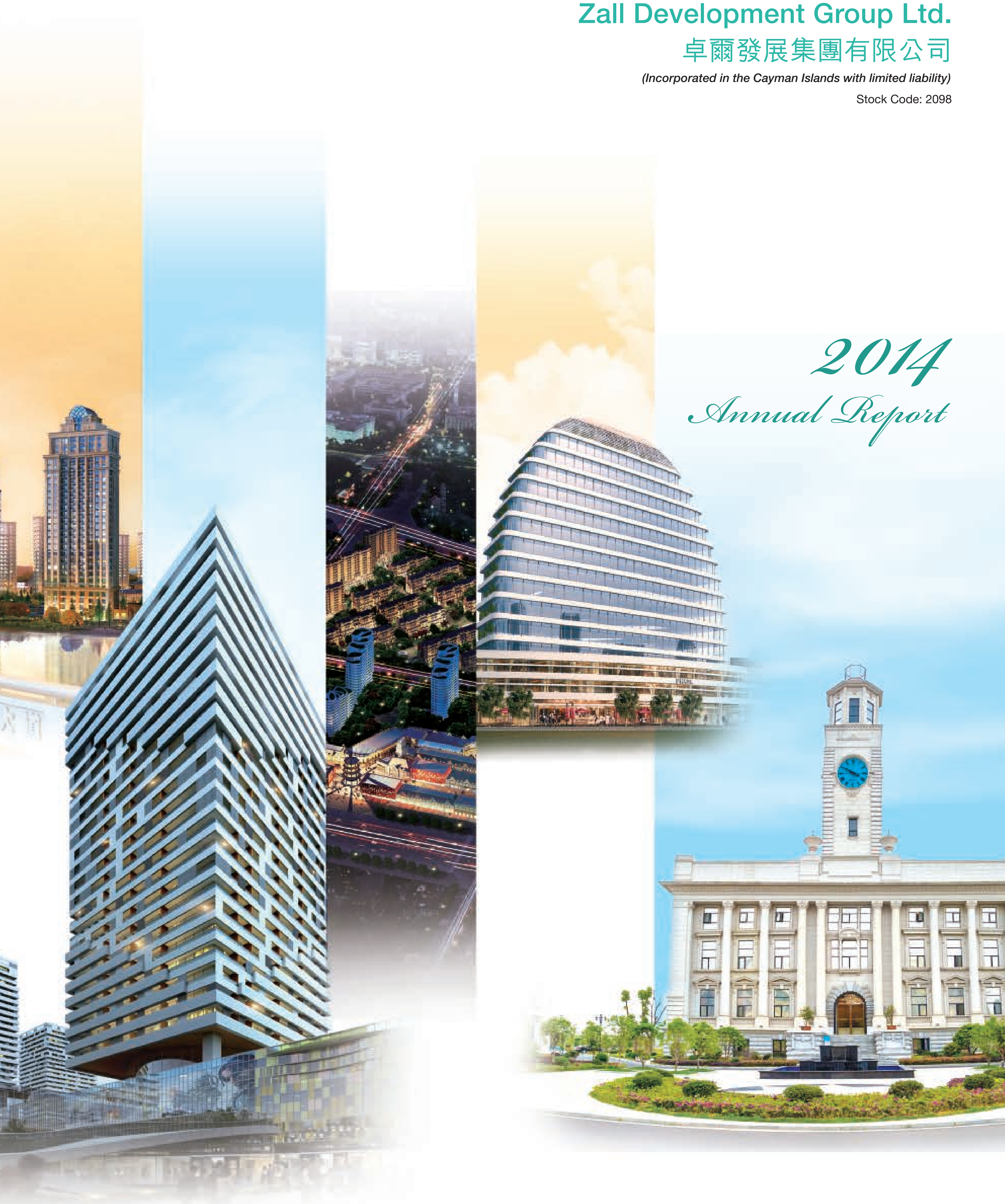
Zall Development Group Ltd.

卓爾發展集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2098

2014 Annual Report



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About
Zall Development Group Ltd.

Zall Development Group Ltd. ("Zall Development") is a leading developer and operator of large-scale, consumer product-focused wholesale shopping malls, as well as commercial space provider, in China. Headquartered in Wuhan, Hubei province, Zall Development primarily engages in selling and leasing consumer product-focused wholesale market properties and other commercial spaces. The Group's major clients include suppliers, manufacturers, dealers and other small to medium sized local wholesale enterprises. Besides developing and operating wholesale market properties, Zall Development offers a comprehensive range of integrated logistics and trading facilities and services, as well as other commercial properties.

Corporate Information

DIRECTORS

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

Corporate Information (Continued)

Nomination Committee	Ms. Yang Qiongzhen *(Chairman)* Mr. Cui Jinfeng Mr. Peng Chi
Remuneration Committee	Mr. Peng Chi *(Chairman)* Mr. Fang Li Ms. Yang Qiongzhen
Company Secretary	Mr. Fung Che Wai Anthony *(Resigned on 1 August 2014)* Ms. Chan Ching Yi *(Appointed on 1 August 2014 and resigned on 1 January 2015)* Mr. Ma Wing Ming *(Appointed on 1 January 2015)*
Company Website	http://www.zallcn.com/
Authorized Representatives	Ms. Wang Danli Mr. Fung Che Wai Anthony *(Resigned on 1 August 2014)* Ms. Chan Ching Yi *(Appointed on 1 August 2014 and resigned on 1 January 2015)* Mr. Ma Wing Ming *(Appointed on 1 January 2015)*
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
Auditors	KPMG Certified Public Accountants
Principal Bankers	Bank of Communications China Construction Bank China Mingsheng Banking Corp., Ltd. Hankou Bank Industrial and Commercial Bank of China

Financial Highlights

	2014 RMB'000	2013 RMB'000
Turnover	**1,986,129**	1,581,188
Gross profit	**976,104**	664,849
Gross profit margin	**49.1%**	42.0%
Profit for the year	**1,610,724**	1,629,020
Earnings per share — Basic (RMB)	**0.45**	0.45
— Diluted (RMB)	**0.44**	0.44

	2014 RMB'000	2013 RMB'000
Total non-current assets	**9,442,153**	8,076,638
Total current assets	**12,733,861**	10,221,478
Total assets	**22,176,014**	18,298,116
Total non-current liabilities	**5,662,713**	5,159,742
Total current liabilities	**7,951,161**	6,249,220
Total liabilities	**13,613,874**	11,408,962
Net assets	**8,562,140**	6,889,154

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Zall Development Group Ltd. ("Zall Development" or the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2014.

The GDP of China for 2014 grew by 7.4% when compared with the year 2013 and exceeded RMB63 trillion, implying a stable growing trend and complicated domestic and international circumstances. The growth of household consumption of China slowed down significantly due to the challenging domestic business environment as well as the soaring consumer prices and costs. It was a government policy of China to maintain the economic growth and to improve the living standards by expanding domestic demand through adjustment of the economic structure. In 2014, Chinese central government continued to stimulate domestic consumption market through tax arrangements and industry support policies with a view to making consumption one of the major driving forces of the economy during the year.

During the year under review, the Group's flagship project — North Hankou International Trade Center (the "North Hankou Project") continuously invested in and successfully established multiple professional transaction markets, consolidating its leadership in Central China as the largest wholesale market for consumer products and hitting a record high of transactions in 2014. With the support of many favorable local and central government policies, North Hankou continued to improve the planning of logistics space and the construction of transport supporting facilities in the surrounding area. Specifically, the extension of Light Rail No.1 connecting the North Hankou Project and downtown Wuhan has commenced operation in May 2014. Thus, the Project has become one of the few large-scale modern commerce and logistics centers in China that are equipped with direct rail transit. Apart from actively developing the North Hankou Project, the Group also focuses on developing new projects to expand its business. Considerable progress has been made in developing the projects of Tianjin Zall E-commerce Mall and Jingzhou Zall City, both of which started pre-sale and full-fledge market promotion in 2014. The two projects will copy the successful operating model of the North Hankou Project to lay a solid foundation for the further business growth of the Group. In 2014, the Group also confirmed the positioning of Zall Asia Expo City Project in Kunming City, striving to have Kunming as a center to spread its commerce and logistics business to Southeast Asia and diversify the Group's income sources with multiple projects in various areas.

