will not and will procure that his/her/its associates (other than members of the Group) not to, engage in any of our business including (without limitation) the following activities:

- acquiring, holding, developing, transferring, disposing or otherwise dealing in, whether directly or indirectly, axle components business or related investments;

- engaging, having a right or in any way having an economic interest, in the promotion or development of or investment in axle components business; or

- acquiring, holding, transferring, disposing or otherwise dealing in any option, right or interest over any of the except for acquiring, holding, transferring, disposing or otherwise dealing in, directly or indirectly, shares of any company, joint venture, corporation or entity of any nature, whether or not incorporated, with any interest in the matters set out in the three paragraphs above so long as their aggregate interest in any such entity is less than 5% of its equity interest.

Details of the Deed of Non-Competition were disclosed in the Prospectus under the section headed "Relationship with Our Controlling Shareholders".

The independent non-executive Directors have reviewed and were satisfied that each of the controlling shareholders of the Company has complied with the Deed of Non-Competition for the year ended 31 December 2011.

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of maintaining a clear, timely and effective communication with the shareholders of the Company and investors. The Board also recognizes that effective communication with its investors is critical in establishing investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors and the shareholders of the Company will receive accurate, clear, comprehensive and timely information of the Group through the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate communications on the Company's website at www.zallcn.com. The Board maintains regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group's strategy, operations, management and plans. The Directors and members of various Board committees will attend the annual general meeting of the Company and answer any questions raised. The resolution of every important proposal will be proposed at general meetings separately. The chairman of general meetings of the Company would explain the procedures for conducting a poll before proposing a resolution for voting. The poll results will be announced at general meetings and published on the websites of the Stock Exchange and the Company, respectively. In addition, the Company regularly meets with institutional investors, financial analysts and financial media, and promptly releases information related to any significant progress of the Company, so as to promote the development of the Company through mutual and efficient communications.

Independent Auditor's Report

KPMG

Independent auditor's report to the shareholders of Zall Development (Cayman) Holding Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Zall Development (Cayman) Holding Co., Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 53 to 143, which comprise the consolidated and company statements of financial position as at 31 December 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's consolidated profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

20 March 2012

Consolidated Income Statement

for the year ended 31 December 2011
(Expressed in Renminbi)

	Note	**2011 RMB'000**	2010 RMB'000
Turnover	3	**2,454,208**	769,737
Cost of sales		**(715,174)**	(413,210)
Gross profit		**1,739,034**	356,527
Other net (loss)/income	4	**(44,623)**	216
Other revenue	4	**5,249**	8,249
Selling and distribution expenses		**(43,406)**	(25,074)
Administrative and other expenses		**(110,084)**	(39,854)
Profit from operations before changes in fair value of investment properties		**1,546,170**	300,064
Increase in fair value of investment properties	12	**255,881**	626,563
Profit from operations after changes in fair value of investment properties		**1,802,051**	926,627
Share of losses of a jointly controlled entity	13	**(2,408)**	(4,755)
Finance income	5(a)	**5,108**	626
Finance costs	5(a)	**(6,996)**	(925)
Profit before taxation		**1,797,755**	921,573
Income tax	6(a)	**(613,880)**	(288,387)
Profit for the year		**1,183,875**	633,186
Attributable to:			
Equity shareholders of the Company		**1,194,732**	635,072
Non-controlling interests		**(10,857)**	(1,886)
Profit for the year		**1,183,875**	633,186
Earnings per share	10		
Basic (RMB)		**0.34**	0.18
Diluted (RMB)		**0.34**	0.18

The notes on pages 62 to 143 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in notes 30(g)(i) and (ii).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011
(Expressed in Renminbi)

	2011 RMB'000	2010 RMB'000
Profit for the year	**1,183,875**	633,186
Other comprehensive income for the year:		
Exchange differences on translation of financial statements of subsidiaries in other jurisdictions, net of nil tax	**(21,347)**	59
Total comprehensive income for the year	**1,162,528**	633,245
Attributable to:		
Equity shareholders of the Company	**1,173,385**	635,131
Non-controlling interests	**(10,857)**	(1,886)
Total comprehensive income for the year	**1,162,528**	633,245

The notes on pages 62 to 143 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2011

(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	11	**20,627**	18,170
Investment properties	12	**3,773,100**	2,205,250
Interest in a jointly controlled entity	13	**42,135**	44,543
		3,835,862	2,267,963
Current assets			
Properties under development	16(a)	**2,695,545**	1,557,630
Completed properties held for sale	17	**449,920**	119,127
Inventories	18	**248**	193
Current tax assets	14(a)	**3,360**	39,529
Trade and other receivables, prepayments	19	**903,660**	289,822
Available-for-sale unlisted equity securities		**500**	500
Other financial assets		**10,000**	—
Restricted cash	20	**19,329**	12,800
Cash and cash equivalents	21	**970,540**	304,874
		5,053,102	2,324,475
Non-current assets classified as held for sale	23	**195,000**	495,580
		5,248,102	2,820,055
Current liabilities			
Trade and other payables	24	**1,816,584**	1,730,269
Bank loans	25	**374,454**	167,000
Current tax liabilities	14(a)	**382,433**	28,917
Deferred income	26	**608,348**	566,286
		3,181,819	2,492,472
Liabilities directly associated with non-current assets classified as held for sale	23	**44,109**	130,528
		3,225,928	2,623,000
Net current assets		**2,022,174**	197,055

The notes on pages 62 to 143 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Total assets less current liabilities		**5,858,036**	2,465,018
Non-current liabilities			
Bank loans	25	**1,003,900**	172,693
Long term payable	27	**6,376**	5,378
Deferred income	26	**7,035**	10,885
Deferred tax liabilities	14(b)	**534,742**	477,259
		1,552,053	666,215
NET ASSETS		**4,305,983**	1,798,803
EQUITY			
Share capital	30	**29,071**	—
Reserves		**3,773,473**	1,750,894
Total equity attributable to equity shareholders of the Company		**3,802,544**	1,750,894
Non-controlling interests		**503,439**	47,909
TOTAL EQUITY		**4,305,983**	1,798,803

Approved and authorised for issue by the board of directors on 20 March 2012.

Yan Zhi
Chairman

Wang Danli
Executive Director

The notes on pages 62 to 143 form part of these financial statements.

Statement of Financial Position

at 31 December 2011

(Expressed in Renminbi)

	Note	**2011 RMB'000**	2010 RMB'000
Non-current assets			
Interests in subsidiaries	15	**979,572**	—
Current assets			
Dividends receivable		**279,198**	—
Cash and cash equivalents		**4,305**	—
		283,503	—
Current liabilities			
Trade and other payables	24	**43,674**	—
		43,674	—
Net current assets		**239,829**	
Total assets less current liabilities		**1,219,401**	—
NET ASSETS		**1,219,401**	—
EQUITY			
Share capital	30	**29,071**	—
Reserves	30	**1,190,330**	—
TOTAL EQUITY		**1,219,401**	—

Approved and authorised for issue by the board of directors on 20 March 2012.

Yan Zhi
Chairman

Wang Danli
Executive Director

The notes on pages 62 to 143 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company								
	Note	Share capital RMB'000	PRC Statutory reserve 30(c)(ii) RMB'000	Other reserve 30(c)(v) RMB'000	Equity-settled share based payment reserve 30(c)(iv) RMB'000	Exchange reserve 30(c)(iii) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests 30(d)(ii) RMB'000	Total equity RMB'000
At 1 January 2010		212,600	5,410	(3,168)	–	581	1,249,685	1,465,108	70,258	1,535,366
Changes in equity for 2010:										
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 additional equity interests in subsidiaries	30(d)(ii)	–	–	4,111	–	–	–	4,111	(20,111)	(16,000)
Deemed contribution arising from disposals of subsidiaries to the controlling equity owners	30(c)(v)	–	–	2,738	–	–	–	2,738	(348)	2,390
Reorganisation	30(c)(v)	(212,600)	–	(7,316)	–	–	–	(219,916)	–	(219,916)
Deemed partial disposal of equity interest in a subsidiary	30(c)(v)	–	–	4	–	–	–	4	(4)	–
Transfer to PRC statutory reserve		–	1,604	–	–	–	(1,604)	–	–	–
Dividend declared during the year	30(g)(ii)	–	–	–	–	–	(144,975)	(144,975)	–	(144,975)
Equity-settled share based transaction	29	–	–	–	8,693	–	–	8,693	–	8,693
At 31 December 2010 and 1 January 2011		–	7,014	(3,631)	8,693	640	1,738,178	1,750,894	47,909	1,798,803

The notes on pages 62 to 143 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

(Expressed in Renminbi)

