ZALL 卓尔发展

Zall Development Group Ltd.
卓爾發展集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 2098

Interim Report 2014

Contents

Corporate Information	2
Chairman's Statement	4
Management Discussion and Analysis	5
Disclosure of Other Information	15
Consolidated Statement of Profit or Loss	26
Consolidated Statement of Profit or Loss and Other Comprehensive Income	27
Consolidated Statement of Financial Position	28
Consolidated Statement of Changes in Equity	30
Condensed Consolidated Cash Flow Statement	32
Notes to the Unaudited Interim Financial Report	33

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, 16th Floor
Two Exchange Square
Central
Hong Kong

Audit Committee

Mr. Cheung Ka Fai (*Chairman*)
Mr. Peng Chi
Ms. Yang Qiongzhen

Nomination Committee

Ms. Yang Qiongzhen (*Chairman*)
Mr. Cui Jinfeng
Mr. Peng Chi

Corporate Information (continued)

Remuneration Committee	Mr. Peng Chi (*Chairman*) Mr. Fang Li Ms. Yang Qiongzhen
Company Secretary	Ms. Chan Ching Yi (appointed on 1 August 2014)
Company Website	http://www.zallcn.com/
Authorized Representatives	Ms. Wang Danli Ms. Chan Ching Yi
Hong Kong Share Registrar	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal Share Registrar and Transfer Office	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Shedden Road George Town Grand Cayman KY1-1110 Cayman Islands
Legal Advisor	Sidley Austin
Principal Bankers	Bank of Communications China Construction Bank China Minsheng Banking Corp., Ltd. Hankou Bank Industrial and Commercial Bank of China

Chairman's Statement

The Group is fully aware of the changes in the macro market environment and the impact that such changes have on corporate development as a whole. In respect of strategic development directions and business operation strategies, the Group will keep abreast with the times by making strategic adjustments to adapt to the market developments. With due emphasis on cash flow, the Group will concentrate its resources on its core business. Based on domestic commercial wholesale market, the Group will actively explore and develop warehousing, logistics, E-commerce and financial services so as to gradually transform into a comprehensive holding group that bases on the wholesale market and provides various related value-added services.

In respect of our business network, apart from the on-going development in Wuhan, Shenyang, Tianjin and Jingzhou, the Group further identified Zall Asia Expo City Project in Kunming in the first half of the year. The project is another important strategic positioning for the Group and it can help our clients to expand their business directly into Southeast Asia via Kunming. In addition, the Group is making necessary preparations in Central and Western China, Eastern China and Southern China, with plans to establish a nationwide trade and logistics network covering the major cities and secondary cities.

In respect of business development, there is continuous growth in the revenue of warehouse logistics centered on the wholesale market; development is also well under way for the E-commerce business that adopts a new generation of transaction models and integrates offline and online business. During the first half of the year, "Hubei Provincial E-commerce Demonstration Base" has officially established in North Hankou; and Tianjin Zall E-commerce City Project, the first large-scale modern O2O trade and logistics center in China, was warmly welcomed by the market, which represents the useful attempts made by the Group in developing E-commerce business. Additionally, the financial services catering to the demands of tenants will become a new growth point for the Group's business development in the future. The Group will actively explore and strive to build warehousing, logistics, E-commerce and financial services into its major business components in addition to the wholesale market business.

The PRC central government had reiterated that it will continue the urbanisation process and will boost domestic demand to drive the growth of consumption. Under the policy support of "12th Five Year Plan" to promote the development of logistics industry, the Group will further benefit from the enormous opportunities brought by the strong domestic demand in China. Leveraging on the successful business model of North Hankou Project, the Group will actively expand its nationwide business network by cooperating with customers to create a win-win situation and achieve better results.

I would like to express my gratitude to our shareholders, customers and investors for their support and trust in the past period; 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, 29 August 2014

Management Discussion and Analysis

Business Overview

North Hankou Project

The North Hankou International Trade Center (the "North Hankou Project"/漢口北項目) is the Group's flagship project and the largest wholesale shopping mall in Central China focusing on wholesale of consumer products. It is designed to capture the business opportunities arising from the relocation of the traditional wholesale trade center at Hanzheng Street in Wuhan. The North Hankou Project has a total site area of approximately over 1.8 million square metres ("sq.m."). Its wholesale mall units have a total gross floor area ("GFA") of over 3.5 million sq.m. It consists of more than 20 separate wholesale shopping malls which sell a variety of consumer products and over one million kinds of merchandise. The Group aims to develop North Hankou Project into an integrated business platform for suppliers, manufacturers, distributors and small to medium enterprises for domestic consumer products.

For the six months ended 30 June 2014, a total of approximately 625 occupants have already been relocated from Hanzheng Street to North Hankou Project; and the six separate markets originally located in Hanzheng Street have all moved to the North Hankou Project, which help to further improve the transaction volume of the occupants and the human traffic in the area.

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

Leveraging on the platform advantage of numerous tenants in the North Hankou Project, the "Hubei E-commerce Demonstration Base" (湖北省電子商務示範基地) was officially established in North Hankou during the first half of the year, aiming at building North Hankou as the largest E-commerce cluster in Central China. To further promote its market prosperity and E-commerce development, North Hankou has specially planned an E-commerce base which can accommodate over 1,600 manufacturers and 3,000 E-commerce enterprises and vendors.

For the six months ended 30 June 2014, North Hankou Project contributed revenue of RMB82.2 million (for the six months ended 30 June 2013: RMB393.7 million) to the Group, representing a decrease of 79.1% as compared with the corresponding period of last year, mainly attributable to the decrease in the GFA delivered in the first half of 2014 as compared with the corresponding period in 2013. During the period under review, the total GFA sold and delivered in North Hankou Project amounted to 7,119 sq.m., at an average selling price ("ASP") of RMB11,542 per sq.m. (for the six months ended 30 June 2013: RMB11,102), representing a slight increase of 4.0% in ASP as compared with the corresponding period in 2013. The increase is mainly due to the further recognition of the brand value of Zall and North Hankou in the marketplace with the prosperity of the market.

For the six months ended 30 June 2014, the total leased area of North Hankou Project amounted to approximately 417,511 sq.m. (for the six months ended 30 June 2013: 162,432 sq.m.), and the total rental income was RMB40.8 million (for the six months ended 30 June 2013: RMB15.9 million), representing an increase of 156.6% as compared with the corresponding period in 2013.

No. 1 Enterprise Community • Wuhan

No. 1 Enterprise Community • Wuhan (第一企業社區 • 武漢) is a unique business park within three kilometres away from the North Hankou Project. It provides offices in close proximity to the occupants of the North Hankou Project. The project is located at the Panlongcheng Economic and Technology Development Zone in Wuhan. Its major target customers are small and medium enterprises which are in need of business headquarters. No. 1 Enterprise Community • Wuhan has a total planned GFA of 1,100,000 sq.m. and is expected to have three high-rise office towers, several hundreds low-rise modern individual office buildings and retail shops.

For the six months ended 30 June 2014, No. 1 Enterprise Community — Wuhan contributed revenue of RMB26.4 million (for the six months ended 30 June 2013: RMB130.9 million) to the Group, representing a decrease of 79.8% as compared with 2013, mainly due to the decrease in the total GFA delivered in the first half of 2014 as compared with the corresponding period in 2013.