In the meantime, the Company faces historical opportunity in developing and operating large-scale commerce centers. Strategically, the Company is constructing or prepares to construct such centers in central cities of several major regions in China and the highly relevant warehousing and logistics as well as E-commerce and financial business will become the new strategic business for the Company's development. In addition, the Group has started its business restructuring in 2014 and will fully implement its restructuring plan and complete strategic transformation of business this year. Through transformation, the Group will spin-off its non-core business assets to concentrate its resources on the industries with core competitive advantage and excellent growth potential. The Group expects that, over the few years after transformation, the income from warehousing and logistics, E-commerce and financial services will constitute major components of total revenue, in addition to steady growth in the property sales income and rental income from commerce markets. The Group holds that this strategic transformation is in line with the current trend of industry development and in the interest of the Company's long-term development.

Looking into 2015, the adjustment and steady recovery of global economy and the continuous loosening credit policy of China are expected to boost steady consumption growth. The Group will fully implement its business restructuring plan to complete strategic transformation during the year. The Group is confident that it will continue to grasp the opportunities to expand its business by cooperating with customers to create a win-win situation and achieve better results.

Lastly, I would like to express my gratitude to our shareholders, customers and investors for their support and trust; 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, 31 March 2015

Management Discussion and Analysis

BUSINESS OVERVIEW

North Hankou Project

The North Hankou International Trade Center (the "North Hankou Project") is the Group's flagship project and the largest wholesale shopping mall in Central China focusing on consumer products. It is designed to capture the business opportunities arising from the relocation of the traditional wholesale trade center at Hanzheng Street in Wuhan. The North Hankou Project has a total site area of approximately over 1.8 million square metre ("sq.m."). Its wholesale mall units have a total gross floor area ("GFA") of over 4.0 million sq.m.. It consists of more than 20 separate wholesale shopping malls which sell a variety of consumer products and over one million kinds of merchandise. The Group aims to develop it into an integrated business platform for suppliers, manufacturers, distributors and small to medium enterprises for domestic consumer products.

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

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

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

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

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

No. 1 Enterprise Community — Wuhan

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

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

North Hankou • Zall Life City

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

Zall Hupan Haoting Residences

Zall Hupan Haoting Residences is the first large living and services center of the Group. It was officially launched in 2012. Zall Hupan Haoting Residences is a tailor-made residential area for North Hankou and has a total site area of approximately 180,000 sq.m. and a GFA of over 350,000 sq.m.. The project will be completed in two phases and is scheduled to be fully completed by 2015.

For the year ended 31 December 2014, Zall Hupan Haoting Residences contributed sales revenue of RMB69.5 million (2013: RMB362.5 million) to the Group, with an ASP of RMB4,600 per sq.m..

Zall Zhujinyuan Residences

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

Wuhan Salon

Wuhan Salon (武漢客廳) is a multi-structural and multi-functional cultural center near Wuhan downtown with a total GFA of over 1,500,000 sq.m., aiming to provide diversified cultural experience for customers. It is the Group's key large-scaled city complex project which equips with Chinese cultural and art exhibitions, arts trading center, cultural and creative center and hotel facilities.

Wuhan Salon was recognized as one of the Major Cultural Construction Projects in Hubei Province (湖北省重大文化建設項目名錄) by the Hubei Department of Culture in 2012. It was also listed as one of the major cultural investment projects for the "12th Five Year Plan" of Wuhan. The Group will develop it as an innovative platform for Chinese cultural exchange and a cultural demonstrative park to support the business requirements and the growth of the Group's existing and potential customers.

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

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

Zall No. 1 Enterprise Community — Changsha

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

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

Zall Finance Center

Zall Finance Center (卓爾金融中心), is a 51% held joint development project of the Group located in the financial center of Wuhan. The Project will be developed into a premier commercial center and Grade A office building. The project has a total GFA of over 97,000 sq.m. and a total site area of approximately 10,000 sq.m.. During the year under review, the Group accelerated the construction with the main structural buildings being topped out and 50% of the curtain wall engineering, elevators, air-conditioners, fire-fighting works and high and low voltage power distribution engineering have been completed.

Shenyang Salon

Shenyang Salon (瀋陽客廳) is an integrated high-end urban complex project with a cultural theme located in Shenyang. The project includes eco-apartments, commercial SOHO, luxury hotels, brand stores, cultural market, media complex and central park. The project will be developed in two phases. Phase I of the project has a planned total GFA of over 300,000 sq.m. and a total site area of approximately 150,000 sq.m.. The Group plans to develop the project into a new cultural landmark in Shenyang and Northeast China. The project commenced construction in 2013. Part of Phase I of the project has been almost completed at the end of 2014 and is currently undergoing certain repairs and maintenance before delivery. Part of Phase I of the project is expected to be completed around mid 2015.

Tianjin Zall E-Commerce Mall

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

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

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

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

Jingzhou Zall City

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

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

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

Zall Asia Expo City

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

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

Wuhan Zall Football Club

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

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

COOPERATION WITH SHENZHEN NANSHAN

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

COOPERATION WITH FULLSHARE

On 9 April 2015, the Company entered into a memorandum of understanding with Fullshare Holdings Limited (豐盛控股有限公司) ("Fullshare"), pursuant to which the Company agreed to dispose certain equity interests of its subsidiaries, so as to concentrate its resources on its core business segment (i.e. the development and operating of large scale consumer product-focused wholesale shopping malls and the related value-added services). Up to the date of this annual report, no definitive agreements have been signed. For further details, please refer to the announcement of the Company dated 9 April 2015.

PROPOSED RESTRUCTURING

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

RESULTS OF OPERATION

Turnover

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

Sales of properties

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

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

	For the year ended 31 December					
	2014			2013		
	GFA Sold (sq.m.)	Average selling price (net of business tax) RMB/sq.m.	Turnover (RMB'000)	GFA Sold (sq.m.)	Average selling price (net of business tax) RMB/sq.m.	Turnover (RMB'000)
North Hankou Project	110,573	10,754	1,189,078	50,938	10,731	546,599
No. 1 Enterprise Community — Wuhan	73,384	4,038	296,312	51,538	3,730	192,522
Wuhan Salon	55,389	6,136	339,859	78,633	5,360	422,243
Zall Life City — Zall Hupan Haoting Residences	14,797	4,697	69,495	78,741	4,600	362,514
Total	254,143		1,894,744	259,850		1,523,878

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

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

Rental income

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

Cost of sales

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

Gross profit

Gross profit increased by 46.8% from RMB664.8 million for the year ended 31 December 2013 to RMB976.1 million for the year ended 31 December 2014. The Group's gross profit margin increased from 42.0% in 2013 to 49.1% in 2014 mainly due to the changes in the combination of the properties delivered during the year. For the year ended 31 December 2013, only 35.9% of the revenue from sales of properties were contributed by North Hankou Project, of which the gross profit margin of the wholesale shopping mall units are usually maintained at over 60%. However, for the ended 31 December 2014, approximately 62.8% of the revenue from sales of properties were contributed by North Hankou Project. The remaining 37.2% of the revenue from sales of properties were contributed by No. 1 Enterprise Community — Wuhan, Wuhan Salon and Zall Life City projects, of which the overall gross profit margin of these projects are a lot lower, comparing to North Hankou Project.

Other net loss

For the year ended 31 December 2014, certain non-current assets held for sale were disposed of and a loss on disposal of RMB2.6 million (2013: RMB8.6 million) was incurred.

Other revenue

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

Selling and distribution expenses

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

Administrative and other expenses

Administrative and other expenses of the Group decreased by 3.6% from RMB161.9 million for the year ended 31 December 2013 to RMB156.0 million for the year ended 31 December 2014. The decrease was primarily due to the offsetting effect of (i) an increase of RMB4.2 million in staff related costs resulting from an increase in the number of the Group's administrative and management personnel and an increase in salaries; and (ii) a decrease of RMB10.4 million in entertainment and related expenses during the year under review.

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

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

Share of profits of joint ventures

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

Fair value change on embedded derivative component of the convertible bonds

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

Finance income and costs

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

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

Income tax

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

Profit for the year

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

Liquidity and capital resources

As at 31 December 2014, cash and cash equivalents of the Group was RMB250.8 million (2013: RMB738.8 million). The Group's cash and cash equivalents consist primarily of cash on hand and bank balances which are primarily held in RMB denominated accounts with banks in the PRC.