	Note	Share capital	Share premium	PRC Statutory reserve	Other reserve	Equity-settled share based payment reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
		Attributable to equity shareholders of the Company									
			30(c)(i)	30(c)(ii)	30(c)(v)	30(c)(iv)	30(c)(iii)			30(d)(i)	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011		–	–	7,014	(3,631)	8,693	640	1,738,178	1,750,894	47,909	1,798,803
Changes in equity for 2011:											
Profit for the year		–	–	–	–	–	–	1,194,732	1,194,732	(10,857)	1,183,875
Other comprehensive income		–	–	–	–	–	(21,347)	–	(21,347)	–	(21,347)
Total comprehensive income		–	–	–	–	–	(21,347)	1,194,732	1,173,385	(10,857)	1,162,528
Transfer to PRC statutory reserve		–	–	68,302	–	–	–	(68,302)	–	–	–
Capital injection from non-controlling interests	30(d)(i)	–	–	–	–	–	–	–	–	80,540	80,540
Dividends declared during the year	30(g)(i)/(ii)	–	–	–	–	–	–	(242,359)	(242,359)	–	(242,359)
Equity-settled share based transaction	29	–	–	–	–	12,567	–	–	12,567	–	12,567
Issue of shares, net of listing expenses	30(b)(iii)(b)	4,361	1,204,399	–	–	–	–	–	1,208,760	–	1,208,760
Capitalisation issue	30(b)(iii)(c)	24,710	(24,710)	–	–	–	–	–	–	–	–
Acquisition of additional equity interests in subsidiaries	30(d)(i)	–	–	–	(100,703)	–	–	–	(100,703)	(117,297)	(218,000)
Acquisition of subsidiaries	35	–	–	–	–	–	–	–	–	503,144	503,144
At 31 December 2011		29,071	1,179,689	75,316	(104,334)	21,260	(20,707)	2,622,249	3,802,544	503,439	4,305,983

The notes on pages 62 to 143 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2011

(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Operating activities			
Cash (used in)/generated from operations	22	**(224,586)**	467,210
PRC tax paid		**(253,129)**	(110,524)
Net cash (used in)/generated from operating activities		**(477,715)**	356,686
Investing activities			
Payment for the purchase of property, plant and equipment		**(4,442)**	(2,236)
Proceeds from sale of property, plant and equipment		**—**	626
Interest received		**5,108**	466
Payment for acquisition of subsidiaries	35	**(470,815)**	—
Payment for acquisition of available-for-sale unlisted equity securities		**—**	(10,000)
Proceeds received from disposal of available-for-sale unlisted equity securities		**—**	10,249
Payment for acquisition of other financial assets		**(10,000)**	—
Net cash used in investing activities		**(480,149)**	(895)
Financing activities			
Issue of new shares, net of listing expenses	30(b)(iii)	**1,208,760**	—
Proceeds from new bank loans		**1,054,700**	151,300
Repayment of bank loans		**(171,100)**	(78,500)
(Increase)/decrease in restricted cash		**(6,529)**	18,843
Interest and other borrowing costs paid		**(63,178)**	(19,909)
Dividends paid to equity shareholders of the Company	30(g)(i)/(ii)	**(242,359)**	—
Net cash flow from disposal of subsidiaries to the Controlling Equity Owners		**—**	64,465
(Increase)/decrease in the amount due from the Controlling Equity Owners		**(2,718)**	21,127
Decrease/(increase) in the amount due from Zall Holding Co., Ltd.		**4,761**	(51,085)
Acquisition of additional equity interests in subsidiaries		**(218,000)**	(16,000)
Capital injection from non-controlling equity holders		**80,540**	—
Deem distribution related to acquisition of subsidiaries from Zall Holding Co., Ltd.		**—**	(219,916)
Net cash generated from/(used in) financing activities		**1,644,877**	(129,675)

Consolidated Cash Flow Statement

for the year ended 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Net increase in cash and cash equivalents		**687,013**	226,116
Cash and cash equivalents at 1 January	21	**304,874**	78,758
Effect of foreign exchange rate changes		**(21,347)**	—
Cash and cash equivalents at 31 December	21	**970,540**	304,874

The notes on pages 62 to 143 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise stated)

1 Significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

(b) Basis of preparation and presentation of the consolidated financial statements

Zall Development (Cayman) Holding Co., Ltd. (the "Company") was incorporated in the Cayman Islands on 22 September 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

Pursuant to a reorganisation of the Company and its subsidiaries (together referred to as the "Group") to rationalise the group structure in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange (the "Reorganisation"), the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 30 June 2011 (the "Prospectus"). The Company's shares were listed on the Main Board of the Stock Exchange on 13 July 2011.

The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries and a jointly controlled entity.

1 Significant accounting policies (Continued)

(b) Basis of preparation and presentation of the consolidated financial statements (Continued)

These consolidated financial statements are presented in Renminbi ("RMB") rounded to the nearest thousand. The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that available-for-sale unlisted equity securities (note 1(f)), other financial assets (note 1(i)) and investment properties (note 1(j)) are measured at their fair value.

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

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

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

1 Significant accounting policies (Continued)

(c) Changes in accounting policies

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

— IAS 24 (revised 2009), *Related party disclosures*

— Improvements to IFRSs (2010)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 37).

The impacts of these developments are discussed below:

- IAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. IAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

- Improvements to IFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in IFRS 7, *Financial instruments: Disclosures*. The disclosures about the Group's financial instruments in note 31 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

1 Significant accounting policies (Continued)

(d) 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.

An investment in a subsidiary is consolidated into the consolidated financial statements 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 consolidated financial statements. 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 period 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(o), (p) or (w) 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.

1 Significant accounting policies (Continued)

(d) Subsidiaries and non-controlling interests (Continued)

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(f)) or, when appropriate, the cost on initial recognition of an investment in a jointly controlled entity (see note 1(e)).

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

(e) 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 in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted 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(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses 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 investee. 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.

1 Significant accounting policies (Continued)

(e) Jointly controlled entities (Continued)

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entities 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 profit or loss.

When the Group ceases to have significant influence or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint 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(f)).

In the Company's statement of financial position, jointly controlled entities are stated at cost less impairment losses (see note 1(k)).

(f) 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 (note 1(k)), 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.

1 Significant accounting policies (Continued)

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

	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%

Items of property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (note 1(k)).

Construction in progress is stated in the statement of financial position at cost less impairment losses (note 1(k)).

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 (note 1(w)).

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.

1 Significant accounting policies (Continued)

(g) Property, plant and equipment and construction in progress (Continued)

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:

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.

(h) 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.

1 Significant accounting policies (Continued)

(h) Leased assets (Continued)

(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 (note 1(j)) and property under development for sales and completed property held for sale (note 1(l)).

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.

(i) Other financial assets

Other financial assets are classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Other financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group’s documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

1 Significant accounting policies (Continued)

(j) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (note 1(h)) 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 statement 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 in note 1(u)(ii).

(k) 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.

1 Significant accounting policies (Continued)

(k) Impairment of assets (Continued)

(i) Impairment of trade and other receivables (Continued)

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;

- Investments in subsidiaries;

- Investments in a jointly controlled entity;

1 Significant accounting policies (Continued)

(k) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

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.

1 Significant accounting policies (Continued)

(l) 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 (note 1(h)), aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 1(w)). 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.

(m) 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.

1 Significant accounting policies (Continued)

(n) 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(k)), 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.

(o) 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 profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. 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.

(q) 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.

1 Significant accounting policies (Continued)

(r) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits 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).

1 Significant accounting policies (Continued)

(s) 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 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 reporting period, and any adjustment to tax payable in respect of previous years.

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.

1 Significant accounting policies (Continued)

(s) Income tax (Continued)

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.

1 Significant accounting policies (Continued)

(t) Financial guarantees issued, 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 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 or the Company 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.

1 Significant accounting policies (Continued)

(t) Financial guarantees issued, provisions and contingent liabilities (Continued)

(ii) Other provisions and contingent liabilities (Continued)

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.

(u) 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) Sales of properties

Revenue from sales of properties is recognised 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 statement of financial position as receipts in advance.

1 Significant accounting policies (Continued)

(u) Revenue recognition (Continued)

(ii) Rental income from operating leases

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 statement 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.

1 Significant accounting policies (Continued)

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of 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 a foreign currency are translated using the foreign 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 foreign exchange rates ruling at the dates the fair value was determined.

The results of operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the closing foreign exchange rates 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 a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) 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.

1 Significant accounting policies (Continued)

(x) 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 items, even if held for sale, would continue to be measured in accordance with the policies set out in note 1(s) and note 1(j).

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 non-current 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.

(y) Related parties

(i) A person, or a close member of that person's family is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or the Group's parent.