North Hankou • Zall Life City

North Hankou • Zall Life City (漢口北 • 卓爾生活城) consists of two residential development projects, including Zall Hupan Haoting Residences and Zall Zhujinyuan Residences in the Panlongcheng Economic and Technology Development Zone of Wuhan.

Zall Hupan Haoting Residences

Zall Hupan Haoting Residences (卓爾湖畔豪庭) is the first large living and services center of the Group. It was launched in 2012. Zall Hupan Haoting Residences is a tailor-made residential area for North Hankou and has a total site area of approximately 180,000 sq.m. and a GFA of over 300,000 sq.m.. The project will be completed in two phases and is scheduled to be fully completed by 2015.

For the six months ended 30 June 2014, Zall Hupan Haoting Residences contributed revenue of RMB53.5 million (for the six months ended 30 June 2013: RMB314.2 million) to the Group, representing a decrease of 83.0% as compared to the same period of last year, mainly due to the decrease in the total GFA delivered in the first half of 2014 as compared with the corresponding period in 2013. The ASP was RMB4,623 per sq.m..

Zall Zhujinyuan Residences

Zall Zhujinyuan Residences (卓爾築錦苑) is scheduled to be completed in two phases and is located in the Panlongcheng Economic and Technology Development Zone of Wuhan. It has a total site area of approximately 60,000 sq.m. and a GFA of approximately 170,000 sq.m.. The project is scheduled to be completed by the end of 2015.

Wuhan Salon

Wuhan Salon (武漢客廳) is a multi-structural and multi-functional cultural center near Wuhan downtown with a total GFA of over 800,000 sq.m., aiming to provide diversified cultural experience for customers. It is the Group's key large-scaled city complex project which equips with Chinese cultural and art exhibitions, arts trading center, cultural and creative center and hotel facilities. Wuhan Salon was recognized as one of the Major Cultural Construction Projects in Hubei Province (湖北省重大文化建設項目名錄) by the Hubei Department of Culture in 2012. It was also listed as one of the major cultural investment projects for the "12th Five Year Plan" of Wuhan. The Group will develop it as an innovative platform for Chinese cultural exchange and a cultural demonstrative park to support the business requirements and the growth of the Group's existing and potential customers.

Wuhan Salon will be developed in three phases. Phase I will mainly consist of residential units and office buildings. For the six months ended 30 June 2014, Wuhan Salon contributed revenue of RMB267.2 million. Phases II and III, which mainly consist of residential units, office buildings, retail shopping mall, trading center and hotel facilities, etc will continue to be constructed as planned and will be gradually completed between 2014 to 2016.

Zall No. 1 Enterprise Community — Changsha

Zall No. 1 Enterprise Community — Changsha (卓爾第一企業社區 • 長沙總部基地) is a project located in Kaifu District in Changsha. The project replicates the successful model of No. 1 Enterprise Community — Wuhan and is expected to become a base of headquarters and enterprises for boosting the development of logistics industry and corporate headquarters in Changsha area.

The construction of No. 1 Enterprise Community — Changsha has commenced in 2012 with a total GFA of approximately 200,000 sq.m.. Phase I of the project is expected to be completed in 2014, of which the principal part has been fully completed and other works including the road pipeline network and landscape greening had entered the final stage. Pre-sale of the office building units is expected to start in the second half of 2014 and is expected to attract a large number of large and medium-sized enterprises in Hunan Province.

Zall Finance Center

Zall Finance Center (卓爾金融中心), is a 51% owned development project of the Group located in the financial center of Wuhan. The Group plans to develop it into a premier commercial center and Grade A office building. The project has a total GFA of over 97,000 sq.m. and a total site area of approximately 10,000 sq.m.. During the first half 2014, the Group accelerated the construction of the project, of which the main structural buildings have been topped out and other construction works including the interior and external decoration, curtain wall engineering, elevators and air-conditioner engineering will commence soon. The project is expected to start to contribute rental income to the Group in the second half of 2015.

Shenyang Salon

Shenyang Salon (瀋陽客廳) is an integrated high-end urban complex project with a cultural theme located in Shenyang. The project includes eco-apartments, commercial SOHO, luxury hotels, brand stores, cultural market, media complex and central park. The project will be developed in two phases. Phase I of the project has a planned total GFA of over 300,000 sq.m. and a total site area of approximately 150,000 sq.m.. The Group plans to develop the project into a new cultural landmark in Shenyang and Northeast China. During the year 2013, construction work has commenced and part of Phase I of the project is expected to be completed by the end of 2014.

Tianjin Zall E-Commerce Mall

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

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

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

Jingzhou Zall City

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

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

Zall Asia Expo City

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

The planned total GFA of Zall Asia Expo City Project is approximately 3,300,000 sq.m. By the end of the reporting period, the project is still under planning and the land for Phase I is expected to be acquired in November. Construction will commence before the end of the year.

Wuhan Zall Football Club

Wuhan Zall Professional Football Club Co., Ltd. (武漢卓爾職業足球俱樂部有限公司) ("Zall Football Club") was acquired by the Group in 2011. Zall Football Club participated in the Super League of the Chinese Football Association (中國足球協會超級聯賽) in 2013 and the China League One of the Chinese Football Association (中國足球協會甲級聯賽) in 2014.

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

Results of Operation

Turnover

Turnover of the Group decreased by 44.0% from RMB860.3 million for the six months ended 30 June 2013 to RMB481.7 million for the six months ended 30 June 2014. The decrease was primarily due to the decrease in the Group's revenue from sales of properties from RMB838.7 million for the six months ended 30 June 2013 to RMB429.4 million for the six months ended 30 June 2014.

Sale of properties

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

	For the six months ended 30 June							
	2014				2013			
	GFA Sold (sq.m.)	Average selling price (net of business tax) RMB/sq.m.	Turnover (RMB'000)	% of	GFA Sold (sq.m.)	Average selling price (net of business tax) RMB/sq.m.	Turnover (RMB'000)	% of
North Hankou Project	7,119	11,542	82,166	19.1	35,462	11,102	393,703	46.9
No. 1 Enterprise Community — Wuhan	6,658	3,972	26,444	6.2	39,707	3,296	130,864	15.6
Zall Life City — Zall Hupan Haoting Residences	11,577	4,623	53,521	12.5	68,654	4,576	314,158	37.5
Wuhan Salon	45,553	5,866	267,221	62.2	—	—	—	—
Total	70,907		429,352	100.0	143,823		838,725	100.0

The Group's turnover from sales of properties decreased significantly over the period under review mainly due to the significant decrease in the total GFA delivered during the first half of 2014. The GFA sold in North Hankou Project was decreased by 79.9% from 35,462 sq.m. for the six months ended 30 June 2013 to 7,119 sq.m. for the six months ended 30 June 2014. The GFA sold in No. 1 Enterprise Community — Wuhan was decreased 83.2% from 39,707 sq.m to 6,658 sq.m for the six months ended 30 June 2014. The GFA sold in Zall Life City-Zall Hupan Haoting Residences decreased 83.1% from 68,654 sq.m to 11,577 sq.m. for the six months ended 30 June 2014.

Wuhan Salon started to contribute revenue to the Group in the second half of 2013. For the six months ended 30 June 2014, it contributed RMB267.2 million revenue to the Group with a total GFA of 45,553 sq.m. sold.