Capital expenditure

For the year ended 31 December 2014, the Group's total expenditure in respect of property, plant and equipment and investment properties under development amounted to RMB10.0 million and RMB819.3 million (2013: RMB4.4 million and RMB197.2 million) respectively.

Bank loans and loans from other financial institutions

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

Convertible bonds

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

Net gearing ratio

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

Foreign exchange risk

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

Charge on assets

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

Contingent liabilities

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

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the Group employed a total of 1,005 full time employees (2013: 939). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2014, the employees remuneration benefit expenses were RMB52.6 million (2013: RMB50.4 million). The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires. During the year, none of the Directors waived his/her emoluments nor has agreed to waive his/her emoluments for the year.

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

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Yan Zhi (閻志), aged 42, is the chairman of the Board, the chief executive officer of the Company, an executive Director and the founder of the Group. He is primarily responsible for the formulation of the Group's overall business and investment strategies, as well as supervising its project planning, business and operation management. He has approximately ten years of experience in the commercial property and wholesale shopping mall industries, as well as approximately 19 years of experience in business management in various industry. Mr. Yan has been appointed as a non-executive director and the chairman of CIG Yangtze Ports PLC, a company listed on the GEM Board of the Stock Exchange (Stock code: 8233), since 21 November 2011.

Mr. Yan received a master's degree in business administration for senior executives from Wuhan University (武漢大學) in February 2008 and his executive master of business administration degree at Cheung Kong Graduate School of Management (長江商學院) in 2013.

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

Mr. Cui Jinfeng (崔錦鋒), aged 36, was appointed as an executive Director on 20 June 2011. He joined the Group in July 2005 and is primarily responsible for the overall day-to-day management of our projects outside Hubei Province. Mr. Cui has over ten years of experience in the wholesale market and commercial property industries. Mr. Cui received a diploma in motor vehicle manufacturing and maintenance from Jianghan University (江漢大學) in June 2000 and obtained his master's degree in business administration from The Chinese University of Hong Kong in July 2014.

Mr. Fang Li (方黎), aged 41, was appointed as an executive Director on 20 June 2011. He is the general manager of the Group's Wuhan Salon project. He joined the Group in June 2003 and is primarily responsible for the development of our business and the designing of our projects. Mr. Fang has over 14 years of experience in the media and advertising industry and real estate marketing. Mr. Fang received a graduate certificate in Chinese language and literature education from Hubei University of Education (湖北第二師範學院) (formerly known as Hubei Education College (湖北教育學院)) in June 1999. Mr. Fang completed an advanced course for business executives at Wuhan University (武漢大學) in June 2010 and is currently studying for his master's degree in business administration at Wuhan University.

Ms. Wang Danli (王丹莉), aged 37, was appointed as an executive Director on 20 June 2011. Ms. Wang joined the Group in June 2010 as an assistant to the chief executive officer of the Company, and is primarily responsible for the Group's financial management, corporate finance and investor relations. Ms. Wang has over 14 years of experience in equity financing, financial management, merger and acquisition and asset management. Prior to joining the Group, Ms. Wang was an assistant general manager in the investment banking department of Changjiang Financing Services Co., Ltd. (長江證券承銷保薦有限公司) since July 1999, focusing on corporate finance transactions and other financial and compliance advisory matters. Ms. Wang received a bachelor's degree in engineering from Shanghai Jiao Tong University (上海交通大學) in July 1999 and a diploma in finance from Wuhan University (武漢大學) in June 2003. She also obtained a certificate of qualification for securities underwriting and issuance from Securities Association of China (中國證券業協會) in September 2007 and a master degree at CEIBS (中歐國際工商學院) in 2013.

NON-EXECUTIVE DIRECTOR

Mr. Fu Gaochao (傅高潮), aged 59, was appointed as a non-executive Director on 20 June 2011. He is the chairman of the supervisory committee of Zall Development (Wuhan) Co., Ltd.. Mr. Fu joined the Group in 1998 and has over ten years of experience in the commercial property and wholesale shopping mall industries, as well as experience in the news media industry. Mr. Fu received a diploma in business administration from Huazhong University of Technology (華中理工大學) (currently known as Huazhong University of Science and Technology (華中科技大學)) in 1993. Mr. Fu received an advanced business administration certificate (高級經營師資格證書) from Hubei Province Labour Bureau (湖北省勞動廳) in December 1999.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Yang Qiongzhen (楊瓊珍), aged 51, was appointed as an independent non-executive Director on 20 June 2011. Ms. Yang has approximately 14 years of experience in corporate legal affairs. In March 2001, she co-founded Hubei Zhonghexin Law Firm (湖北中和信律師事務所) and has been serving as a partner from March 2001 to present. From December 2002 to November 2006, Ms. Yang was the secretary-general of the Economic Law Committee of Hubei Lawyers Association (湖北省律師協會經濟法委員會). Ms. Yang received a bachelor's degree in law from Zhongnan University of Economics and Law (中南財經政法大學) in July 1984 and a master's degree in law from Wuhan University (武漢大學) in July 1987.

Mr. Cheung Ka Fai (張家輝), aged 40, was appointed as an independent non-executive Director on 20 June 2011. Mr. Cheung has over 17 years of experience in auditing, accounting and finance. Prior to joining the Group, Mr. Cheung worked as an auditor at Deloitte Touche Tohmatsu and served as the financial controller and company secretary of two companies listed on the Growth Enterprise Market ("GEM") Board of the Stock Exchange. Mr. Cheung was the chief financial officer and company secretary of Huscoke Resources Holdings Limited, a company listed on the Main Board of the Stock Exchange from June 2008 to July 2012 and an executive director of Huscoke Resources Holdings Limited from October 2009 to July 2012. He has been serving as the chief financial officer of Bonjour Holdings Limited, a company listed on the Main Board of the Stock Exchange from August 2012 to present. Mr. Cheung is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. He obtained a bachelor's degree in accountancy from the Hong Kong Polytechnic University in November 1997 and a master's degree in business administration from the University of Bradford in January 2008.

Mr. Peng Chi (彭池), aged 52, was appointed as an independent non-executive Director on 20 June 2011. Mr. Peng has over 16 years of experience in real estate development and management of large-scale infrastructure constructions. From May 1999 to present, Mr. Peng has been serving as a director of Ramada Hotel Xiamen Co., Ltd. (廈門長升大酒店有限公司). From July 2001 to March 2004, he was a director of Xiamen Rong Tai Real Estate Development Co., Ltd. (廈門榮泰房地產開發有限公司). From May 2004 to December 2006, Mr. Peng was the general manager of Hubei Jingdong Highway Construction and Development Co., Ltd. (湖北荊東高速公路建設開發有限公司). From May 2004 to present, Mr. Peng has been serving as a director of Wuhan Tianshi Property Development Co., Ltd. (武漢市天時物業發展有限責任公司). From January 2008 to present, Mr. Peng has been serving as a director of Hubei E'dong Yangtze River Highway Bridge Co., Ltd. (湖北鄂東長江公路大橋有限公司). Mr. Peng obtained a bachelor's degree in history and literature from Hubei University (湖北大學) in July 1984.

SENIOR MANAGEMENT

Mr. Zhu Guo Hui (朱國輝), aged 38, is the chief financial officer of the Company. Mr. Zhu joined the Group in August 2014 and is primarily responsible for the financial management and capital market of the Company. Mr. Zhu possesses over 14 years of experience in the capital markets of Hong Kong and Mainland China. Prior to joining of the Company, Mr. Zhu has worked in various financial institutions including Credit Suisse, Value Partners Group (Stock Code: 806), a company listed on the Main Board of the Stock Exchange and BNP Paribas in connection with transactions on initial public offering, merger and acquisition, direct investment and corporate financing. Mr. Zhu holds a bachelor's degree in economics from The Central University of Finance and Economics and a master's degree in international business administration from The University of Hong Kong.

Ms. Fan Xiaolan (范曉蘭), aged 46, is the vice president of the Company. She joined the Group in January 2012, responsible for project development, planning, engineering and marketing for the Company. Prior to joining the Company, Ms. Fan has over ten years of work experience in government authorities and state-owned enterprises. She also worked for Hubei Yihua Group Co., Ltd. (湖北宜化集團有限責任公司), a company listed on Shenzhen Stock Exchange (Stock Code: 000422). Ms. Fan obtained her executive master of business administration degree from Cheung Kong Graduate School of Management (長江商學院) in 2014.