1 Significant accounting policies (Continued)

(y) Related parties (Continued)

(ii) An entity is related to the Group if any of the following conditions applies:

(a) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to others);

(b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(c) both entities are joint ventures of the same third party;

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(f) the entity is controlled or jointly-controlled by a person identified in (i);

(g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial 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.

1 Significant accounting policies (Continued)

(z) Segment reporting (Continued)

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 Accounting judgement and estimates

Estimates and judgements used in preparing the financial statements 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. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

Note 31 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(l), 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.

2 Accounting judgement and estimates (Continued)

(a) Impairment (Continued)

In addition, 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 realisation 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 6(b)(iii), 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.

2 Accounting judgement and estimates (Continued)

(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 estimates.

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(j), 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 valuer 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.

2 Accounting judgement and estimates (Continued)

(f) Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management on determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after their completion, whereas, the properties are accounted for as investment properties under construction if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale, while the properties held to earn rentals and/or for capital appreciation are transferred to investment properties.

(g) 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.

3 Turnover and segment reporting

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

Turnover represents 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.

3 Turnover and segment reporting (Continued)

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

	2011 RMB'000	2010 RMB'000
Sales of properties	2,439,121	750,762
Property management services	3,609	681
Rental income	11,051	4,133
Advertising income	427	12,301
Other ancillary services income	—	1,860
	2,454,208	769,737

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

4 Other net (loss)/income and other revenue

	2011 RMB'000	2010 RMB'000
Other net (loss)/income		
Loss on disposal of non-current assets held for sale	(44,623)	—
Gain on sale of property, plant and equipment	—	216
	(44,623)	216
Other revenue		
Government grant	3,500	8,000
Forfeited deposits and compensation from customers	1,481	—
Investment income from available-for-sale unlisted equity securities	—	249
Others	268	—
	5,249	8,249

5 Profit before taxation

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

	2011 RMB'000	2010 RMB'000
(a) Finance costs/(income):		
Interest on bank loans	**47,583**	14,877
Other borrowing costs	**20,656**	2,970
Less: amounts capitalised into properties under development and investment properties (note)	**(62,729)**	(17,847)
	5,510	—
Bank charge and others	**1,486**	925
Interest income	**(5,108)**	(626)
	1,888	299

Note: The borrowing costs have been capitalised at rates ranging from 5.67%–9.66% per annum in the year ended 31 December 2011 (2010: 5.60%–7.02% per annum).

	2011 RMB'000	2010 RMB'000
(b) Staff costs:		
Contributions to defined contribution retirement plan	**1,557**	1,037
Salaries, wages and other benefits	**26,369**	18,413
Equity-settled share-based payment expenses	**12,567**	8,693
	40,493	28,143

5 Profit before taxation (Continued)

	2011 RMB'000	2010 RMB'000
(c) Other items:		
Depreciation	**3,065**	2,689
Amortisation	**—**	25
Auditors' remuneration — statutory audit services	**2,027**	354
Cost of properties sold	**713,039**	404,530

6 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2011 RMB'000	2010 RMB'000
Current tax		
PRC Corporate Income Tax ("CIT")	**443,021**	57,056
PRC Land Appreciation Tax ("LAT")	**199,794**	27,316
	642,815	84,372
Deferred tax		
Origination and reversal of temporary differences	**(28,935)**	204,015
	613,880	288,387

6 Income tax in the consolidated income statement (Continued)

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

	2011 RMB'000	2010 RMB'000
Profit before taxation	**1,797,755**	921,573
Income tax computed by applying the tax rate of 25% to profit before taxation	**449,439**	230,393
Tax effect of non-PRC entities not subject to PRC CIT	**6,978**	2,503
Tax rate differential	**1,619**	—
Withholding income tax on dividends declared	**14,500**	—
Tax effect of non-deductible expenses	**2,282**	1,572
Effect on deductible temporary differences not recognised	**1,572**	4,293
Tax effect of unused tax losses not recognised	**4,374**	3,121
Withholding tax on undistributed profits of PRC subsidiaries	**4,301**	—
LAT in relation to completed properties sold	**146,166**	27,316
LAT in relation to non-current assets classified as held for sale	**25,587**	34,691
Tax effect on LAT	**(42,938)**	(15,502)
Income tax expense	**613,880**	288,387

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

No provision for Hong Kong Profits Tax was made as the Group did not earn any income subject to Hong Kong Profits Tax for the period.

(ii) PRC CIT

The provision for CIT has been calculated at the applicable tax rates on the estimated assessable profits of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The CIT rate applicable to the Group's subsidiaries located in the PRC is 25% (2010: 25%).

6 Income tax in the consolidated income statement (Continued)

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

(iii) PRC LAT

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

In addition, certain subsidiaries of the Group were subject to LAT which is calculated based on 3% to 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.

(iv) Withholding tax

The PRC Corporate Income Tax Law and its implementation rules impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividends distributed by PRC-resident enterprises to their non-PRC-resident corporate investors for profits earned since 1 January 2008. Under the Sino-Hong Kong Double Tax Arrangement, a qualified Hong Kong tax resident is entitled to a reduced withholding tax rate of 5% if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interest of the PRC enterprise directly.

Since the Group could control the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

7 Directors' remuneration

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	For the year ended 31 December 2011				
	Directors' fee RMB'000	Salaries allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payment (note) RMB'000	Total RMB'000
Chairman:					
Yan Zhi	–	360	9	6,284	6,653
Executive directors:					
Wang Danli	–	360	9	565	934
Cui Jinfeng	–	75	9	628	712
Fang Li	–	60	9	503	572
Non-executive director:					
Fu Gaochao	–	81	9	628	718
Independent non-executive directors*:					
Yang Qiongzhen	–	83	–	–	83
Cheung Ka Fai	–	83	–	–	83
Peng Chi	–	83	–	–	83
	–	1,185	45	8,608	9,838

* The independent non-executive directors were appointed on 20 June 2011.

7 Directors' remuneration (Continued)

	For the year ended 31 December 2010				
	Directors' fee RMB'000	Salaries allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payment (note) RMB'000	Total RMB'000
Chairman:					
Yan Zhi	—	360	4	4,346	4,710
Executive directors:					
Wang Danli	—	210	2	391	603
Cui Jinfeng	—	75	4	435	514
Fang Li	—	60	3	348	411
Non-executive director:					
Fu Gaochao	—	81	4	435	520
	—	786	17	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(r)(iii), and the details are disclosed in note 29.

During the year ended 31 December 2011, no amount was paid or payable by the Company to the Directors or any of the 5 highest paid individuals set out in note 8 as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a Director waived or agreed to waive any remuneration (2010: RMB Nil).

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2010: three) are directors whose emoluments are disclosed in note 7. The emoluments in respect of the other three (2010: two) individual are as follows:

	2011 RMB'000	2010 RMB'000
Salaries and other emoluments	**1,437**	333
Retirement scheme contributions	**17**	4
Equity-settled share-based payment expenses	**679**	470
	2,133	807

The emoluments of the three (2010: two) individual with the highest emoluments are within the following bands:

	2011 Number of individuals	2010 Number of individuals
HK$		
Nil–1,000,000	**2**	2
1,000,001–1,500,000	**1**	—

9 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss for the year of RMB20,794,000 (2010: RMB Nil) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2011 RMB'000	2010 RMB'000
Amount of consolidated loss attributable to equity shareholders dealt with in the Company's financial statements	(20,794)	—
Dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	271,581	—
Company's profit for the year (note 30(a))	250,787	—

Details of dividends paid and payable to equity shareholders of the Company are set out in note 30(g).

(Expressed in Renminbi unless otherwise stated)

10 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company of RMB1,194,732,000 (2010: RMB635,072,000) and 3,500,000,000 ordinary shares in issue as at date of these financial statements, as if the public offering had been completed at the beginning of the years presented.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,194,732,000 (2010: RMB635,072,000) divided by the weighted average number of ordinary shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's Pre-IPO Share Option Scheme (note 29), calculated as follows:

	2011	2010
Number of share assumed to be in issue at 1 January	**3,500,000,000**	3,500,000,000
Effect of deemed issue of ordinary shares under the Company's Pre-IPO Share Option Scheme	**29,750,000**	29,750,000
Weighted average number of ordinary shares (diluted) at 31 December	**3,529,750,000**	3,529,750,000

11 Property, plant and equipment

	Buildings RMB'000	Motor vehicles RMB'000	Furniture, office equipment and others RMB'000	Total RMB'000
Cost:				
At 1 January 2010	9,081	10,350	2,628	22,059
Other additions	—	1,373	957	2,330
Disposals of subsidiaries	—	—	(241)	(241)
Disposals	(329)	—	—	(329)
At 31 December 2010/1 January 2011	**8,752**	**11,723**	**3,344**	**23,819**
Additions	329	2,498	1,615	4,442
Additions through acquisition of subsidiaries	—	942	138	1,080
At 31 December 2011	**9,081**	**15,163**	**5,097**	**29,341**
Accumulated depreciation:				
At 1 January 2010	1,220	1,475	404	3,099
Charge for the year	424	1,776	489	2,689
Disposals of subsidiaries	—	—	(60)	(60)
Written back on disposals	(79)	—	—	(79)
At 31 December 2010/1 January 2011	**1,565**	**3,251**	**833**	**5,649**
Charge for the year	329	2,132	604	3,065
At 31 December 2011	**1,894**	**5,383**	**1,437**	**8,714**
Net book value:				
At 31 December 2011	**7,187**	**9,780**	**3,660**	**20,627**
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 2011, certain building of the Group with carrying value of RMB2,420,000 was without building ownership certificate (2010: RMB2,571,000). The Group was in progress of applying for the relevant building ownership certificates.