Rental income

The Group's rental income increased significantly from RMB15.9 million for the six months ended 30 June 2013 to RMB41.8 month for the six months ended 30 June 2014, as the Group continues to retain an increasing number of wholesale shopping mall units in North Hankou Project for leasing.

Gross profit

Gross profit decreased by 50.4% from RMB403.4 million for the six months ended 30 June 2013 to RMB200.1 million for the six months ended 30 June 2014. The Group's gross profit margin was decreased from 46.9% in first half of 2013 to 41.5% in first half of 2014 mainly due to the changes in the combination of the properties delivered during the period. For the six months ended 30 June 2013, approximately 46.9% of the revenue from sales of properties were contributed by North Hankou Project, of which the gross profit margin of the wholesale shopping mall units are usually maintained at over 70%. For the six months ended 30 June 2014, only approximately 19.1% of the revenue from sales of properties were contributed by North Hankou Project. The remaining 80.9% of the revenue from sales of properties were mainly contributed by No. 1 Enterprise Community — Wuhan, Zall Life City projects and Wuhan Salon, of which the overall gross profit margin of these projects are a lot lower, comparing to North Hankou Project.

Other net loss

For the six months ended 30 June 2014, certain non-current assets held for sale has been disposed of and a loss on disposal of RMB2.6 million (for the six months ended 30 June 2013: RMB4.4 million) has been incurred.

Other revenue

For the six months ended 30 June 2014, football club related income and government grants amounting to RMB6.9 million and RMB70.4 million respectively were credited to the consolidated statement of profit or loss (for the six months ended 30 June 2013: RMB13.8 million and RMB1.0 million respectively).

Selling and distribution expenses

Selling and distribution expenses increased slightly by 4.1% from RMB60.7 million for the six months ended 30 June 2013 to RMB63.2 million for the six months ended 30 June 2014. The increase was mainly attributable to an increase of RMB7.0 million in salaries and wages in relation to sales and marketing personnel; and was offset by a decrease of RMB5.0 million in football club related expenses and advertising and promotional expenses.

Administrative expenses

Administrative expenses increased slightly by 1.0% from RMB71.2 million for the six months ended 30 June 2013 to RMB71.9 million for the six months ended 30 June 2014. The increase was primarily due to an increase of RMB0.7 million in staff related costs resulting from an increase in the number of the Group's administrative and management personnel and an increase in salaries, an increase of RMB1.4 million in donations and was offset by a decrease of RMB1.4 million in equity settled share-based payment expenses.

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

The Group hold a portion of properties developed for rental income and/or capital appreciation purposes. The Group's investment properties are revaluated at the end of the respective review period on investment approach and direct comparison approach by an independent property valuer, Savills Valuation and Professional Services Limited. For the six months ended 30 June 2014, the Group recorded significant increases in fair value of investment properties and non-current assets classified as held for sale of RMB951.3 million (for the six months ended 30 June 2013: RMB165.8 million) and fair value gain upon transfer of completed properties held for sale to investment properties of RMB281.2 million (for the six months ended 30 June 2013: RMB114.2 million). The increase in fair value of the Group's investment properties during the six months ended 30 June 2014 reflected a rise in the property prices in Wuhan over the period under review and a first time recognition of increase in fair value of RMB671.6 million from the Group's investments properties in Tianjin.

Share of profit of joint ventures

For the six months ended 30 June 2014, Share of profit of joint ventures consisted primarily of RMB41.0 million (for the six months ended 30 June 2013: RMB56.0 million) from Wuhan Big World Investment Development Co., Ltd., which reflected the Group's 50% equity interest share of profit of this entity.

Finance income and costs

For the six months ended 30 June 2014, the Group recorded an interest income of RMB12.9 million (for the six months ended 30 June 2013: RMB1.8 million).

For the six months ended 30 June 2014, the Group recorded a net finance cost of RMB65.5 million (for the six months ended 30 June 2013: RMB12.5 million). The increase is mainly attributable to the increase in bank and other borrowings and interest on convertible bonds during the six months ended 30 June 2014.

Income tax

Income tax was increased by 198.0% from RMB195.9 million for the six months ended 30 June 2013 to RMB583.8 million for the six months ended 30 June 2014. The increase was mainly due to the increase in deferred tax arising from temporary differences of fair value change of investment properties, which was mainly due to the increased deferred tax liabilities for Tianjin and North Hankou of RMB317.3 million and RMB104.2 million respectively. The Group's effective tax rate was increased from 34.3% for the six months ended 30 June 2013 to 43.9% for the six months ended 30 June 2014.

Profit for the period

During the six months ended 30 June 2014, the Group recorded a net profit of RMB746.6 million, representing a significant increase of 99.4% over the amount of RMB374.5 million for the corresponding period in 2013.

Liquidity and capital resources

As at 30 June 2014, total amount of cash and cash equivalents, short term bank deposits and restricted cash of the Group was RMB1,689.1 million (31 December 2013: RMB1,307.8 million). As at 30 June 2014, cash and cash equivalents of the Group was RMB1,009.8 million (31 December 2013: RMB738.8 million), which included an amount of bank deposits equivalent to RMB41.9 million (31 December 2013: RMB59.6 million), denominated in foreign currencies.

Capital expenditure

During the period under review, the Group's total expenditure in respect of property, plant and equipment and investment properties amounted to RMB4.6 million and RMB455.3 million respectively.

Bank loans and loans from other financial institutions

As at 30 June 2014, the Group's total bank loans and loans from other financial institutions was RMB6,306.5 million, representing an increase of RMB1,208.7 million over the amount of RMB5,097.8 million as at 31 December 2013. All the bank loans and loans from other financial institutions were denominated in RMB, the functional currency of the Group.

Convertible bonds

As at 30 June 2014, the Group had an amount equivalent to RMB667.2 million (31 December 2013: RMB608.3 million) in relation to the convertible bonds issued on 19 June 2013. The principal amount of the convertible bonds outstanding as at 30 June 2014 is USD100 million and the convertible bonds bear interest at 5.5% per annum, with a maturity date on 19 June 2018.

Net Gearing ratio

As at 30 June 2014, the net gearing ratio (calculated by dividing total borrowings, net of cash and cash equivalents, restricted cash and short term bank deposits, by total equity excluding fair value gain or loss from convertible bonds) of the Group was 74.6% (31 December 2013: 69.8%).

Foreign exchange risk

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

Charge on assets

As at 30 June 2014, the Group had pledged certain of its assets with a total book value of RMB8,106.8 million (31 December 2013: RMB5,619.4 million) for the purpose of securing certain of the Group's bank borrowings.

Contingent liabilities

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

As at 30 June 2014, the guarantees provided to banks in relation to mortgage facilities granted to purchasers of the Group's properties amounted to RMB1,871.7 million (31 December 2013: RMB1,533.4 million).

Employees and Remuneration Policy

As at 30 June 2014, the Group employed a total of 1,100 full time employees (31 December 2013: 939). Remuneration for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2014, the employees remuneration and benefit expenses were RMB28.1 million (for the six months ended 30 June 2013: RMB25.5 million). The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires.