Mr. Wang Chuang (王創), aged 38, is the vice president of the Company and the executive president of North Hankou Group Co., Ltd. Mr. Wang joined the Group in 2014. He has over 16 years of work experience in government authorities, state-owned enterprises and the urban construction industry. Mr. Wang received a bachelor's diploma from Wuhan University of Technology (武漢理工大學) in 1999 and a master's diploma from Wuhan University (武漢大學) in 2007. He also obtained the qualification certificate for senior economist issued by the Human Resources and Social Security Department of Hubei Province (湖北省人力資源和社會保障廳) in 2014.

Ms. Liu Qin (劉琴), aged 46, is the executive vice president of North Hankou Group Co. Ltd.. Ms. Liu joined the Group in 2007 and is responsible for the day-to-day operational management of Wuhan Big World Project. Ms. Liu has over 14 years of experience in real estate sales, human resources management and administrative management. Ms. Liu graduated from Wuhan Radio and TV University (武漢市廣播電視大學) with a diploma in economic management. Ms. Liu is currently studying for an executive master of business administration degree at Tsinghua University (清華大學). Ms. Liu has been appointed as an executive director of CIG Yangtze Ports PLC, a company listed on the GEM Board of the Stock Exchange, since 21 November 2011.

Mr. Li Bin (李斌), aged 44, is the executive vice president of North Hankou Group Co., Ltd.. Mr. Li is currently responsible for the day-to-day operational management and property management of the Group's North Hankou Project. Mr. Li has over 15 years of experience in property management and market management. Mr. Li joined the Group in July 2007 as the general manager of Wuhan North Hankou Market Management Co., Ltd. and has held various positions within the Group. From May 1999 to June 2007, Mr. Li was manager of the property management department of Meijia Property Management (Wuhan) Co., Ltd. (美佳物業管理(深圳)有限公司武漢分公司). Mr. Li received a diploma in Chinese language and literature education from Hubei University (湖北大學) in 1995.

Mr. Cao Tianbin (曹天斌), aged 46, is the general manager of the Group's marketing department. Mr. Cao is primarily responsible for the overall marketing and promotion of our Changsha project. Mr. Cao has approximately six years of experience in the wholesale market and investment management industries, and has over 18 years of experience in the operational management of commercial projects. He joined the Group in August 2008 as the general manager of the merchandising department of North Hankou Group Co., Ltd. and has also been the assistant general manager of North Hankou Market Management Co., Ltd. since October 2009. Prior to joining the Group in August 2008, he was the vice general manager of Wuhan Wenhua Printing Co., Ltd. (武漢文華印務有限公司) from August 1996 to July 2008. Mr. Cao received a diploma in mechanical and electrical engineering from Lanzhou University of Technology (蘭州理工大學) (formerly known as Gansu University of Industry (甘肅工業大學)) in July 1991 and a master's degree in finance from Zhongnan University of Economics and Law (中南財經政法大學) in December 2001.

Ms. Min Xueqin (閔雪琴), aged 31, is the executive vice president of North Hankou Group Co., Ltd. Ms. Min joined the Group in 2008, primarily responsible for the service management and financing of North Hankou International Trade Center. She has nearly seven years of experience in the commercial property, wholesale shopping mall and financial industries. Ms. Min obtained a diploma in business administration from Zhongnan University of Economics and Law (中南財經政法大學) in 2006. She has been studying for an executive master of business administration degree at Wuhan University (武漢大學) since 2013.

Save as disclosed in the section headed "Biographical Details of Directors and Senior Management" in this annual report, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2014.

Report of the Directors

The Board is pleased to present the annual report and the audited financial statements of the Group for the year ended 31 December 2014.

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 22 September 2010 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

PRINCIPAL ACTIVITIES

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

RESULTS AND DISTRIBUTION

The profit of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss on page 48.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014.

There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividend.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2014 and the state of the Company's and the Group's affairs as at that date are set out on pages 48 to 53.

RESERVES

Movements in the reserves of the Group during the year ended 31 December 2014 is set out on page 54.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB1,070,571,000 (2013: RMB1,182,494,000). The Board does not propose the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

SHARE CAPITAL

Changes in share capital of the Company for the year ended 31 December 2014 and as at that date are set out in note 31 to the financial statements.

PRE-EMPTIVE RIGHTS

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

SHARE OPTION SCHEME

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

A. Share Option Scheme

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

1. Purpose of the Share Option Scheme

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

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

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

2. Participants of the Share Option Scheme

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

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

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

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

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

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

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

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

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

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

7. **The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be paid**
   Options granted must be taken up within 21 days of the date of offer, upon payment of HK$1 per grant.

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

9. **The remaining life of the Share Option Scheme**
   It will remain in force for a period of 10 years, commencing on 20 June 2011.

Since the adoption of the Share Option Scheme and up to 31 December 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 year ended 31 December 2014, the total number of shares available for issue under the Pre-IPO Share Option Scheme is 29,155,000 shares as at 31 December 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 31 December 2014 are as follows:

Grantee and position	Number of shares under the outstanding option granted at 31 December 2013	Number of options cancelled/ lapsed/ exercised during the year ended 31 December 2014	Number of options not yet exercised on 31 December 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 (閔雪琴)	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	0.8331%

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.

MAJOR SUPPLIERS AND CUSTOMERS

During the year under review, the aggregate sales attributable to the Group's five largest customers comprised approximately 3.4% (2013: 3.1%) of the Group's total sales and the sales attributable to the Group's largest customer were approximately 1.4% (2013: 0.8%) of the Group's total sales.

The aggregate purchases during the year under review attributable to the Group's five largest suppliers were approximately 43.1% (2013: 34.4%) of the Group's total purchases; and the purchases attributable to the Group's largest supplier were approximately 11.2% (2013: 11.7%) of the Group's total purchases. Purchases of the Group include purchases which are required on a regular basis to enable the Group to continue to supply its customers. Accordingly, purchases include, but not limited to, land purchased from the government and the cost of construction materials.

To the best of the knowledge of the Directors, none of the directors, their close associates or any shareholder which owns more than 5% of the Company's issued share capital, had any interest in the share capital of any of the five largest customers and suppliers of the Group.

BANK LOANS AND LOANS FROM OTHER FINANCIAL INSTITUTIONS

Particulars of bank loans and loans from other financial institutions of the Group as at 31 December 2014 are set out in note 26 to the financial statements.

DONATIONS

Charitable and other donations made by the Group during the year under review amounted to approximately RMB5,500,000 (2013: RMB17,091,000).

PROPERTY, PLANT AND EQUIPMENT

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

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

Details of the movements in the investment properties of the Group during the year are set out in note 12 to the financial statements. Particulars of investment properties, properties under development, completed properties held for sale and non-current assets classified as held for sale are shown under the section of "Major Properties Information" on the pages 136 to 139.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS

The Directors of the Company during the year ended 31 December 2014 and up to the date of this report are:

Executive Directors:
Mr. Yan Zhi *(Chairman)*
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

In accordance with article 84 of the Articles, Mr. Fang Li, Ms. Wang Danli and Mr. Cheung Ka Fai, will retire from the office of Director by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company to be held on 29 May 2015 (the "AGM").

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and non-executive Director has entered into a service contract with the Company for a term of three years commencing from 13 July 2014, which may be terminated by not less than three months' notice in writing served by either party on the other. Each independent non-executive Director has entered into an appointment letter with the Company for a term of three years commencing from 13 July 2014, which may be terminated by not less than three months' notice in writing served by either party on the other.

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

CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' REMUNERATION

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 19 to 22 of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 35 to the financial statements, there was no contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party to and in which a Director has a material interest in, whether directly or indirectly, or between the Company, or its subsidiary companies, and a controlling shareholder or any of its subsidiaries, and subsisted at the end of the financial year under review or at any time during the financial year under review.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors held any interests in any competing business against the Company or any of its jointly controlled entities and subsidiaries for the year ended 31 December 2014.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

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

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

As at 31 December 2014, the interests or short positions of each Director and chief executive in the shares, underlying shares or debentures of the Company or its any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are being taken or deemed to have taken under such provision of the SFO); or were required pursuant to Section 352 of the SFO to be recorded in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of the Company (the "Model Code") as set out in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

(1) Interests in shares of the Company

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

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

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 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 31 December 2014	Number of share options outstanding as at 31 December 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 31 December 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) as recorded in the register required to be maintained under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director, as at 31 December 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 that 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	285,426,470[2]	8.2%
Pacific Alliance Group Limited	Deemed interest in controlled corporation	285,426,470[2]	8.2%
Pacific Alliance Investment Management Limited	Deemed interest in controlled corporation	285,426,470[2]	8.2%
Pacific Alliance Group Asset Management Limited	Deemed interest in controlled corporation	285,426,470[2]	8.2%
Pacific Alliance Asia Opportunity Fund L.P.	Beneficial owner	285,426,470[2]	8.2%

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 285,426,470 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 bonds held by Pacific Alliance Asia Opportunity Fund L.P.. Further details of the convertible bonds are set out in note 28 to the consolidated financial statements to this annual report.