12 Investment properties

	Investment Properties RMB'000	Investment properties under development RMB'000	Total RMB'000
At 1 January 2010	514,000	1,398,800	1,912,800
Additions	—	161,467	161,467
Fair value adjustments	45,582	580,981	626,563
Transfer to investment properties	569,248	(569,248)	—
Transfer to non-current assets held for sale	(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
Fair value adjustments	792,052	1,071,108	1,863,160
	1,012,450	1,192,800	2,205,250
At 1 January 2011	**1,012,450**	**1,192,800**	**2,205,250**
Additions through acquisition of subsidiaries	—	1,059,752	1,059,752
Additions	—	243,584	243,584
Fair value adjustments	135,350	130,949	266,299
Transfer to investment properties	994,200	(994,200)	—
Transfer to non-current assets held for sale	—	(1,785)	(1,785)
At 31 December 2011	**2,142,000**	**1,631,100**	**3,773,100**
Representing:			
Cost	453,565	1,191,331	1,644,896
Fair value adjustments	1,688,435	439,769	2,128,204
	2,142,000	1,631,100	3,773,100
Book value:			
At 31 December 2011	**2,142,000**	**1,631,100**	**3,773,100**
At 31 December 2010	1,012,450	1,192,800	2,205,250

12 Investment properties (Continued)

The Group's investment properties were revalued as at 31 December 2011 by an independent firm of surveyors, Savills Valuation and Professional Services Limited ("Savills") whom have recent experience in the location and category of property being valued. The valuation were carried out by Savills with reference to market value of property interest, which intended to be the estimated amount for which a property should be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. In valuing the property interest in the PRC, Savills has adopted the investment approach (income approach) by taking into account the current rental income of the property interest and the reversionary potential of the tenancy, and also adopted the direct comparison approach and made reference to the recent transactions for similar premises in the proximity. Adjustments have been made for the differences in transaction dates, building age, floor area etc, between the comparable properties and the subject property.

Certain bank loans granted to the Group were jointly secured by investment properties and investment properties under development with an aggregate book value of RMB2,671,534,000 (2010: RMB691,831,000) (note 25).

The Group's investment properties are held on leases of between 40 to 70 years in the PRC as at 31 December 2011 and 31 December 2010.

13 Interest in a jointly controlled entity

	The Group	
	2011	2010
	RMB'000	RMB'000
Share of net assets	**42,135**	44,543
Representing:		
Share of net assets as at 1 January	**44,543**	49,298
Share of losses	**(2,408)**	(4,755)
Share of net assets as at 31 December	**42,135**	44,543

13 Interest in a jointly controlled entity (Continued)

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

Name of company	Date and place of establishment	Registered/ paid-in capital	Effective interest held registered by the Group 2010	2011	Principal activity
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 company. The English translation of the company name is for reference only. The official name of this company is in Chinese.

Summary financial information on the jointly controlled entity

	Assets RMB'000	Liabilities RMB'000	Equity RMB'000	Revenue RMB'000	Loss for the year RMB'000
2011					
100 per cent	**752,907**	**(668,637)**	**84,270**	**–**	**(4,816)**
Group's effective interest	**376,454**	**(334,319)**	**42,135**	**–**	**(2,408)**
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 statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	The Group	
	2011 RMB'000	2010 RMB'000
Current tax recoverable:		
PRC Corporate Income Tax	**420**	—
PRC Land Appreciation Tax	**2,940**	39,529
	3,360	39,529
Current tax payable:		
PRC Corporate Income Tax	**364,993**	27,615
PRC Land Appreciation Tax	**17,440**	1,302
	382,433	28,917

14 Income tax in the consolidated statement of financial position (Continued)

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Provision for PRC Land Appreciation Tax RMB'000	Fair value adjustments for investment properties RMB'000	Withholding tax on profits of PRC subsidiaries RMB'000	Temporary difference on promotion expense RMB'000	Others RMB'000	Total RMB'000
Deferred tax arising from:						
At 1 January 2010	781	(413,659)	–	9,025	81	(403,772)
Charged to the consolidated income statement	(36,334)	(156,641)	–	(9,025)	(2,015)	(204,015)
Transfer to liabilities directly associated with non-current assets classified as held for sale	26,018	104,510	–	–	–	130,528
At 31 December 2010	(9,535)	(465,790)	–	–	(1,934)	(477,259)
At 1 January 2011	**(9,535)**	**(465,790)**	**–**	**–**	**(1,934)**	**(477,259)**
Credited/(charged) to the consolidated income statement	**13,108**	**(66,575)**	**(4,301)**	**–**	**(29)**	**(57,797)**
Transfer to liabilities directly associated with non-current assets classified as held for sale	**–**	**314**	**–**	**–**	**–**	**314**
At 31 December 2011	**3,573**	**(532,051)**	**(4,301)**	**–**	**(1,963)**	**(534,742)**

14 Income tax in the consolidated statement of financial position (Continued)

(b) Deferred tax assets and liabilities recognised: (Continued)

	The Group	
	2011	2010
	RMB'000	RMB'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	**534,742**	477,259

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(s), the Group has not recognised deferred tax assets in respect of unused tax losses of RMB36,987,000 as at 31 December 2011 (2010: RMB19,490,000). 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:

	The Group	
	2011	2010
	RMB'000	RMB'000
2013	**556**	1,586
2014	**3,842**	5,406
2015	**10,446**	12,498
2016	**22,143**	—

(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 Agreement, 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.

14 Income tax in the consolidated statement of financial position (Continued)

(d) Deferred tax liabilities not recognised (Continued)

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.

As at 31 December 2011, 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 RMB946,138,000 (2010: RMB53,299,000).

15 Interests in subsidiaries

	The Company	
	2011	2010
	RMB'000	RMB'000
Unlisted investment, at cost	**—**	—
Capital contribution to subsidiaries	**15,811**	—
Amounts due from subsidiaries	**963,761**	—
	979,572	—

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The balances are expected to be recovered after more than one year.

(Expressed in Renminbi unless otherwise stated)

15 Interests in subsidiaries (Continued)

The following list contains the particulars of principal subsidiaries of the Group at 31 December 2011. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	held by the Company	held by a subsidiary	Principal activity
Zall Development (BVI) Holding Company Limited (卓爾發展(BVI)控股有限公司)	10 September 2010 British Virgin Islands ("BVI")	HK$1	100%	100%	–	Investment holding
Zall Development (HK) Holding Company Limited ("Zall Hong Kong" or (卓爾發展 (香港) 控股有限公司)	25 March 2003 Hong Kong	HK$100	100%	–	100%	Investment holding
Zall Development (Wuhan) Co., Ltd. ("Zall Development China" or 卓爾發展 (武漢) 有限公司*)	23 October 1998 The PRC	HK$2,800,000	100%	–	100%	Investment holding
North Hankou Group Co., Ltd. ("North Hankou Group" or 漢口北集團有限公司*)	11 February 2009 The PRC	RMB59,600,000	100%	–	100%	Investment holding
Zall Investment Group Co., Ltd. ("Zall Investment Group" or 卓爾投資集團有限公司*)	31 December 2004 The PRC	RMB100,000,000	100%	–	100%	Investment holding and property development

(Expressed in Renminbi unless otherwise stated)

15 Interests in subsidiaries (Continued)

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest	held by the Company	held by a subsidiary	Principal activity
Wuhan Logistics Enterprise Community Investment Development Co., Ltd. (武漢物聯港投資開發有限公司*)	3 March 2011 The PRC	RMB30,000,000	100%	–	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	RMB1,000,000	100%	–	100%	Property development
Wuhan North Hankou Trade Market Investment Co., Ltd. (武漢漢口北商貿市場投資有限公司*)	16 April 2007 The PRC	RMB55,000,000	100%	–	100%	Property development
Wuhan North Hankou Market Management Co., Ltd. (武漢漢口北市場管理有限公司*)	14 March 2008 The PRC	RMB1,000,000	100%	–	100%	Property management
Wuhan North Hankou Logistics Co., Ltd. (武漢漢口北物流有限公司*)	14 January 2009 The PRC	RMB10,000,000	100%	–	100%	Logistics management
Wuhan North Hankou Commercial Services Co., Ltd. (武漢漢口北商業服務有限公司*)	12 March 2009 The PRC	RMB1,000,000	100%	–	100%	Property management