Prospects

At the Politburo meeting and Central Economic Work Conference of the 18th National Congress, urbanization was identified as one of the greatest drivers for boosting domestic demands and it will become a major source of future economic growth. The Group will seize the market demands and opportunities to expand its business and achieve a win-win situation with its customers. As the largest project of the Group, the North Hankou Project will continue to improve logistics and ancillary supporting facilities. In particular, the construction of Tazihu East Road has been completed and started operation; the renovation of Daijiashan Bridge has been incorporated into governmental planning; and the Project of Light Rail No. 1 connecting the North Hankou Project with downtown Wuhan commenced operation on 28 May 2014, making North Hankou International Commodity Trading Center one of the few large-scale modern commerce and logistics centers in China with direct access to rail transit. These convenient transportation networks will boost traffic and business flow.

Given the increasing demand from small and medium-sized enterprises to conduct more businesses online and the integration of online and offline business facilitated by the internet technology, the advantage of the Group's "large platform" based on the commodity wholesale market has been enhanced. Derived from the platform are warehousing, logistics, E-commerce services and financial services, all of which enjoy huge market space. Leveraging on the platform advantage of numerous tenants in the North Hankou Project, the "Hubei E-commerce Demonstration Base" was officially established in North Hankou during the first half of the year, aiming at building North Hankou as the largest E-commerce cluster in Central China. The Group's project under development, Tianjin Zall E-Commerce Mall, will be the first large-scale modern O2O trade and logistics center in China upon completion. The Tianjin Zall E-Commerce Mall will help wholesalers to go online and become a basement for infrastructures for online vendors. It plans to set up online store for each wholesaler, to establish a unified online trading platform, to help wholesalers in independent online marketing, and to provide online payment, financial support and comprehensive information technology for wholesalers.

In addition, the Group is considering a strategic restructuring exercise on its existing business to lower the proportion of non-core property development business in the overall business of the Group by introducing strategic partners or stripping assets, so as to concentrate resources on developing the wholesale market platform and related warehousing, logistics, E-commerce and financial services.

As of 30 June 2014, the Group had land reserves of approximately 6.8 million sq.m., which have been granted land use rights certificates by the government authorities. The land reserves are expected to be able to meet the development needs of the Group over the coming three to five years. The Group will expand into other areas nationwide in order to grasp opportunities brought by the national policies to stimulate domestic demand.

Disclosure of Other Information

Information on 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 and a 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 may be 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 30 June 2014, 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. Further to the cancellation of 297,500 options during the period, the total number of shares available for issue under the Pre-IPO Share Option Scheme is 29,155,000 shares as at 30 June 2014 and no further option could be granted under the Pre-IPO Share Option Scheme.

4. *The total number of shares available for issue granted under the Pre-IPO Share Option Scheme on 20 June 2011 was 29,750,000 shares. Details of the options not yet exercised as at 30 June 2014 are as follows:*

Grantee and position	Number of share under the option granted at 31 December 2013	Number of options cancelled/ lapsed/ exercised during the period ended 30 June 2014	Number of options not yet exercised as at 30 June 2014	Approximate percentage of shareholding upon fully exercise of share options
Directors				
Yan Zhi (閻志)	14,875,000	—	14,875,000	0.4214%
Cui Jinfeng (崔錦鋒)	1,487,500	—	1,487,500	0.0421%
Fang Li (方黎)	1,190,000	—	1,190,000	0.0337%
Wang Danli (王丹莉)	1,338,750	—	1,338,750	0.0379%
Fu Gaochao (傅高潮)	1,487,500	—	1,487,500	0.0421%
Senior Management and/or other employees of the Group				
Tian Xudong (田旭東)	1,190,000	—	1,190,000	0.0337%
Liu Qin (劉琴)	892,500	—	892,500	0.0253%
Li Bin (李斌)	788,375	—	788,375	0.0223%
Cao Tianbin (曹天斌)	788,375	—	788,375	0.0223%
An Shenglong (安升龍)	714,000	—	714,000	0.0202%
Tian Hu (田虎)	714,000	—	714,000	0.0202%
Min Xueqin (閩雪琴)	714,000	—	714,000	0.0202%
Zhang Jing (張晶)	446,250	—	446,250	0.0126%
Zhang Xuefei (張雪飛)	446,250	—	446,250	0.0126%
Huang Xuan (黃萱)	446,250	—	446,250	0.0126%
Zeng Yu (曾宇)	446,250	—	446,250	0.0126%
Ming Hanhua (明漢華)	297,500	—	297,500	0.0084%
Peng Jing (彭璟)	297,500	(297,500)	—	—
Liu Hong (劉虹)	297,500	—	297,500	0.0084%
Ding Sheng (丁勝)	297,500	—	297,500	0.0084%
Peng Tao (彭濤)	297,500	—	297,500	0.0084%
Total	**29,452,500**	**(297,500)**	**29,155,000**	**0.833%**

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

Exercise Period	Number of Options Exercisable
From 13 July 2011 (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.*

Directors' Rights To Purchase Shares Or Debentures

During the six months ended 30 June 2014, no right to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any Director or their respective spouse or minor children, nor were any such rights exercised by them; nor 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 30 June 2014, the interests or short positions of each Director and chief executive of the Company 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 Appendix 10 of 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 30 June 2014.

(2) Interests in underlying shares of the Company

Name of director	Nature of interest	Exercised/lapsed/ cancelled share options from 1 January 2014 to 30 June 2014	Number of share options outstanding as at 30 June 2014	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 30 June 2014, 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) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken or deemed to have under such provision of the SFO), or which were 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

So far as is known to any Director, as at 30 June 2014, the following persons, other than a Director or chief executive of the Company, had or deemed or taken to have an interest or short position in the shares or underlying shares of the Company would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Nature of interest	Number of shares or underlying shares held	Percentage of shareholding[3]
Zall Development Investment Company Limited	Beneficial owner	2,975,000,000[1]	85%
PAG Holdings Limited	Deemed interest in controlled corporation	252,073,119[2]	7.2%
Pacific Alliance Group Limited	Deemed interest in controlled corporation	252,073,119[2]	7.2%
Pacific Alliance Investment Management Limited	Deemed interest in controlled corporation	252,073,119[2]	7.2%
Pacific Alliance Group Asset Management Limited	Deemed interest in controlled corporation	252,073,119[2]	7.2%
Pacific Alliance Asia Opportunity Fund L.P.	Beneficial owner	252,073,119[2]	7.2%

Notes:

(1) Zall Development Investment Company Limited is a company wholly owned by Yan Zhi.

(2) Pacific Alliance Group Asset Management Limited is the general partner of Pacific Alliance Asia Opportunity Fund L.P.. Pacific Alliance Group Asset Management Limited is wholly owned by Pacific Alliance Investment Management Limited which in turn is owned as to 90% by Pacific Alliance Group Limited, which in turn is owned as to 99.17% by PAG Holdings Limited. Accordingly, each of Pacific Alliance Group Asset Management Limited, Pacific Alliance Investment Management Limited, Pacific Alliance Group Limited and PAG Holdings Limited is deemed to be interested in an aggregate of 252,073,119 shares held by Pacific Alliance Asia Opportunity Fund L.P.. These are the shares which may be issued upon full exercise by Pacific Alliance Asia Opportunity Fund L.P. of the conversion rights attached to the convertible bond held by Pacific Alliance Asia Opportunity Fund L.P.. Further details of the convertible bond are set out in note 16 to the consolidated financial statements to this interim report.

(3) The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2014.