(3) The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2014.

Save as disclosed above, as at 31 December 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.

SUFFICIENCY OF PUBLIC FLOAT

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

RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

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

For the year ended 31 December 2014, the Group's total contributions to the retirement schemes charged in the consolidated income statement amounted to approximately RMB6.5 million (2013: approximately RMB6.6 million).

CONNECTED TRANSACTIONS

During the year ended 31 December 2014, the Group entered into the below connected transactions with its connected persons:

(a) Sub-license agreement with CIG Yangtze Corporate and Project Finance Limited ("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, with a wholly-owned subsidiary of CIG Yangtze Ports PLC, 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 year ended 31 December 2014 was HK$412,824 (equivalent to approximately RMB325,664) (2013: HK$103,206, equivalent to approximately RMB82,000).

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, and the terms of which are no less favorable to the Group than terms available to or from independent third parties.

(b) Disposal of a subsidiary to Wuhan Zall Wenlv Group Co., Ltd. ("Zall Wenlv") (the "Disposal")

On 17 September 2014, Zall Development (Wuhan) Company Limited ("Zall Wuhan"), an indirect wholly-owned subsidiary of the Company, and Zall Wenlv (formally named as Zall Wenlv Co., Ltd., an wholly-owned subsidiary of Zall Holdings Company Limited and its entire equity interest is wholly owned by Mr. Yan Zhi and his associates) entered into a sale and purchase agreement, pursuant to which Zall Wuhan agreed to sell and Zall Wenlv agreed to purchase the entire equity interest in Wuhan Zall Yuexi Hotel Management Company Limited (武漢卓爾悦璽酒店管理有限公司) ("Wuhan Zall Yuexi") and Wuhan Jinan Hotel Management Company Limited (武漢卓爾錦安酒店管理有限公司) at a consideration of RMB1,639,489.

Zall Wenlv is owned as to 80% by Mr. Yan Zhi , one of the Company's controlling shareholders, and is a connected person of the Company under the Listing Rules. The transaction under the Disposal 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 5% and the total consideration is less than HK$3,000,000, 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 consideration received from Zall Wenlv under the Disposal was determined on an arm's length basis and with reference to net assets value of the disposed equity interest as at 31 August 2014.

(c) Lease agreement with Wuhan Zall Yuexi

On 28 September 2014, Zall Wuhan and Wuhan Zall Yuexi, the entire equity interest of which was wholly-owned by Mr. Yan Zhi and his associates, entered into a lease agreement (the "Lease Agreement"), pursuant to which Zall Wuhan agreed to rent a premises with an area of 9,182 square metres to Wuhan Zall Yuexi at a monthly rent of RMB137,730.

Wuhan Zall Yuexi is owned as to 80% by Mr. Yan Zhi, one of the Company's controlling shareholders, and is a connected person of the Company under the Listing Rules. The transaction under the Lease 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 5% and the total consideration is less than HK$3,000,000, 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 rental fee received from Wuhan Zall Yuexi under the Lease Agreement was determined on an arm's length basis and with reference to the prevailing market rent at that time. The Lease Agreement was entered into on normal commercial terms, and the terms of which were 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, the Disposal and the Lease 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.

Save as otherwise, there are no related parties transaction disclosed in note 35 to the financial statements constitutes a connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules.

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

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

AUDIT COMMITTEE

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

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

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

AUDITORS

The consolidated financial statements for the year ended 31 December 2014 were audited by KPMG.

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming AGM.

By order of the Board
Yan Zhi
Chairman

Hong Kong, 31 March 2015

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2014.

CORPORATE GOVERNANCE PRACTICES

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

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

Code Provision A.2.1

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

During the year ended 31 December 2014, the Company has not separated the roles of chairman and chief executive officer of the Company and Mr. Yan Zhi acted as the chairman and also the chief executive officer of the Company, responsible for overseeing the operations of the Group. The Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies currently and in the foreseeable future. The Group will nevertheless review the structure from time to time in light of the prevailing circumstances.

Code Provision A.6.7

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

THE BOARD

As at the date of this report, the Board consists of eight Directors, four of whom are executive Directors, one of whom is non-executive Director and three of whom are independent non-executive Directors. The functions and duties conferred on the Board include convening shareholders' meetings and reporting on the work of the Board to the shareholders at shareholders' meetings as may be required by applicable laws, implementing resolutions passed at shareholders' meetings, determining the Company's business plans and investment plans, formulating the Company's annual budget and final accounts, formulating the Company's proposals for dividend and bonus distributions as well as exercising other powers, functions and duties as conferred on it by the Articles and applicable laws. The senior management is delegated with the authority and responsibilities by the Board for the day-to-day management and operations of the Group. The Board meets regularly to review the financial and operating performance of the Company, and considers and approves the overall strategies and policies of the Company. The composition of the Board is well balanced with the directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The executive Directors, non-executive director and independent non-executive Directors bring a variety of experience and expertise to the Company. Save as otherwise disclosed, there is no relationship (including financial, business, family or other material relationship) between any members of the Board.

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

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

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

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

The biographical details of the current Board members are set out under the section headed "Directors and Senior Management" on pages 19 to 22 of this annual report.

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive directors are expressly identified in all corporate communications pursuant to the Listing Rules.

Non-executive Directors

Each of the non-executive Directors (including the independent non-executive Directors) has entered into an appointment letter with the Company for a term of three years commencing from 13 July 2014.

BOARD COMMITTEES

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

AUDIT COMMITTEE

The Audit Committee 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 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.

During the year ended 31 December 2014, the Audit Committee held its meetings on 28 March 2014 and 27 August 2014. The Audit Committee has reviewed the Group's consolidated financial statements for the six months ended 30 June 2014 and for the year ended 31 December 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.

CORPORATE GOVERNANCE FUNCTIONS

During the year under review, the Audit Committee is also responsible for determining the policy for the corporate governance of the Company performing the corporate governance duties as below:

- to develop and review the Group's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of the directors and senior management;
- to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Group; and
- to review the Group's compliance with the CG Code and disclosure requirements in the Corporate Governance Report.

REMUNERATION COMMITTEE

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

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

The remuneration 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.

During the year ended 31 December 2014, the Remuneration Committee held its meeting on 28 March 2014.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established on 20 June 2011 with its written terms of reference in compliance with the CG code. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, making recommendation to the Board on selection of candidates for directorships, appointment, reappointment of Directors and Board succession and assessing the independence of independent non-executive Directors. When considering the suitability of a candidate for directorship, the Nomination Committee also considered the "Board Diversity Policy" adopted by the Board on 30 August 2013 and the requirements under the Listing Rules. In considering the diversity of the Board, aspects including, but not limited to, gender, age, cultural and educational background, professional experience, skills and knowledge were considered. Based on the above criteria, members of the Nomination Committee have reviewed the composition of the Board and confirmed that the existing Board was appropriately structured and no change was required.