(Expressed in Renminbi unless otherwise stated)

15 Interests in subsidiaries (Continued)

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: held by the Company	Proportion of ownership interest: held by a subsidiary	Principal activity
Wuhan North Hankou Shangqing Advertising Co., Ltd. (武漢漢口北商情廣告有限公司*)	11 December 2008 The PRC	RMB1,500,000	100%	–	100%	Advertising services
Wuhan North Hankou Xincheng Construction Co., Ltd. (武漢漢口北新城建設有限公司*)	4 January 2010 The PRC	RMB1,000,000	100%	–	100%	Property development
Wuhan Zongbu Jidi Construction Co., Ltd. (武漢總部基地建設有限公司*)	9 January 2007 The PRC	RMB20,000,000	100%	–	100%	Property development
Wuhan Zall Center Investment Co., Ltd. (武漢卓爾中心投資有限公司*)	12 August 1996 The PRC	RMB30,000,000	100%	–	100%	Property development
Wuhan Eastern Zall Properties Co., Ltd. ("Wuhan Zall Easter Properties" or 武漢東方卓爾置業有限公司*)	10 October 2007 The PRC	RMB30,000,000	100%	–	100%	Property development
Wuhan Salon Investment Co., Ltd. (武漢客廳投資有限公司*)	27 April 2010 The PRC	RMB30,000,000	100%	–	100%	Property development

(Expressed in Renminbi unless otherwise stated)

15 Interests in subsidiaries (Continued)

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: held by the Company	Proportion of ownership interest: held by a subsidiary	Principal activity
Wuhan Zall City Investment and Development Co., Ltd. ("Zall City Investment and Development" or 武漢卓爾城投資發展有限公司*)	8 April 2010 The PRC	RMB50,000,000	100%	–	100%	Property development
Wuhan Zall Property Management Co., Ltd. ("Wuhan Zall Property Management" or 武漢卓爾物業管理有限公司*)	24 October 2005 The PRC	RMB3,000,000	100%	–	100%	Property management
Hubei Zhuohua Real Estate Co., Ltd. ("Zhuohua Real Estate" or 武漢卓華地產有限公司*)	2 September 2009 The PRC	RMB246,000,000	100%	–	100%	Property development
Hubei Hu Pan Hao Ting Real Estate Development Co., Ltd. (湖北湖畔豪庭房地產開發有限公司*)	26 April 2004 The PRC	RMB50,000,000	100%	–	100%	Property development
Wuhan Xinrui Real Estate Development Co., Ltd. (武漢新銳房地產開發有限公司*)	22 June 2004 The PRC	RMB20,000,000	100%	–	100%	Property development
Wuhan Panlong Zall Properties Co., Ltd. ("Wuhan Panlong Properties" or 武漢盤龍卓爾置業有限公司*)	29 December 2009 The PRC	RMB10,000,000	100%	–	100%	Property development

(Expressed in Renminbi unless otherwise stated)

15 Interests in subsidiaries (Continued)

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: held by the Company	Proportion of ownership interest: held by a subsidiary	Principal activity
Wuhan Development (Xiangyang) Co., Ltd. (卓爾發展 (襄陽) 有限公司*)	8 April 2011 The PRC	HK$20,000,000/ HK$3,000,000	100%	–	100%	Advertising services
Zhen An Wuhan Company Limited ("Zhen An Wuhan" or 正安實業 (武漢) 有限公司*)	18 October 1996 The PRC	USD17,500,000	51%	–	51%	Property development
Zall Development (Shenyang) Co., Ltd. (卓爾發展 (瀋陽) 有限公司)	25 October 2011 The PRC	USD192,765,000/ USD65,540,731	100%	–	100%	Property development
Wuhan Zall Football Club Co., Ltd. (武漢卓爾職業足球俱樂部有限公司)	9 February 2011 The PRC	RMB15,000,000	100%	–	100%	Football Club
Shaanxi Zall Western Regions Industrial Development Ltd. ("Zall Shaanxi") (陜西卓爾西域實業發展有限公司*)	22 December 2011 The PRC	RMB100,000,000/ RMB30,000,000	70%	–	70%	Property development
Zhen An Properties Limited ("Zhen An Properties" or 正安資產 (開曼群島) 實業股份有限公司)	21 November 1997 Cayman Island	USD10,000,000/ USD8,010,000	100%	–	100%	Investment holding

* 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.

16 Properties under development

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

	The Group	
	2011	2010
	RMB'000	RMB'000
Expected to be recovered within one year		
Properties under development for sale	**1,057,527**	515,381
Expected to be recovered after more than one year		
Properties held for future development for sale	**298,040**	889,905
Properties under development for sale	**1,339,978**	152,344
	1,638,018	1,042,249
	2,695,545	1,557,630

As at 31 December 2011, certain properties under development of the Group, which amounted to RMB41,610,000 (2010: RMB36,311,000), were designated only for the Group's own use according to the relevant land use right agreement. They were not freely transferable and were not able to let out for rental income purpose. The Group is in progress of negotiating with the relevant land bureau for changing the designated use of the properties as at 31 December 2011.

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

	The Group	
	2011	2010
	RMB'000	RMB'000
In the PRC, with lease term of 50 years or more:	**586,947**	1,027,128

As at 31 December 2011, properties under development with an aggregate carrying value of RMB151,357,000 (2010: RMB108,953,000) was pledged for certain bank loans granted to the Group (note 25).

17 Completed properties held for sales

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

Completed properties held for sale with an aggregate carrying value of RMB117,796,000 as at 31 December 2011 (2010: RMB Nil) and were pledged for certain bank loan granted to the Group (note 25).

18 Inventories

Inventories are low-value consumables stated at cost.

19 Trade and other receivables, prepayments

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts due from third parties				
Trade receivables	**84,968**	72,337	**–**	–
Prepaid business tax and other tax	**32,116**	57,404	**–**	–
Deposits, prepayments and other receivables	**786,576**	132,015	**–**	–
Amounts due from related parties				
Amounts due from Controlling Equity Owners	**–**	932	**–**	–
Amounts due from other Directors	**–**	22,109	**–**	–
Amounts due from Zall Holding Co., Ltd. ("Zall Holding")	**–**	5,025	**–**	–
	903,660	289,822	**–**	–

During the year ended 31 December 2011, the maximum amount outstanding due from directors is RMB22,109,000 (2010: RMB93,810,000).

19 Trade and other receivables, prepayments (Continued)

Trade receivables are primarily related to proceeds from the sale of properties. Proceeds from the sale of properties are made in lump-sum payments or paid by installments in accordance with the terms of the corresponding sale and purchase agreements. If payment is made in lump-sum payment, settlement is normally required by date of signing the sales contract. If payments are made in installments, 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 details on the Group's credit policy are set out in note 31(a).

20 Restricted cash

Restricted cash with an aggregate carrying value of RMB19,329,000 as at 31 December 2011 (2010: RMB12,800,000) were pledged for certain bank loans granted to the Group (note 25).

21 Cash and cash equivalents

Cash and cash equivalents comprise:

	The Group	
	2011	2010
	RMB'000	RMB'000
Cash at bank and in hand	**970,540**	304,874

As at 31 December 2011, the cash and bank balances of PRC subsidiaries comprising the Group is not freely convertible into other currencies and subject to Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Included in cash at bank and in hand are the following amounts denominated in a currency other than the functional currency of the major operating subsidiaries of the Group:

	The Group	
	2011	2010
	'000	'000
In original currency		
Hong Kong Dollar (HK$)	**52,537**	1,248

22 Cash generated from operations

Reconciliation of profit before taxation to cash generated from operations:

	Note	**2011 RMB'000**	2010 RMB'000
Profit before taxation		**1,797,755**	921,573
Adjustments for:			
Amortisation	5(c)	**–**	25
Depreciation	5(c)	**3,065**	2,689
Loss on disposal of asset held for sale		**44,623**	—
Gain on sale of property, plant and equipment		**–**	(216)
Interest income	5(a)	**(5,108)**	(626)
Interest expense and other borrowing cost	5(a)	**5,510**	—
Investment income from available-for-sale unlisted equity securities		**–**	(249)
Increase in fair value of investment properties and non-current assets classified as held for sale		**(255,881)**	(626,563)
Share of profit less losses of a jointly controlled entity	14	**2,408**	4,755
Equity settled share based payment	5(b)	**12,567**	8,693
Amortisation of deferred income	26(ii)	**(6,287)**	—
		1,598,652	310,081
Increase in properties under development, completed properties held for sale, inventories, investment properties		**(1,402,294)**	(1,072,581)
Increase in trade and other receivables, prepayments		**(618,657)**	(120,552)
Increase in trade and other payables		**153,214**	790,262
Increase in government grants received		**44,499**	560,000
Cash (used in)/generated from operations		**(224,586)**	467,210

23 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 2011, 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

	The Group	
	2011	2010
	RMB'000	RMB'000
Investment properties	**195,000**	495,580

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

	The Group	
	2011	2010
	RMB'000	RMB'000
Deferred tax liabilities	**44,109**	130,528

As at 31 December 2010, certain non-current assets classified as held for sale were pledged for certain bank loans granted to the Group (note 25). There was no such pledge of assets as at 31 December 2011.