Save as disclosed above, as at 30 June 2014, the Company had not been notified by any person, other than a Director or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Compliance With Code On Corporate Governance Practice

The Company is committed to maintain a stringent corporate governance practices and procedures and has adopted the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules as its corporate governance code of practices upon its listing on the Stock Exchange. In the opinion of the Board, save for the deviations as disclosed below, the Company has complied with the code provisions as set out in the CG Code throughout the period ended 30 June 2014.

Code Provision A.2.1

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

During the period ended 30 June 2014, the Company has not separated the roles of chairman and chief executive officer of the Company and Mr. Yan Zhi was the chairman and also the chief executive officer of the Company responsible for overseeing the operations of the Group during the period. The Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies currently and in the foreseeable future. The Group will nevertheless review the structure from time to time in light of the prevailing circumstances.

Code Provision A.6.7

Under code provision A.6.7 of the CG Code, the independent non-executive Directors and the non-executive Director should attend the general meetings of the Company. However, due to other business commitment, independent non-executive Directors, Mr. Peng Chi and Ms. Yang Qiongzhen and the non-executive Director, Mr. Fu Gaochao did not attend the annual general meeting of the Company held on 26 May 2014.

Compliance With Model Code For Securities Transactions By Directors

The Company has adopted the Model Code as the code for dealing in securities of the Company by the Directors. The Board confirms that, having made specific enquiries with all Directors, all Directors have complied with the required standards of the Model Code throughout the period ended 30 June 2014 and up to the date of announcement of interim results for the period ended 30 June 2014.

Purchase, Sale Or Redemption Of Listed Securities Of The Company

During the period ended 30 June 2014, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Connected Transactions

During the six months ended 30 June 2014, the Group had a connected transaction with its connected person. The transaction constitutes "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.

Sub-license agreement with CIG Yangtze Ports PLC ("CIG")

On 4 October 2013, Zall Development (HK) Holding Company Limited ("Zall HK"), a subsidiary of the Company, entered into a sub-license agreement (the "Sub-license Agreement") with CIG, pursuant to which CIG agreed to sub-lease from Zall HK the office premises situated at Suite 1606, 16th floor of Two Exchange Square, Central, Hong Kong for the period from 9 October 2013 to 31 May 2016 at a monthly sub-license fee of HK$34,402. The total amount of the sub-license fee for the period ended 30 June 2014 was HK$206,412 (equivalent to approximately RMB167,380).

CIG is owned as to 74.97% 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 Sub-license Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of 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.

The sub-license fee received from CIG under the Sub-license Agreement was determined on an arm's length basis and reflected the prevailing market rent at that time. The Sub-license Agreement was entered into on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties.

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

Auditors

The interim financial report for the six months ended 30 June 2014 is unaudited and has not been reviewed by the auditors, but has been reviewed by the audit committee of the Company (the "Audit Committee").

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for the respective financial year but is derived from those financial statements. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2014.

Audit Committee

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

The Audit Committee has reviewed the Group's unaudited condensed consolidated interim results and financial report for the six months ended 30 June 2014 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.

Directors

As at the date of this report, the executive Directors are Mr. Yan Zhi, Mr. Cui Jinfeng, Mr. Fang Li and Ms. Wang Danli, the non-executive Director is Mr. Fu Gaochao and the independent non-executive Directors are Ms. Yang Qiongzhen, Mr. Cheung Ka Fai and Mr. Peng Chi.

By Order of the Board
Zall Development Group Ltd.
Yan Zhi
Chairman

Hong Kong, 29 August 2014

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2014 — unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2014	2013
	Note	**RMB'000**	RMB'000
Turnover	*3*	**481,654**	860,268
Cost of sales		**(281,523)**	(456,829)
Gross profit		**200,131**	403,439
Other net loss	*4*	**(2,552)**	(4,273)
Other revenue	*4*	**78,011**	15,577
Selling and distribution expenses		**(63,186)**	(60,732)
Administrative and other expenses		**(71,888)**	(71,203)
Profit from operations before changes in fair value of investment properties		**140,516**	282,808
Increase in fair value of investment properties and non-current assets classified as held for sale	*9*	**951,308**	165,797
Fair value gain upon transfer of completed properties held for sale to investment properties	*9*	**281,223**	114,232
Profit from operations after changes in fair value of investment properties		**1,373,047**	562,837
Share of profit of joint ventures		**41,036**	55,974
Fair value change on embedded derivative component of the convertible bonds	*16*	**(31,090)**	(37,671)
Finance income	*5(a)*	**12,942**	1,751
Finance costs	*5(a)*	**(65,465)**	(12,497)
Profit before taxation		**1,330,470**	570,394
Income tax	*6*	**(583,830)**	(195,905)
Profit for the period		**746,640**	374,489
Attributable to:			
Equity shareholders of the Company		**733,575**	349,054
Non-controlling interests		**13,065**	25,435
Profit for the period		**746,640**	374,489
Earnings per share	*7*		
Basic (RMB)		**0.21**	0.10
Diluted (RMB)		**0.21**	0.10

The notes on pages 33 to 52 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 19.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Profit for the period	**746,640**	374,489
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
— financial statements of subsidiaries outside the Mainland China, net of nil tax	**3,606**	(1,445)
Total comprehensive income for the period	**750,246**	373,044
Attributable to:		
Equity shareholders of the Company	**737,181**	347,609
Non-controlling interests	**13,065**	25,435
Total comprehensive income for the period	**750,246**	373,044

The notes on pages 33 to 52 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2014 — unaudited
(Expressed in Renminbi)

	Note	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Non-current assets			
Property, plant and equipment	*8*	139,888	141,914
Investment properties	*9*	8,813,800	7,140,800
Interest in joint ventures		815,923	774,888
Intangible assets		11,839	16,516
Deferred tax assets		13,487	2,520
		9,794,937	8,076,638
Current assets			
Properties under development	*10*	6,748,350	5,666,134
Completed properties held for sale	*11*	1,649,607	1,614,518
Inventories		607	156
Current tax assets		104,299	92,618
Trade and other receivables, prepayments and deposits	*12*	1,521,043	1,381,771
Available-for-sale unlisted equity securities		500	500
Short term bank deposits		90,000	150,000
Restricted cash		589,294	419,023
Cash and cash equivalents	*13*	1,009,763	738,758
		11,713,463	10,063,478
Non-current assets classified as held for sale		144,700	158,000
		11,858,163	10,221,478
Current liabilities			
Trade and other payables	*14*	4,356,771	3,526,622
Bank loans and loans from other financial institutions	*15*	1,869,858	2,012,808
Convertible bonds — interest payable	*16*	16,843	1,040
Current tax liabilities		69,116	72,089
Deferred income		602,707	600,726
		6,915,295	6,213,285
Liabilities directly associated with non-current assets classified as held for sale		35,386	35,935
		6,950,681	6,249,220

Consolidated Statement of Financial Position (continued)

At 30 June 2014 — unaudited
(Expressed in Renminbi)

	Note	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Net current assets		**4,907,482**	3,972,258
Total assets less current liabilities		**14,702,419**	12,048,896
Non-current liabilities			
Bank loans and loans from other financial institutions	*15*	**4,436,680**	3,084,950
Convertible bonds	*16*	**650,308**	607,257
Deferred income		**32,294**	36,586
Deferred tax liabilities		**1,921,804**	1,430,949
		7,041,086	5,159,742
NET ASSETS		**7,661,333**	6,889,154
CAPITAL AND RESERVES			
Share capital		**29,071**	29,071
Reserves		**7,012,863**	6,273,349
Total equity attributable to equity shareholders of the Company		**7,041,934**	6,302,420
Non-controlling interests		**619,399**	586,734
TOTAL EQUITY		**7,661,333**	6,889,154

Approved and authorised for issue by the board of directors on 29 August 2014.