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

During the year ended 31 December 2014, the Nomination Committee held its meeting on 28 March 2014.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

The individual attendance record of each Director at the meetings of the Board, general meeting of the Company, Audit Committee, Remuneration Committee and Nomination Committee for the year ended 31 December 2014 is set out below:

	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Mr. Yan Zhi	4/4	N/A	N/A	N/A	1/1
Mr. Cui Jinfeng	4/4	N/A	N/A	1/1	0/1
Mr. Fang Li	4/4	N/A	1/1	N/A	0/1
Ms. Wang Danli	4/4	N/A	N/A	N/A	1/1
Non-executive Director					
Mr. Fu Gaochao	4/4	N/A	N/A	N/A	0/1
Independent non-executive Directors					
Ms. Yang Qiongzhen	4/4	2/2	1/1	1/1	0/1
Mr. Cheung Ka Fai	4/4	2/2	N/A	N/A	1/1
Mr. Peng Chi	4/4	2/2	1/1	1/1	0/1

DIRECTORS' TRAINING

Directors must keep abreast of their collective responsibilities and are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide to each newly appointed Director or alternative Director an induction package covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Group's businesses and the statutory regulatory obligations of a director of a listed company as well as the Company's constitutional documents to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements. The Group also provided briefings and other training to develop and refresh the Directors' knowledge and skills from time to time. Further, the Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

During the year ended 31 December 2014, the Company arranged one in-house seminar covering the topics of directors' duties, corporate governance practices and disclosure requirements under the Listing Rules and SFO. Seven out of the eight Directors, namely Mr. Yan Zhi, Mr. Cui Jinfeng, Mr. Fang Li, Ms. Wang Danli, Mr. Fu Gaochao, Ms. Yang Qiongzhen and Mr. Peng Chi, have attended the in-house seminar. Mr. Cheung Ka Fai attended relevant seminar organised by external parties during the year ended 31 December 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 during the year ended 31 December 2014. The Board confirms that, having made specific enquiries with all Directors, all Directors have complied with the required standards of the Model Code for the year ended 31 December 2014.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the financial year ended 31 December 2014 which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the applicable statutory requirements and accounting standards. The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report".

AUDITORS' REMUNERATION

For the year ended 31 December 2014, the remuneration paid or payable to the Group's auditors, KPMG, Certified Public Accountants, in respect of their audit and non-audit services (which mainly consists of the professional service in relation to the restructuring exercise) are as follows:

Items	**Amount (RMB'000)**
Audit services for 2014	2,790
Non-audit services:	
Other services	490

INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal control systems in order to safeguard the Group's assets and shareholders' interests, and review and monitor the effectiveness of the Group's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems in place are adequate. The Group has a process for identifying, evaluating, and managing the significant risks to the achievement of its operational objective. This process is subject to continuous improvement and was in place for the year ended 31 December 2014 and up to the date of this report. The day-to-day operation is entrusted to the individual department, which is accountable for its own conduct and performance, and is required to strictly adhere to the policies set by the Board. The Company carries out reviews on the effectiveness of the internal control systems from time to time in order to ensure that they are able to meet and deal with the dynamic and ever changing business environment.

The Board has conducted a review and assessment of the effectiveness of the Group's internal control systems including financial, operational and compliance controls and risk management for the year ended 31 December 2014. Internal control department was assigned to assist the Board to perform high-level review of the internal control systems for its business operations and processes. Such review covered the financial, compliance and operational controls as well as risk management mechanisms and assessment was made by discussions with the management of the Company and its external auditors. The Board believes that the existing internal control system is adequate and effective.

DEED OF NON-COMPETITION

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

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

The independent non-executive Directors have reviewed and were satisfied that each of the controlling shareholders of the Company has complied with the Deed of Non-Competition for the year ended 31 December 2014.

COMMUNICATION WITH SHAREHOLDERS

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

SHAREHOLDER RIGHTS

Convening an extraordinary general meeting by shareholders

Procedures for shareholders to convene an extraordinary general meeting (including making proposals/moving a resolution at the extraordinary general meeting)

- Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "Company Secretary"), to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at an extraordinary general meeting.

- Eligible Shareholders who wish to convene an extraordinary general meeting for the purpose of making proposals or moving a resolution at an extraordinary general meeting must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong.

- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an extraordinary general meeting, the agenda proposed to be included the details of the business(es) proposed to be transacted in the extraordinary general meeting, signed by the Eligible Shareholder(s) concerned.

- If within 21 days of the deposit of the Requisition, the Board has not advised the Eligible Shareholders of any outcome to the contrary and fails to proceed to convene an extraordinary general meeting, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the memorandum and articles of associations, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Making enquiry to the Board

Shareholders of the Company may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post or email to investorrelations@zallcn.com.

INVESTOR RELATIONS

Investors Communication Policy

The Company regards the communication with institutional investors as important means to enhance the transparency of the Company and collect views and feedbacks from institutional investors. To promote effective communication, the Company maintains a website at *http://www.zallcn.com*, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted.

Shareholders, investors and the media can make enquiries to the Company through the following means:

Telephone number: 852-3153 5808

By post: Suite 1606, 16/F., Two Exchange Square, Central, Hong Kong

Attention: The Company Secretary

By email: investorrelations@zallcn.com

Independent Auditor's Report

Independent auditor's report to the shareholders of
Zall Development Group Ltd.
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Zall Development Group Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 48 to 135, which comprise the consolidated and company statements of financial position as at 31 December 2014, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

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

31 March 2015

Consolidated statement of profit or loss

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

	Note	2014 RMB'000	2013 RMB'000
Turnover	3	**1,986,129**	1,581,188
Cost of sales		**(1,010,025)**	(916,339)
Gross profit		**976,104**	664,849
Other net loss	4	**(2,579)**	(8,602)
Other revenue	4	**10,844**	35,867
Selling and distribution expenses		**(165,546)**	(194,151)
Administrative and other expenses		**(156,047)**	(161,882)
Profit from operations before changes in fair value of investment properties		**662,776**	336,081
Increase in fair value of investment properties and non-current assets classified as held for sale	12/23	**1,831,706**	319,141
Fair value gain upon transfer of completed properties held for sale to investment properties	12	**325,630**	1,423,017
Profit from operations after changes in fair value of investment properties		**2,820,112**	2,078,239
Share of profits of joint ventures	13	**45,367**	523,596
Gain on disposal of subsidiaries	37	**1,437**	5,756
Fair value change on embedded derivative component of the convertible bonds	28	**(9,320)**	12,684
Finance income	5(a)	**22,333**	3,928
Finance costs	5(a)	**(122,073)**	(76,916)
Profit before taxation	5	**2,757,856**	2,547,287
Income tax	6(a)	**(1,147,132)**	(918,267)
Profit for the year		**1,610,724**	1,629,020

Consolidated statement of profit or loss (Continued)

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

	Note	2014 RMB'000	2013 RMB'000
Attributable to:			
Equity shareholders of the Company	9	**1,572,819**	1,583,747
Non-controlling interests		**37,905**	45,273
Profit for the year		**1,610,724**	1,629,020
Earnings per share			
Basic (RMB)	10	**0.45**	0.45
Diluted (RMB)	10	**0.44**	0.44

The notes on pages 57 to 135 form part of these financial statements. Details of dividends are set out in note 31(f).

Consolidated statement of profit or loss and other comprehensive income

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

	Note	2014 RMB'000	2013 RMB'000
Profit for the year		**1,610,724**	1,629,020
Other comprehensive income for the year (after tax and reclassification adjustments):			
Items that will never be reclassified to profit or loss:			
– Revaluation of property, plant and equipment	6(b)	**49,261**	—
– Related tax	6(b)	**(12,315)**	—
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of:			
– financial statements of subsidiaries in other jurisdictions, net of nil tax		**3,280**	2,264
Other comprehensive income for the year		**40,226**	2,264
Total comprehensive income for the year		**1,650,950**	1,631,284
Attributable to:			
Equity shareholders of the Company		**1,613,045**	1,586,011
Non-controlling interests		**37,905**	45,273
Total comprehensive income for the year		**1,650,950**	1,631,284

The notes on pages 57 to 135 form part of these financial statements.