24 Trade and other payables

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts due to third parties				
Trade payables (note ii)	**477,868**	277,001	**—**	—
Receipts in advance	**956,646**	1,344,103	**—**	—
Other payables and accruals	**382,070**	105,251	**1,200**	—
	1,816,584	1,726,355	**1,200**	—
Amounts due to related parties (note i)				
Amounts due to the Controlling Equity Owners	**—**	3,914	**—**	—
Amounts due to subsidiaries	**—**	—	**42,474**	—
	—	3,914	**42,474**	—
	1,816,584	1,730,269	**43,674**	—

Notes:

(i) Amounts due to related parties are unsecured, interest free and have no fixed terms of repayment.

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

	The Group	
	2011	2010
	RMB'000	RMB'000
Due within 1 months or on demand	**364,018**	179,914
Due after 1 month but within 3 months	**4,615**	1,517
Due after 3 months	**104,235**	95,570
	477,868	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 RMB51,936,000 (2010: RMB21,308,000).

25 Bank loans

At 31 December 2011, the Group's secured bank loans were repayable as follows:

	The Group	
	2011	2010
	RMB'000	RMB'000
Current		
Current portion of non-current bank loans	**374,454**	167,000
Non-current		
Bank loans	**1,378,354**	339,693
Less: current portion of non-current bank loans	**(374,454)**	(167,000)
	1,003,900	172,693
	1,378,354	339,693

At 31 December 2011, the bank loans are all denominated in functional currency of respective subsidiaries now comprising the Group.

At 31 December 2010, secured bank loans with value of RMB31,500,000 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 was released upon the listing of the Company's shares on the Main Board of Stock Exchange, being 13 July 2011.

25 Bank loans (Continued)

The bank loans bear interest ranging from 5.67% to 9.66% per annum for the year ended 31 December 2011 (2010: 5.60% to 7.02% per annum), and are secured by the following assets:

	The Group	
	2011	2010
	RMB'000	RMB'000
Restricted cash	**19,329**	12,800
Investment properties	**1,627,534**	286,979
Investment properties under development	**1,044,000**	404,852
Leasehold land held for development for sale	**21,270**	49,630
Properties under development for sale	**130,087**	59,323
Non-current assets classified as held for sale	**—**	378,493
Completed properties held for sale	**117,796**	—
	2,960,016	1,192,077

At 31 December 2011, RMB170,000,000 (2010: RMB Nil) of the Group's current bank loans are subject to the fulfilment of covenants relating to certain of the Group's ratio. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants and no non-compliance is noted during the period. Further details of the Group's management of liquidity risk are set in note 31(b).

26 Deferred income

	The Group	
	2011	2010
	RMB'000	RMB'000
At 1 January	**577,171**	—
Movement during the year		
Government grants received (note (i))	**44,499**	560,000
Deferred revenue in relation to certain sale and leaseback arrangement (note (ii))	**—**	23,423
Amortisation during the year	**(6,287)**	(6,252)
	615,385	577,171
Less: amount included under "current liabilities"	**(608,348)**	(566,286)
Amount included under non-current liabilities	**7,035**	10,885

Notes:

(i) During the year ended 31 December 2010, the Group received an advance of RMB560,000,000 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. During the year ended 31 December 2011, the Group further received RMB44,499,000 from the same government office for the above mentioned project.

(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 2011, the deferred revenue arising from such sale and leaseback arrangements amounted to RMB23,423,000 and the amount credited to "rental expense" in the year ended 31 December 2011 was RMB6,287,000 (2010: RMB6,252,000). For the balance of deferred revenue as at 31 December 2011, RMB3,849,000 of which is expected to be settled within one year and the remaining RMB7,035,000 is expected to be settled in July 2012 through 2015. No revenue was recognised from sales of such properties for the year ended 31 December 2011 (2010: RMB104,708,000).

27 Long term payable

The Group's long term payable represents the rental deposits received from the tenants which are expected to be settled after more than one year.

28 Employee retirement benefits

Defined contribution retirement plans

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at 20% of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

29 Equity settled share based payments

On 1 June 2010, Zall Development Hong Kong, a wholly owned subsidiary of the Group, adopted a share option scheme (the "2010 Share Option Scheme") to invite certain eligible participants to take up options (the "2010 Share Options") to subscribe for 1% shares of the to-be-listed company that will be incorporated as part of the Reorganisation of the Company at an exercise price of RMB227,047 per share and total number of outstanding share options is 100. Pursuant to the 2010 Share Option Scheme documents, the 2010 Share Options cannot be vested until after an initial public offering occurs.

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

(Expressed in Renminbi unless otherwise stated)

29 Equity settled share based payments (Continued)

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. The conversion of the share options was considered a modification to the 2010 Share Options. The modification did not result in any incremental value in respect of the fair value of the share option at the date of modification.

The terms and conditions of the Pre-IPO Share Options Scheme on an as adjusted basis that existed during the period are as follows:

Date granted	Vesting date	Expiry date	Directors	Number of pre-IPO Share options granted employees	Total
1 June 2011	13 July 2011	12 July 2012	2,037,875	937,125	2,975,000
1 June 2011	13 July 2012	12 July 2013	3,056,812	1,405,688	4,462,500
1 June 2011	13 July 2013	12 July 2014	4,075,750	1,874,250	5,950,000
1 June 2011	13 July 2014	12 July 2015	5,094,688	2,342,812	7,437,500
1 June 2011	13 July 2015	12 July 2016	6,113,625	2,811,375	8,925,000
			20,378,750	9,371,250	29,750,000

(Expressed in Renminbi unless otherwise stated)

29 Equity settled share based payments (Continued)

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

	Exercise price per share HK$	Weighted average Number of options
On 21 June 2011 and as at 31 December 2011	0.871	29,750,000

The weighted average remaining expected life of Pre-IPO Share Option is 5 years.

(ii) Valuation of the options granted under the Pre-IPO Share Option Scheme

The fair value of services received in return for the 2010 Share Option is measured by reference to the fair value of 2010 Share Options granted. The estimated fair value of the 2010 Share Options is measured based on a binomial (Cox, Ross, Rubinstein) option pricing model with the following assumptions:

Expected volatility (expressed as weighted average volatility used in the modelling under Binomial model)	56%
Option life	6 years
Expected dividends	Nil
Risk-free interest rate	1.92%

The expected volatility is based on past few years' historical price volatility of similar listed companies. Expected dividends are based on management's best estimation. The risk-free rate is referenced to the yields of Hong Kong Exchange Fund Bills/Notes.

Except for the conditions mentioned above, there were no other market conditions and service conditions associated with the Pre-IPO Share Options.

30 Share capital and reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the reporting period are set out below:

	Note	Share capital RMB'000	Share premium RMB'000	Equity settled share based payment reserve RMB'000 30(c)(iv)	Exchange reserve RMB'000 30(c)(iii)	Retained profits RMB'000	Total equity RMB'000
At 22 September 2010 (date of incorporation)		–	–	–	–	–	–
Changes in equity for the period from 22 September 2010 to 31 December 2010:							
Total comprehensive income for the period		–	–	–	–	–	–
At 31 December 2010 and 1 January 2011		–	–	–	–	–	–
Changes in equity for the year ended 31 December 2011:							
Total comprehensive income for the year		–	–	–	(19,047)	250,787	231,740
Issue of shares, net of listing expenses	30(b)(iii)(b)	4,361	1,204,399	–	–	–	1,208,760
Capitalisation issue	30(b)(iii)(c)	24,710	(24,710)	–	–	–	–
Equity-settled share based transaction		–	–	21,260	–	–	21,260
Dividends declared during the year	30(g)(i)/(ii)	–	–	–	–	(242,359)	(242,359)
At 31 December 2011		29,071	1,179,689	21,260	(19,047)	8,428	1,219,401

30 Share capital and reserves (Continued)

(b) Share capital

	2011		2010	
	No. of shares '000	Amount HK$'000	No. of shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	8,000,000	80,000	380	380
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At 1 January	10	–	10	—
Issue of shares by public offering	525,000	5,250	—	—
Capitalisation issue	2,974,990	29,750	—	—
At 31 December	3,500,000	35,000	10	—

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

(ii) With the completion of the Reorganisation on 13 October 2010, the share capital as at 31 December 2010 represents the issued share capital of the Company comprising 10,000 shares of HK$0.01 each.