Yan Zhi
Chairman

Wang Danli
Executive Director

The notes on pages 33 to 52 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014 — unaudited
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000	Share premium RMB'000	PRC Statutory reserve RMB'000	Other reserve RMB'000	Equity settled share-based payment reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013		29,071	1,179,689	75,329	(104,334)	30,378	(20,860)	3,688,179	4,877,452	541,461	5,418,913
Changes in equity for six months ended 30 June2013:											
Profit for the period		—	—	—	—	—	—	349,054	349,054	25,435	374,489
Other comprehensive income		—	—	—	—	—	(1,445)	—	(1,445)	—	(1,445)
Total comprehensive income		—	—	—	—	—	(1,445)	349,054	347,609	25,435	373,044
Capital injection from non-controlling interests		—	—	—	—	—	—	—	—	60,000	60,000
Transfer to PRC statutory reserve		—	—	3,070	—	—	—	(3,070)	—	—	—
Dividends approved in respect of previous year	*19(b)*	—	—	—	—	—	—	(167,286)	(167,286)	—	(167,286)
Equity settled share-based transactions	*17*	—	—	—	—	3,694	—	—	3,694	—	3,694
At 30 June 2013		29,071	1,179,689	78,399	(104,334)	34,072	(22,305)	3,866,877	5,061,469	626,896	5,688,365

Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2014 — unaudited

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000	Share reserve RMB'000	PRC Statutory premium RMB'000	Other reserve RMB'000	Equity settled share-based payment reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014		229,071	1,179,689	89,496	(104,334)	36,621	(18,596)	5,090,473	6,302,420	586,734	6,889,154
Changes in equity for six months ended 30 June 2014:											
Profit for the period		—	—	—	—	—	—	733,575	733,575	13,065	746,640
Other comprehensive income		—	—	—	—	—	3,606	—	3,606	—	3,606
Total comprehensive income		—	—	—	—	—	3,606	733,575	737,181	13,065	750,246
Capital injection from non-controlling interests		—	—	—	—	—	—	—	—	19,600	19,600
Transfer to PRC statutory reserve		—	—	8,609	—	—	—	(8,609)	—	—	—
Equity settled share-based transactions	*17*	—	—	—	—	2,333	—	—	2,333	—	2,333
At 30 June 2014		29,071	1,179,689	98,105	(104,334)	38,954	(14,990)	5,815,439	7,041,934	619,399	7,661,333

The notes on pages 33 to 52 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2014 — unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
	Note	**2014**	2013
		RMB'000	RMB'000
Cash used in operations		**(467,429)**	(368,938)
PRC taxes paid		**(119,142)**	(410,177)
Net cash used in operating activities		**(586,571)**	(779,115)
Payment for the purchase of property, plant and equipment		**(4,567)**	(1,812)
Decrease/(increase) in short term bank deposits		**60,000**	(150,000)
Other cash flow arising from investing activates		**12,942**	121,751
Net cash generated from/(used in) investing activities		**68,375**	(30,061)
Proceeds from the issue of convertible Bonds		**—**	599,115
Proceeds from new bank loans		**1,718,300**	1,595,300
Repayment of bank loans		**(489,600)**	(84,900)
Interest and other borrowing costs paid		**(292,434)**	(185,144)
Other cash flow arising from financing activates		**(150,671)**	(579,796)
Net cash generated from financing activities		**785,595**	1,344,575
Net increase in cash and cash equivalents		**267,399**	535,399
Cash and cash equivalents at 1 January		**738,758**	998,131
Effect of foreign exchange rate changes		**3,606**	(1,445)
Cash and cash equivalents at 30 June	*13*	**1,009,763**	1,532,085

The notes on pages 33 to 52 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 Basis of preparation

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") , including compliance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 29 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Zall Development Group Ltd. (the "Company") and its subsidiaries (together the "Group") since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited and has not been reviewed by the auditors, but has been reviewed by the Audit Committee.

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2014.

2 Changes in accounting policies

The IASB has issued the following 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 information:

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

2 Changes in accounting policies *(continued)*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

3 Turnover and segment reporting

The principal activities of the Group are development and sales of properties, property management services, hotel operations, development and operation of properties in the People's Republic of China (the "PRC").

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

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Sales of properties	**429,353**	838,725
Property management services	**6,636**	4,744
Rental income	**41,841**	15,932
Hotel operations	**2,878**	—
Others	**946**	867
	481,654	860,268

Operating segments, and the amounts of each segment item reported in the consolidated interim financial statements, are identified from the financial data and information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. No segment information is presented in respect of the Group's operating segment as the Group is principally engaged in one segment in the PRC.

4 Other net loss and other revenue

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Other net loss		
Loss on disposal of non-current assets classified as held for sale	**2,552**	4,436
Others	**—**	(163)
	2,552	4,273
Other revenue		
Government grants	**70,435**	1,000
Football club related revenue	**6,943**	13,774
Others	**633**	803
	78,011	15,577

5 Profit before taxation

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
(a) *Finance (income)/costs*		
Finance income		
Interest income	**(12,942)**	(1,751)
Finance costs		
Interest on convertible bonds *(note 16)*	**44,734**	2,647
Interest on bank loans and loans from other financial institutions	**208,330**	128,811
Other borrowing costs	**50,410**	19,776
Less: Amounts capitalised into properties under development and investment properties under development	**(242,551)**	(142,495)
	60,923	8,739
Bank charge and others	**4,504**	3,758
Net foreign exchange gain	**38**	—
	65,465	12,497

5 Profit before taxation *(continued)*

	Six months ended 30 June 2014 RMB'000	2013 RMB'000
(b) *Staff costs*		
Salaries, wages and other benefits	**22,674**	18,649
Contributions to defined contribution retirement plans	**3,131**	3,152
Equity settled share-based payment expenses	**2,333**	3,694
	28,138	25,495
(c) *Other items*		
Amortisation	**4,677**	3,947
Depreciation	**6,593**	3,500
Cost of properties sold *(i)*	**247,457**	447,339

(i) Cost of properties sold is after netting off benefits from government grants of RMB35,647,000 (six months ended 30 June 2013: RMB Nil).

6 Income tax

	Six months ended 30 June 2014 RMB'000	2013 RMB'000
Current tax		
PRC Corporate Income Tax ("PRC CIT")	**52,333**	76,443
PRC Land Appreciation Tax ("PRC LAT")	**52,157**	46,485
	104,490	122,928
Deferred tax		
Origination and reversal of temporary differences	**479,340**	72,977
	583,830	195,905

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

No provision for Hong Kong Profits Tax was made as the Group did not earn any income subject to Hong Kong Profits Tax for the period (six months ended 30 June 2013: RMB Nil).