Consolidated statement of financial position

at 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	11	123,219	141,914
Investment properties	12	8,445,100	7,140,800
Intangible assets		5,654	16,516
Interests in joint ventures	13	820,255	774,888
Deferred tax assets	14(b)	47,925	2,520
		9,442,153	8,076,638
Current assets			
Properties under development	16	4,803,536	5,666,134
Completed properties held for sale	17	1,505,406	1,614,518
Inventories	18	3	156
Current tax assets	14(a)	32,587	92,618
Trade and other receivables, prepayments	19	973,823	1,381,771
Available-for-sale unlisted equity securities		500	500
Short-term bank deposits		—	150,000
Restricted cash	20	352,708	419,023
Cash and cash equivalents	21	250,840	738,758
		7,919,403	10,063,478
Non-current assets classified as held for sale	23	147,700	158,000
Assets of disposal group held for sale	24	4,666,758	—
		12,733,861	10,221,478
Current liabilities			
Trade and other payables	25	2,950,897	3,526,622
Bank loans and loans from other financial institutions	26	997,160	2,012,808
Current tax liabilities	14(a)	199,471	72,089
Deferred income	27	133,596	600,726
Convertible bonds	28	677,866	1,040
		4,958,990	6,213,285
Liabilities directly associated with non-current assets classified as held for sale	23	36,309	35,935
Liabilities of disposal group held for sale	24	2,955,862	—
		7,951,161	6,249,220

Consolidated statement of financial position (Continued)

at 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Net current assets		**4,782,700**	3,972,258
Total assets less current liabilities		**14,224,853**	12,048,896
Non-current liabilities			
Bank loans and loans from other financial institutions	26	**3,424,529**	3,084,950
Convertible bonds	28	**—**	607,257
Deferred income	27	**19,409**	36,586
Deferred tax liabilities	14(b)	**2,218,775**	1,430,949
		5,662,713	5,159,742
NET ASSETS		**8,562,140**	6,889,154
CAPITAL AND RESERVES	31		
Share capital		**29,071**	29,071
Reserves		**7,888,830**	6,273,349
Total equity attributable to equity shareholders of the Company		**7,917,901**	6,302,420
Non-controlling interests		**644,239**	586,734
TOTAL EQUITY		**8,562,140**	6,889,154

Approved and authorised for issue by the board of directors on 31 March 2015.

Yan Zhi
Chairman

Wang Danli
Executive Director

The notes on pages 57 to 135 form part of these financial statements.

Statement of financial position

at 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Interests in subsidiaries	15	1,317,624	1,359,896
Current assets			
Dividends receivable		488,602	487,943
Cash and cash equivalents	21	17,636	10,889
		506,238	498,832
Current liabilities			
Trade and other payables	25	51,241	53,972
Convertible bonds — interest payable	28	677,866	1,040
		729,107	55,012
Net current assets		(222,869)	443,820
Total assets less current liabilities		1,094,755	1,803,716
Non-current liabilities			
Convertible bonds	28	—	607,257
NET ASSETS		1,094,755	1,196,459
CAPITAL AND RESERVES	31		
Share capital		29,071	29,071
Reserves		1,065,684	1,167,388
TOTAL EQUITY		1,094,755	1,196,459

Approved and authorised for issue by the board of directors on 31 March 2015.

Yan Zhi
Chairman

Wang Danli
Executive Director

The notes on pages 57 to 135 form part of these financial statements.

Consolidated statement of changes in equity

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

		Attributable to equity shareholders of the Company									
	Note	Share capital	Share premium 31(c)(i)	PRC Statutory reserve 31(c)(ii)	Other reserve 31(c)(v)	Equity settled share-based payment reserve 31(c)(iv)	Exchange reserve 31(c)(iii)	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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 2013:											
Profit for the year		–	–	–	–	–	–	1,583,747	1,583,747	45,273	1,629,020
Other comprehensive income		–	–	–	–	–	2,264	–	2,264	–	2,264
Total comprehensive income		–	–	–	–	–	2,264	1,583,747	1,586,011	45,273	1,631,284
Transfer to PRC statutory reserve		–	–	14,167	–	–	–	(14,167)	–	–	–
Dividends approved in respect of the previous year	31(f)	–	–	–	–	–	–	(167,286)	(167,286)	–	(167,286)
Equity settled share-based transaction	30	–	–	–	–	6,243	–	–	6,243	–	6,243
At 31 December 2013		29,071	1,179,689	89,496	(104,334)	36,621	(18,596)	5,090,473	6,302,420	586,734	6,889,154

Consolidated statement of changes in equity (Continued)

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

		Attributable to equity shareholders of the Company										
	Note	Share capital	Share premium 31(c)(i)	PRC Statutory reserve 31(c)(ii)	Other reserve 31(c)(v)	Equity settled share-based payment reserve 31(c)(iv)	Exchange reserve 31(c)(iii)	Revaluation reserve 31(c)(vi)	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014		29,071	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 2014:												
Profit for the year		–	–	–	–	–	–	–	1,572,819	1,572,819	37,905	1,610,724
Other comprehensive income		–	–	–	–	–	3,280	36,946	–	40,226	–	40,226
Total comprehensive income		–	–	–	–	–	3,280	36,946	1,572,819	1,613,045	37,905	1,650,950
Transfer to PRC statutory reserve		–	–	92,082	–	–	–	–	(92,082)	–	–	–
Capital injection by non-controlling equity holder		–	–	–	–	–	–	–	–	–	19,600	19,600
Equity settled share-based transaction	30	–	–	–	–	2,069	–	–	367	2,436	–	2,436
At 31 December 2014		29,071	1,179,689	181,578	(104,334)	38,690	(15,316)	36,946	6,571,577	7,917,901	644,239	8,562,140

The notes on pages 57 to 135 form part of these financial statements.

Consolidated cash flow statement

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

	Note	2014 RMB'000	2013 RMB'000
Operating activities			
Cash used in operations	22	(1,318,479)	(1,309,602)
PRC tax paid		(155,398)	(658,118)
Net cash used in operating activities		(1,473,877)	(1,967,720)
Investing activities			
Payment for the purchase of property, plant and equipment		(10,031)	(4,428)
Interest received		22,333	3,928
Proceeds from disposal of subsidiaries	37	—	30,156
Increase in short-term bank deposits		—	(30,000)
Receipt of short-term bank deposits		150,000	—
Payment for investment in a joint venture		—	(90,000)
Net cash generated/(used) in investing activities		162,302	(90,344)
Financing activities			
Proceeds from the issue of convertible bonds		—	598,267
Proceeds from new bank loans and loans from other financial institutions		3,101,979	2,521,300
Repayment of bank loans		(2,040,908)	(395,242)
Decrease/(Increase) in restricted cash		66,309	(399,601)
Interest and other borrowing costs paid		(543,058)	(361,011)
Dividends paid to equity shareholders of the Company	31(f)	—	(167,286)
Capital injection by non-controlling equity holder		19,600	—
Increase in payable to related party		228,050	—
Net cash generated from financing activities		831,972	1,796,427
Net decrease in cash and cash equivalents		(479,603)	(261,637)
Cash and cash equivalents at 1 January	21	738,758	998,131
Effect of foreign exchange rate changes		3,185	2,264
Cash and cash equivalents at 31 December		262,340	738,758
Representing:			
Cash and cash equivalents	21	250,840	738,758
Cash and cash equivalents included in disposal group held for sale	24	11,500	—
		262,340	738,758

The notes on pages 57 to 135 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A summary of the significant accounting policies adopted by the Group is set out below.

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

(b) Basis of preparation of the financial statements

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

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

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

— available-for-sale unlisted equity securities (note 1(f));

— investment property (note 1(i)); and

— embedded derivative component of the convertible bonds (note 1(o)).

Non-current assets and disposal group held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 1(y)).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

At 31 December 2014, the Group had cash and cash equivalents and restricted cash of RMB615,054,000, among which RMB11,506,000 was included in assets of disposal group held for sale. As at that date, the Group had bank loans and loans from other financial institutions due within one year of RMB1,412,060,000, among which RMB414,900,000 was included in liabilities of disposal group held for sale. Furthermore, the convertible bonds of RMB677,866,000 became payable on demand as at 31 December 2014 as the financial position ratio covenant stipulated in the convertible bonds subscription agreement was not complied, therefore, the convertible bonds have been reclassified as current liabilities, more details are set out in note 28.

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

- the Group had unutilised bank loan facilities of RMB118,000,000 as at 31 December 2014;
- on 30 March 2015, additional loan facilities of RMB1,073,600,000 were obtained from a bank and a financial institution;
- The Company had obtained a waiver from the sole beneficial holder of the convertible bonds dated 30 March 2015, which confirmed that the sole beneficial holder waived the requirement on the Company to comply with the covenant relating to the Group's financial position ratio for the period ended 31 December 2014.

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies

Adoption of new and amendments to standards

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

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

These amendments and new IFRSs do not have an impact on these financial statements.
The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An interest in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

In the Company's statement of financial position, an interest in a subsidiary is stated at cost less impairment losses (see note 1(k)), unless the investment is classified as held for sale (or included in a disposed group that is classified as held for sale) (see note 1(y)).

(e) Joint ventures

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An interest in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

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

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

In all other cases, when the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Joint ventures (Continued)

In the Company's statement of financial position, interests in joint ventures are stated at cost less impairment losses (see note 1(k)).

(f) Investments in available-for-sale equity securities

The Group's policies for investments in available-for-sale equity securities are as follows:

Investments in available-for-sale equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs.