30 Share capital and reserves (Continued)

(b) Share capital (Continued)

(iii) During the year ended 31 December 2011:

(a) Pursuant to the written resolution of the Company's shareholder passed on 20 June 2011, the authorised share capital of the Company was increased from HK$380,000 to HK$80,000,000;

(b) The shares of the Company were listed on the Stock Exchange on 13 July 2011, with a total number of 3,500,000,000 shares, among which 525,000,000 shares (15% of the total number of shares of the Company) were issued to the public. The gross proceeds received by the Company from the public offering were approximately HK$1,517,250,000.

(c) In addition, 2,974,990,000 ordinary shares of HK$0.01 each were issued at par value to the shareholders of the Company as of 13 July 2011 by way of capitalisation of HK$29,749,900 (equivalent to RMB24,710,000) from the Company's share premium account.

(iv) During the year ended 31 December 2010:

(a) Zall Investment Group paid a cash consideration of RMB3,000,000 to Zall Holding for the acquisition of the entire equity interests in Wuhan Zall Property Management. For the purpose of these financial statements, it is regarded as a deemed distribution to the Controlling Equity Owners.

(b) Zall Investment Group disposed of 北京卓爾基業投資有限公司 ("Zall Jiye Investment") and 湖北卓爾生態工業城建設有限公司 ("Zall Biotech Construction") to Zall Holding at cash considerations of RMB50,000,000 and RMB15,000,000 respectively. North Hankou Group disposed of 武漢眾邦網信息產業有限公司 ("Wuhan Zhongbang Network") to Zall Holding at a cash consideration of RMB4,500,000. 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.

30 Share capital and reserves (Continued)

(b) Share capital (Continued)

(iv) During the year ended 31 December 2010: (Continued)

(c) Zall Development China paid a cash consideration of RMB74,500,000 to Zall Holding for the acquisition of the entire equity interests in North Hankou Group. For the purpose of these financial statements, it is regarded as a deemed distribution to the Controlling Equity Owners.

(d) Zall Development China paid a cash consideration of RMB92,416,000 to Zall Holding for the acquisition of the entire equity interests in Zall Investment Group. For the purpose of these financial statements, it is regarded as a deemed distribution to the Controlling Equity Owners.

(e) Zall Investment Group paid a cash consideration of RMB50,000,000 to Zall Holding for the acquisition of the entire equity interests in Zhuohua Real Estate. For the purpose of these financial statements, it is regarded as a deemed distribution to the Controlling Equity Owners.

(c) Reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

(ii) PRC statutory reserve

Pursuant to the Articles of Association of the Group's PRC subsidiaries and relevant statutory regulations, appropriations to the statutory reserve fund were made at 10% of profit after tax determined in accordance in accounting rules and regulations of the PRC until the reserve balance reaches 50% of the registered capital. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the PRC subsidiaries provided that the balance after such conversion is not less than 25% of their registered capital, and is non-distributable other than in liquidation.

30 Share capital and reserves (Continued)

(c) Reserves (Continued)

(iii) Exchange reserve

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

(iv) Equity settled share-based payment reserve

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

(v) Other reserve

Other reserve is resulted from transactions with owners in their capacity as the equity owners. The balance comprises capital reserve surplus/deficit arising from the difference between the disposal/acquisition consideration and its net assets value at the respective date of disposal/acquisition. The movement for the year ended 31 December 2011 mainly represents the difference between the fair value and book value of the acquirees' net assets at the dates of acquisitions of non-controlling interests.

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 these financial statements, a capital contribution of RMB7,316,000 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 these financial statements, a deemed contribution of RMB2,738,000 was resulted from these transfers.

30 Share capital and reserves (Continued)

(d) Non-controlling interests

(i) During the year ended 31 December 2011:

The paid-up capital of Zhuohua Real Estate, a non-wholly owned subsidiary increased by RMB146,000,000, of which RMB71,540,000 was paid up by the non-controlling equity holder.

The Group acquired the non-controlling interests in Zhuohua Real Estate at a consideration of RMB218,000,000. Accordingly, the Group's effective interest in Zhuohua Real Estate has increased to 100%.

The Group established Zhuoer Shaanxi, a non-wholly owned subsidiary. The paid-up capital is RMB30,000,000, of which RMB9,000,000 was paid up by the non-controlling equity holders.

(ii) During the year ended 31 December 2010:

(a) The Group acquired the non-controlling interests in Wuhan Eastern Zall Properties at a cash consideration of RMB15,000,000.

(b) The Group disposed of its remaining 90% interests in Wuhan Zhongbang Network to Zall Holding for a consideration of RMB4,500,000.

(c) Zall Investment Group paid a cash consideration of RMB50,000,000 to Zall Holding 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 equity holder at a cash consideration of RMB1,000,000. Accordingly the Group's effective interest in Zhuohua Real Estate has increased to 51%.

(d) Zhuohua Real Estate acquired the entire equity interest in Wuhan Panlong Properties from Zall Holding. This resulted in a partial disposal of the Group's effective interest in Wuhan Panlong Properties from 100% to 51%.

30 Share capital and reserves (Continued)

(e) Capital management

The Group's primary objective 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 externally imposed capital requirements.

(f) Distributable reserve

As at 31 December 2011, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB1,188,117,000 (2010: RMB Nil). It represents the Company's share premium account of approximately RMB1,179,689,000 and retained earnings of approximately RMB8,428,000 in aggregate as at 31 December 2011, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

30 Share capital and reserves (Continued)

(g) Dividends

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

	2011 RMB'000	2010 RMB'000
Interim dividend declared and paid of HK$0.07 per ordinary share	**200,778**	—
Final dividend proposed after the end of the reporting period of HK$0.03 per ordinary share	**85,124**	—
	285,902	—

The interim dividend of HK$245,000,000 (equivalent to approximately RMB200,778,000) was declared and paid during the year ended 31 December 2011.

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

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

	2011 RMB'000	2010 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year	**41,581**	144,975

(a) During the year ended 31 December 2010, North Hankou Group declared dividends of approximately RMB144,975,000 to Zall Holding.

(b) Pursuant to the resolutions passed at the board of directors' meeting on 31 May 2011, dividends of HK$50,000,000 (equivalent to approximately RMB41,581,000) were declared by the Company to its shareholder.

31 Financial risk management and fair values

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 year. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. Except for the financial guarantees given by the Group as set out in note 33, 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 33.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

31 Financial risk management and fair values (Continued)

(b) Liquidity risk

The Group 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. The Group's policy is to regularly monitor liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Details of maturity analysis for financial liabilities are disclosed in notes 24 and 25.

The Group:

	2011					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	**479,187**	**319,787**	**809,195**	**–**	**1,608,169**	**1,378,354**

	2010					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	190,757	185,422	–	–	376,179	339,693

31 Financial risk management and fair values (Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from cash and cash equivalents, restricted 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 25 to the consolidated financial statements. The Group does not carry out any hedging activities to manage its interest rate exposure.

Sensitivity analysis

At 31 December 2011, it is estimated that a general increase/decrease of 54 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and total equity attributable to equity shareholders of the Company by approximately RMB1,653,000 (2010: decrease/increase profit after tax by approximately RMB89,000).

Other components of consolidated equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit/loss after tax and retained profits and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to interest rate risk at the end of each reporting period. The analysis is performed on the same basis for the year ended 31 December 2010.

(d) Currency risk

The Group's businesses are located in the PRC and all sales transactions are conducted in RMB. Most of the Group's sales transactions are conducted in RMB.

The Group has not entered into any forward exchange contract.

31 Financial risk management and fair values (Continued)

(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 31 December 2011.

32 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 10 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 investment properties are contained in note 12.

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

	2011 **RMB'000**	2010 RMB'000
Within 1 year	**12,793**	4,847
After 1 year but within 5 years	**40,022**	16,827
Above 5 years	**26,245**	—
	79,060	21,674

32 Commitments (Continued)

(a) Operating lease commitment (Continued)

— 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 2011, RMB7,827,000 (2010: RMB2,320,000) were recognised as an expense in the consolidated income statement in respect of leasing of building facilities.