6 Income tax *(continued)*

(ii) PRC CIT

The provision for PRC CIT has been calculated at the applicable tax rates on the estimated assessable profits of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The PRC CIT rate applicable to the Group's subsidiaries located in the PRC is 25% (2013: 25%).

(iii) PRC LAT

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

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

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

(iv) PRC dividend withholding tax

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

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

7 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company of RMB733,575,000 (six months ended 30 June 2013: RMB349,054,000) and 3,500,000,000 ordinary shares (six months ended 30 June 2013: 3,500,000,000 ordinary shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company of RMB733,575,000 (six months ended 30 June 2013: RMB349,054,000) divided by the weighted average number of ordinary shares of 3,520,479,000 shares (30 June 2013: 3,529,452,500 shares) after adjusting for the effects of deemed issue of shares for nil consideration under the Company's Pre-IPO Share Option Scheme (note 17).

For the period ended 30 June 2013 and 2014, the effect of conversion of convertible bonds was anti-dilutive.

8 Property, plant and equipment

During the six months ended 30 June 2014, the Group acquired items of property, plant and equipment with aggregate costs of RMB4,567,000 (six months ended 30 June 2013: RMB1,902,000). No item of property, plant and equipment was disposed of during the six months ended 30 June 2014.

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

As at 30 June 2014, certain building of the Group with carrying value of RMB35,816,000 was without building ownership certificate (31 December 2013: RMB36,865,000). The Group was in progress of applying for the relevant building ownership certificates.

9 Investment properties

The Group's investment properties portfolio (including the investment properties recorded under "Non-current assets" and the investment properties classified as held for sale under "Current assets") carried at fair value were revalued as at 30 June 2014 by Savills Valuation and Professional Services Limited ("Savills"), an independent firm of surveyors. 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. In addition, the directors also revisited its investment property strategy on a regular basis, and as and when considered appropriate based on the facts and circumstances, transferred certain completed properties held for sale to investment properties upon there was an actual change in use from sale to earning rental income purpose, which were evidenced by commencement of operating lease as stipulated in the lease agreements entered into by the Group. In the circumstance, a fair value change on those properties was recognised in the consolidated statement of profit or loss upon the transfer. During the period ended 30 June 2014, a fair value gain totaling RMB1,232,531,000 (six months ended 30 June 2013: RMB280,029,000), and deferred tax thereon of RMB489,960,000 (six months ended 30 June 2013: RMB70,007,000), had been recognised in the consolidated statement of profit or loss for the period in respect of investment properties.

Certain bank loans granted to the Group were jointly secured by investment properties and investment properties under development with an aggregate book value of RMB2,176,059,000 (31 December 2013: RMB2,075,059,000) (note 15).

The Group's investment properties are held on leases of between 40 to 70 years in the PRC.

10 Properties under development

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Properties under development for sale	5,799,195	4,862,178
Properties held for future development for sale	949,155	803,956
	6,748,350	5,666,134

As at 30 June 2014, certain properties under development with an aggregate carrying value of RMB4,991,125,000 (31 December 2013: RMB2,604,764,000) were pledged for certain bank loans granted to the Group (note 15).

11 Completed properties held for sale

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

Completed properties held for sale with an aggregate carrying value of RMB565,099,000 as at 30 June 2014 (31 December 2013: RMB565,099,000) were pledged for certain bank loans granted to the Group (note 15).

12 Trade and other receivables, prepayments and deposits

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Current	**18,745**	36,008
More than 3 months but less than 12 months past due	**56,231**	13,182
More than 12 months past due	**16,641**	4,004
Trade receivables, net of allowance for doubtful debts	**91,617**	53,194
Prepaid business tax and other tax	**114,641**	102,267
Deposits, prepayments and other receivables	**1,314,785**	1,226,310
	1,521,043	1,381,771

Trade receivables are primarily related to proceeds from the sale of properties.

As at 30 June 2014, the Group has no concentration of credit risk in view of its large number of customers. The Group did not record significant bad debts losses during the period.

13 Cash and cash equivalents

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Cash at bank and in hand	**1,009,763**	738,758

At 30 June 2014, included in the Group's cash at bank and in hand are foreign currencies of RMB41,881,000 (2013: RMB59,572,000).

14 Trade and other payables

As at the end of the reporting period, the ageing analysis of trade creditors based on invoice date, is as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 3 months	**13,102**	266,975
Over 3 months but less than 12 months	**872,446**	587,873
Over 12 months	**550,969**	89,207
Trade and bills payables	**1,436,517**	944,055
Receipts in advance	**2,015,148**	2,037,316
Other payables and accruals	**905,106**	545,251
	4,356,771	3,526,622

15 Bank loans and loans from other financial institutions

At 30 June 2014, the Group's bank loans and loans from other financial institutions were repayable as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Current		
Secured		
Bank loans *(notes (i) and (ii))*	**1,394,858**	1,646,808
Loans from other financial institutions		
— current portion *(notes (i) and (iii))*	**165,000**	90,000
Unsecured		
Bank loans *(notes (i))*	**310,000**	276,000
	1,869,858	2,012,808

15 Bank loans and loans from other financial institutions *(continued)*

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Non-current		
Secured		
Bank loans *(notes (i))*	3,251,680	1,984,950
Loans from other financial institutions		
— non-current portion *(notes (i) and (iii))*	530,000	410,000
Unsecured		
Bank loans *(notes (i))*	655,000	690,000
	4,436,680	3,084,950
	6,306,538	5,097,758

At 30 June 2014, the bank loans and loans from other financial institutions are all denominated in functional currency of respective subsidiaries now comprising the Group.

Bank loans and loans from other financial institutions bear interest ranging from 6.00% to 9.66% per annum for the six months ended 30 June 2014 (year ended 31 December 2013: 6.00% to 9.66% per annum), and are secured by the following assets:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Restricted cash	374,500	374,500
Investment properties	484,059	484,059
Investment properties under development	1,692,000	1,591,000
Leasehold land held for development for sale	1,059,697	929,721
Properties under development for sale	3,931,428	1,675,043
Completed properties held for sale	565,099	565,099
	8,106,783	5,619,422

15 Bank loans and loans from other financial institutions *(continued)*

(i) Certain banking facilities and borrowings of the Group are subject to the fulfilment of covenants relating to: (1) certain of the Group's operating subsidiaries' statement of financial position ratios; (2) restriction of profit distribution by certain of its operating subsidiaries; or (3) early repayment of principal to be triggered when 70% of the gross sellable area for the underlying property project are sold. These requirements are commonly found in lending arrangements with banks and financial institutions. If the Group was to breach such covenants, the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants and communicates with its lenders.

(ii) As at 30 June 2014, the Group had a total of RMB310,000,000 (31 December 2013: RMB1,167,300,000) of unutilised loan facilities provided by commercial banks in China.

(iii) As at 30 June 2014, the bank loans of the Group totaling RMB1,622,340,000 (31 December 2013: RMB1,662,670,000) was not in compliance with the imposed covenants. Such non-compliances were primarily related to: (1) an operating subsidiary failed to achieve certain statement of financial position ratios at the period end, and (2) an operating subsidiary distributed profits during the year ended 31 December 2012 and 31 December 2013, and (3) Certain banks could request early repayment according to the cash received. The directors of the Company are of the view that such bank loans were non-current liability as at 30 June 2014. Such view were based on notices from the corresponding banks dated 30 June 2014, which confirmed that the subsidiaries would not be regarded as having breached the convents and the banks would not demand early repayment from the subsidiaries.