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

	2011 RMB'000	2010 RMB'000
Within 1 year	**7,809**	7,802
After 1 year but within 5 years	**16,926**	24,680
	24,735	32,482

(b) Capital commitments on development costs

As at 31 December 2011, the Group's capital commitments in respect of investment properties under development and properties under development are as follows:

	2011 RMB'000	2010 RMB'000
Contracted but not provided for		
— Investment properties under development	**12,391**	74,265
— Properties under development	**1,677,162**	183,822
— Non-current assets classified as held for sale	**—**	10,787
	1,689,553	268,874

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

	2011 **RMB'000**	2010 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**998,763**	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 as 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.

34 Material related party transactions

(a) Transactions with key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 is as follows:

	2011 RMB'000	2010 RMB'000
Wages, salaries and other benefits	1,406	1,333
Contribution to defined benefit contribution retirement scheme	90	34
Equity-settled share-based payment expenses (note 29)	12,567	8,693
	14,063	10,060

The above remuneration to key management personnel is included in "staff costs" (note 5(b)).

(b) Balances with related parties

Balance with related parties were mainly resulting from the funding arrangements between these parties. Balances at 31 December 2011, and major terms of these balances are disclosed in notes 19 and 24.

The directors consider that all related party transactions during the year ended 31 December 2011 were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

Controlling Equity Owners refers to Mr. Yan Zhi and Ms. Chen Lifen.

(c) Other related party transaction

During the year ended 31 December 2011, the Group received rental income of RMB12,000 (2010: RMB12,000) from Zall Holding. As the percentage ratios for this related party transaction is less than 0.1%, the transaction is exempted from the reporting, annual review, announcement and independent shareholders' approval requirements applicable under Chapter 14A of the Listing Rules as it falls within the de minimis threshold under Rule 14A.33 of the Listing Rules.

35 Acquisition of subsidiaries

On 21 August 2011 (i) Zall Hong Kong, a wholly owned subsidiary of the Company, entered into the Zhen An Acquisition Agreement with an independent third party in relation to the acquisition of the entire issued share capital of Zhen An Properties, which in turn owns 48% equity interest in Zhen An Wuhan; and (ii) Zall Development China, a wholly owned subsidiary of the Company, entered into the Equity Transfer Agreement with Huiyu Real Estate Co., Ltd. in relation to the acquisition of 3% equity interest in Zhen An Wuhan.

Upon completion of the above acquisitions on 26 October 2011, the Group has effectively acquired 51% equity interests in Zhen An Wuhan which hold a property development project in Wuhan. The aggregate consideration for the above acquisitions is RMB523,680,000 (equivalent to approximately HK$637,755,000).

The acquisition of these subsidiaries have the following combined effect on the Group's assets and liabilities upon the date of acquisition:

	Carrying amount RMB'000	**Adjustments** RMB'000	**Recognised values on acquisitions** RMB'000
Current assets	132,414	—	132,414
Non-current assets	144,370	915,382	1,059,752
Current liabilities	(15,342)	—	(15,342)
Non-current liabilities	(150,000)	—	(150,000)
Non-controlling interests	(54,606)	(448,538)	(503,144)
Group's share of net identifiable assets and liabilities	56,836	466,844	523,680
Total consideration, satisfied in cash			523,680
Total cash and cash equivalents acquired			(52,865)
Net cash outflow			470,815

35 Acquisition of subsidiaries (Continued)

The above acquired subsidiaries major assets are investment properties under development. The directors consider that the purpose of acquiring the subsidiaries are solely to acquire the underlying properties.

The above subsidiaries contributed an aggregate turnover of RMB Nil and loss attributable to the equity shareholders of the Company of RMB9,062,000 to the Group for the year ended 31 December 2011. Should the acquisitions had occurred on 1 January 2011, the consolidated turnover and the consolidated loss attributable to the equity shareholders of the Company for the year ended 31 December 2011 would have been RMB Nil and RMB9,999,000 respectively.

36 Immediate and ultimate controlling party

At 31 December 2011, the directors consider the immediate parent and ultimate controlling party of the Group to be Zall Development Investment Company Limited and Mr. Yan Zhi respectively. Zall Development Investment Company Limited does not produce financial statements available for public use.

(Expressed in Renminbi unless otherwise stated)

37 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2011

Up to the date of issue of these consolidated financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group:

	Effective for accounting period beginning on or after
— 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
— Amendments to IAS 1, Presentation of financial statements — Presentation of items of other comprehensive income	1 July 2012
— IFRS 10, Consolidated financial statements Basis for conclusions on IFRS 10	1 January 2013
— IFRS 11, Joint arrangements — Basis for conclusions on IFRS 11 Basis for conclusions on IFRS 9 (2010)	1 January 2013
— IFRS 12, Disclosure of interests in other entities Basis for conclusions on IFRS 12	1 January 2013
— IFRS 13, Fair value measurement	1 January 2013
— IAS 27, Separate financial statements (2011)	1 January 2013
— IAS 28, Investments in associates and joint ventures (2011)	1 January 2013
— Revised IAS 19, Employee benefits	1 January 2013
— Amendments to IFRS 7, Financial instruments: Disclosures Offsetting financial assets and financial liabilities	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments, new standards and 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 results of operations and financial position.

Major Properties Information

As at 31 December 2011

Property portfolio summary — major properties under development

Project	Location	Expected date of completion	Intended use	Site area (sq.m.)	Gross Floor Area (sq.m.)	Group's interest (%)
1 North Hankou International Trade Center (District I) (excluding Wuhan Auto World)	Liudian and Shekou Villages, Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Dec-2013	Shops	743,515	2,102,206	100%
2 North Hankou International Trade Center — Wuhan Auto World	Liudian and Shekou Villages, Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Dec-2013	Shops	332,632	530,532	50%
3 Portion of North Hankou International Trade Center (District II)	Liudian and Shekou Villages, Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Dec-2013	Shops	316,701	791,753	100%
4 Wuhan Salon (Phase I)	Jiangjunlu Street, Dongxihu District, Wuhan, Hubei Province, PRC	Dec-2013	Commercial and residential	268,565	612,725	100%
5 No. 1 Enterprise Community (Phase III) and No. 2 and 3 high rise office tower	Te No. 1 Chutian Road, Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Dec-2013	Office	229,136	344,835	100%
6 North Hankou • Zall Life city — Hupan Haoting Residences	Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Dec-2013	Residential	177,453	337,572	100%
7 North Hankou • Zall Life city — Zhujinyuan Residences	Liudian and Xiaji Villages, Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Dec-2013	Residential	61,002	170,276	100%

Property portfolio summary — major completed properties held for sale

Project	Location	Existing use	Gross Floor Area (sq.m.)	Group's interest (%)
1 Portion of North Hankou International Trade Center	Liudian and Shekou Villages, Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Shops and residential	153,827	100%
2 Portion of No. 1 Enterprise Community (Phase I & II) and No. 1 high rise office tower	Te No. 1 Chutian Road, Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Office	24,174	100%

Major Properties Information

As at 31 December 2011

Property portfolio summary — major properties held for investment

Project	Location	Stage of completion	Approximate gross floor area (sq.m.)	Group's interest (%)
1 Portion of North Hankou International Trade Center	Liudian and Shekou Villages, Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Completed	150,012	100%
2 Portion of North Hankou International Trade Center	Liudian and Shekou Villages, Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Under development	37,217	100%
3 North Hankou Logistics Center	Liudain Village, Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Under development	55,367	100%
4 Portion of Building No. 1 of No. 1 Enterprise Community	Te No. 1 Chutian Road, Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Completed	9,920	100%
5 Building No. 33 of No. 1 Enterprise Community	Te No. 1 Chutian Road, Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Completed	4,234	100%
6 Portion of commercial Street of No. 1 Enterprise Community	No. 18 Julong Road, Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Completed	2,415	100%
7 Zall Yulong International Finance Center	Xinhua Road and Jianshe Avenue, Jianghan District, Wuhan, Hubei Province, PRC	Under development	97,203	51%

Property portfolio summary — major non-current assets held for sale

Project	Location	Approximate gross floor area (sq.m.)	Group's interest (%)
1 Portion of North Hankou International Trade Center	Liudian and Shekou Villages, Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	21,892	100%

Financial Summary

	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
Result				
Turnover	2,454,208	769,737	476,607	83,028
Gross Profit	1,739,034	356,527	168,611	26,972
Increase in fair value of investment properties	255,881	626,563	782,365	370,675
Profit for the year attributable to:				
Equity shareholders of the Company	1,194,732	635,072	655,074	253,421
Non-controlling interests	(10,857)	(1,886)	167	1,423
Profit for the year	1,183,875	633,186	655,241	254,844
Financial position				
Total assets	9,083,964	5,088,018	3,362,291	1,788,566
Total liabilities	4,777,981	3,289,215	1,826,925	1,046,263
Non-controlling interests	503,439	47,909	70,258	19,591
Total equity attributable to equity shareholders of the Company	3,802,544	1,750,894	1,465,108	722,712
Total Equity	4,305,983	1,798,803	1,535,366	742,303