(iv) In relation to a loan from other financial institution of RMB200,000,000 (31 December 2013: RMB200,000,000), which requires early repayment of principal when 70% of the gross sellable area for the underlying property project are sold (referred thereafter as the "70% triggering point"), the directors of the Company consider that it is a non-current liability as at 30 June 2014. It is because as at the end of the reporting period, less than 70% of the gross sellable area was contracted for sale. As at 31 December 2013 and 30 June 2014, the 70% triggering point covenant had not been breached. Furthermore, pursuant to a written confirmation letter dated 31 December 2012, the corresponding financial institution had confirmed that the Group would not be regarded as breaching the covenant even if it does not make early repayment of principal upon reaching the 70% triggering point.

16 Convertible bonds

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

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

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

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

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

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

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

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

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

16 Convertible bonds *(continued)*

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

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

At 30 June 2014, the outstanding principal amount of the convertible bonds is USD100 million.

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

	Host liability component RMB'000	**Derivative component** RMB'000	**Total** RMB'000
Initial fair value of convertible bonds issued on 19 June 2013	506,584	110,186	616,770
Issuing expenses related to liability component	(18,503)	—	(18,503)
Net proceeds for the issuance of the convertible bonds	488,081	110,186	598,267
Changes for six months ended 30 June 2013:			
Interest expenses *(i) (note 5(a))*	2,647	—	2,647
Change in fair value of derivative component	—	37,671	37,671
Exchange realignment	848	—	848
Balance at 30 June 2013 and 1 July 2013	491,576	147,857	639,433

16 Convertible bonds *(continued)*

	Host liability component RMB'000	Derivative component RMB'000	Total RMB'000
Changes for six months ended 31 December 2013:			
Interest expenses	43,140	—	43,140
Interest expenses paid during the period	(17,032)	—	(17,032)
Change in fair value of derivative component	—	(50,355)	(50,355)
Exchange realignment	(6,889)	—	(6,889)
Balance at 31 December 2013	510,795	97,502	608,297
Less: Interest payable due within 1 year	(1,040)	—	(1,040)
Non-current portion of convertible bonds at 31 December 2013	509,755	97,502	607,257
Balance at 1 January 2014	510,795	97,502	608,297
Changes for six months ended 30 June 2014:			
Interest expenses *(i) (note 5(a))*	44,734	—	44,734
Interest expenses paid during the period	(16,930)	—	(16,930)
Change in fair value of derivative component	—	31,090	31,090
Exchange realignment	(40)	—	(40)
Balance at 30 June 2014	538,559	128,592	667,151
Less: Interest payable due within 1 year	(16,843)	—	(16,843)
Non-current portion of convertible bonds at 30 June 2014	521,716	128,592	650,308

(i) Interest expenses

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

(ii) Conversion rights exercised

No convertible bonds was converted as at 30 June 2014.

(iii) Pursuant to the convertible bonds subscription agreement, the convertible bonds are subject to the fulfilment of covenants relating to the Group's financial position ratio and the equity amount attributable to shareholders of the Company at each reporting period. If the Group was to breach the covenants, the convertible bonds would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2014, none of the covenants relating to the convertible bonds had been breached.

(Expressed in Renminbi unless otherwise indicated)

17 Equity settled share-based payments

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

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

Pursuant to the option exchange letters executed by each of the grantees in favour of the Company and Zall Hong Kong on 20 June 2011 (the date of modification), the 2010 Share Options were converted into share options of the Company. Accordingly, 100 share options under the 2010 Share Option Scheme were converted into 29,750,000 share options of Pre-IPO Share Option Scheme issued by the Company with same terms and conditions, except that the respective exercise prices were adjusted on a proportionate basis. The conversion of the share options was considered a modification to the 2010 Share Options. The modification did not result in any incremental value in respect of the fair value of the share option at the date of modification.

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

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

(Expressed in Renminbi unless otherwise indicated)

17 Equity settled share-based payments *(continued)*

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

	Weighted average exercise price per share HK$	**Number of options**
Outstanding at 31 December 2013 and 1 January 2014	0.871	29,452,500
Forfeited during six months ended 30 June 2014	0.871	(297,500)
Outstanding at 30 June 2014	0.871	29,155,000
Exercisable at 30 June 2014	0.871	13,387,500

At 30 June 2014, the weighted average remaining expected life of Pre-IPO Share Option is 2 years (31 December 2013: 2.5 years).

(c) Fair value of share options and assumptions

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

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

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

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

18 Fair value measurement of financial instruments

(a) Financial assets and liabilities measured at fair value

(i) *Fair value hierarchy*

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 30 June 2014 RMB'000	Fair value measurements as at 30 June 2014 categorised into			Fair value at 31 December 2013 RMB'000	Fair value measurements as at 31 December 2013 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements								
Derivative financial Instruments:								
Embedded derivative component of the convertible bonds	128,592	—	128,592	—	97,502	—	97,502	—

During the six months ended 30 June 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2013: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) *Valuation techniques and inputs used in Level 2 fair value measurements*

The fair value of the conversion option and redemption options embedded in the convertible bonds are determined using binomial tree model.

18 Fair value measurement of financial instruments *(continued)*

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2013 and 30 June 2014 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	Carrying amounts at 30 June 2014 RMB'000	Fair value at 30 June 2014 RMB'000	Fair value measurement as at 30 June 2014 categorised into			Carrying amounts at 31 December 2013 RMB'000	Fair value at 31 December 2013 RMB'000
			level 1 RMB'000	level 2 RMB'000	level 3 RMB'000		
Liability component of the convertible bonds	538,559	548,753	—	548,753	—	510,795	537,673

19 Dividends

(a) No dividend has been declared during the six months ended 30 June 2014 (six months ended 30 June 2013: RMB Nil).

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

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK Nil cents per share (six months ended 30 June 2013: HK6 cents)	—	167,286

20 Capital commitments outstanding not provided for in the interim financial report

As at 30 June 2014, the Group's capital commitments in respect of investment properties under development and properties under development are as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Contracted but not provided for		
— Investment properties under development	**187,673**	148,800
— Properties under development	**2,620,668**	2,409,299
	2,808,341	2,558,099

21 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 buyers obtained the individual property ownership certificate and the full settlement of mortgage loans by the buyers.

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:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**1,871,746**	1,533,359

The directors of the Company consider that it is not probable that the Group will sustain a loss under these 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 of the Company 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.

21 Contingent liabilities *(continued)*

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 of the Company.

22 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 is as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Wages, salaries and other benefits	**1,656**	1,533
Contribution to defined benefit contribution retirement scheme	**44**	44
Equity settled share-based payment expenses	**2,062**	3,194
	3,762	4,771

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

(b) Other related party transaction

During the six months ended 30 June 2014, the Group received rental income of RMB 167,380 (six months ended 30 June 2013: RMB Nil) from CIG Yangtze Port PLC, which also constitutes a connected person of the Group as defined under Chapter 14A of the Listing Rules.

During the six months ended 30 June 2014, the Group received rental income of RMB Nil (six months ended 30 June 2013: RMB6,000) from Zall Holding Co., Ltd., which also constitutes a connected person of the Group as defined under Chapter 14A of the Listing Rules.

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.