Investments in equity securities which do not fall into held for trading are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(k)). Dividend income from equity securities is recognised in profit or loss in accordance with the policies set out in notes 1(v)(vi), respectively.

When the investments are derecognised or impaired (note 1(k)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) Property, plant and equipment

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment (Continued)

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

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

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

Transfers from property, plant and equipment to investment properties shall be made when, and only when, there is a change in use, evidenced by end of owner-occupation. If an owner-occupied property becomes an investment property that will be carried at fair value, any difference at the date of the change in use between the carrying amount of the property and its fair value is recognised as a revaluation of property, plant and equipment, even if the property was previously measured using the cost model. Any existing or arising revaluation surplus previously recognised in other comprehensive income ("OCI") is not transferred to profit or loss at the date of transfer or on subsequent disposal of the investment property.

(h) Leased assets

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

Operating lease charges

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leased assets (Continued)

Operating lease charges (Continued)

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

(i) Investment properties

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

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

(j) Intangible asset

The Group operates a football club. The costs of acquiring football players' registrations or extending their contracts, including agents' fees, are capitalised and amortised, on the straight line basis, over the period of the respective contracts.

(k) Impairment of assets

(i) Impairment of interests in joint ventures, trade and other receivables, investments in available-for-sale equity securities

Current and non-current receivables that are stated at cost and investments in available-for-sale equity securities are reviewed at each end of the reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in available-for-sale unlisted equity securities below its cost.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

(i) Impairment of interests in joint ventures, trade and other receivables, investments in available-for-sale equity securities (Continued)

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

— For interests in joint ventures accounted for under the equity method in the consolidated financial statements (see note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(k)(ii).

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

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

— For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the consolidated statement of profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

(ii) Impairment of other assets

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

— Property, plant and equipment;

— Intangible assets; and

— Interests in subsidiaries.

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

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

— Reversals of impairment losses

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Property development

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

— Property under development for sale

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

— Completed property held for sale

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

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

— Transfers from completed property held for sale to investment properties

Transfer from completed property held for sale to investment property is made when, and only when, there is a change in use, evidenced by commencement of an operating lease to another party.

(m) Inventories

Inventories mainly include low value consumables. Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase. When inventories are consumed, the carrying amount of inventories is recognised as an expense in the year in which the consumption occurs. Any obsolete and damaged inventories are written off to the profit or loss.

(n) Trade and other receivables

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

(o) Convertible bonds

At initial recognition the embedded derivative component of the convertible bonds is measured at fair value. Any excess of proceeds over the amount initially recognised as the embedded derivative component is recognised as the liability component. All of the transaction costs that relate to the issue of the convertible bonds are recognised initially as part of the liability component.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Convertible bonds (Continued)

At the end of each reporting period, the embedded derivative component is remeasured, the gain or loss on remeasurement to fair value is recognised immediately in profit or loss. The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the bond is converted, the carrying amounts of the embedded derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(p) Interest-bearing borrowings

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

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Cash and cash equivalents

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

(s) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. Obligation for contributions to defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the People's Republic of China (the "PRC") are recognised as an expense in profit or loss as incurred, except to the extent that they are included in properties for sale not yet recognised as an expense.

(ii) Share-based payments

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits (Continued)

(ii) Share-based payments (Continued)

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

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits

(t) Income tax

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

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

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

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Income tax (Continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to interests in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

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

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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

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

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

  — the same taxable entity; or

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

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Financial guarantees issued (Continued)

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

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

(ii) Other provisions and contingent liabilities

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

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

(v) Revenue recognition

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

(i) Sales of properties

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue recognition (Continued)

(i) Sales of properties (Continued)

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

(ii) Rental income from operating leases

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

(iii) Service fee income

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

(iv) Interest income

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

(v) Government grants

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

(vi) Dividends

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(w) Translation of foreign currencies

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Translation of foreign currencies (Continued)

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the closing foreign exchange rates at the end of the reporting period.

The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

(x) Borrowing costs

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

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

(y) Non-current assets held for sale

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

When the group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Non-current assets held for sale (Continued)

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

(z) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

(aa) Segment reporting

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Segment reporting (Continued)

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

2 ACCOUNTING JUDGEMENT AND ESTIMATES

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

Note 32 contains information about the assumptions and their risk factors relating to the fair value of financial instruments. Key sources of estimation uncertainty are as follows:

(a) Impairment

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

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

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

(b) Recognition of deferred tax assets

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

2 ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

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

As explained in note 2(b), the Group has estimated, made and included in tax provision for PRC LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual PRC LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for PRC LAT is calculated. Significant judgment is required in determining the level of provision, as the calculation of which depends on the ultimate tax determination. Given the uncertainties of the calculation basis of PRC LAT as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated at the end of the reporting period. Any increase or decrease in the actual outcomes/estimates will impact the income tax provision in the period in which such determination is made.

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

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

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

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

(e) Valuation of investment properties

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

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

2 ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

(f) Classification between investment properties, properties held for sale and property, plant and equipment

The Group develops property projects with an initial intention to be held for sale and retains a portion of properties held for own use. The Group also has plans to retain a portion of properties as investment properties to earn rentals or for capital appreciation or both. Judgement is made by management in determining whether a property is designated as a property held for sale, owner-occupied property or an investment property. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of development, the related properties under development are accounted for as (1) properties under development included in current assets if the properties are intended for sale after their completion; (2) owner-occupied properties included in property, plant and equipment if the properties are intended for own use; and (3) investment properties under construction if the properties are intended to be held to earn rentals and/or for capital appreciation.

(g) Determining the deferred taxation on investment properties

The Group has leased out certain of the completed properties to third parties whereby the directors consider that such arrangement is not temporary. In the circumstance, the Group has decided to treat those properties as investment properties (and reclassifying them from completed properties held for sale to investment properties) because it is the Group's intention to hold these properties in long-term for rental income and/or capital appreciation.

Under IAS 12 *Deferred tax* is required to be measured with reference to the tax consequences that would follow the manner in which the entity expects to recover the carrying amount of the asset(s) in question. In this regard, IAS 12 has a rebuttable presumption that the carrying amount of investment property carried at fair value under IAS 40, *Investment property*, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

In this connection, the Group has reviewed its investment property portfolio on a regular basis and has concluded that as at 31 December 2014, the presumption in IAS 12 that the carrying value of the property will be recovered through sales should be adopted in respect of each of the investment properties located at its the wholesale shopping mall project, namely North Hankou International Trade Center. Therefore, the deferred tax relating to these properties has been provided on the basis of recovering their carrying amounts entirely through sales. In respect of the Group's other leasehold investment properties, the Group has determined that each of these properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time and consequently the presumption in IAS 12 is rebutted for these properties. As a result, the Group has continued to measure the deferred tax relating to these other properties using the tax rate that would apply as a result of recovering their value through sale.

(h) Fair value of non-derivative financial instruments

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

3 TURNOVER AND SEGMENT REPORTING

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

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

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

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

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

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

4 OTHER NET LOSS AND OTHER REVENUE

	2014 RMB'000	2013 RMB'000
Other net loss		
Loss on disposal of non-current assets classified as held for sale	(2,579)	(8,602)
Other revenue		
Government grant	22	2,900
Forfeited deposits and compensation from customers	451	607
Football club related revenue	10,243	31,964
Others	128	396
	10,844	35,867

5 PROFIT BEFORE TAXATION

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

(a) Finance (income)/costs

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

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

(b) Staff costs

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

5 PROFIT BEFORE TAXATION (Continued)

(c) Other items

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

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

6 INCOME TAX

(a) Amounts recognised in profit or loss

	2014 RMB'000	2013 RMB'000
Current tax		
PRC Corporate Income Tax ("CIT")	215,995	71,276
PRC LAT	142,880	92,479
	358,875	163,755
Deferred tax		
Origination and reversal of temporary differences (see notes 14 and 23)	788,257	754,512
	1,147,132	918,267

6 INCOME TAX (Continued)

(b) Amounts recognised in OCI

During 2014, certain owner-occupied buildings were transferred to investment properties (see note 11), the Group remeasured the properties to fair value and recognised a revaluation gain of RMB49,261,000 (2013: Nil) and related tax RMB12,315,000 (2013: Nil) in OCI.

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

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

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

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

(ii) PRC CIT

The provision for 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

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

In addition, certain subsidiaries of the Group were subject to 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.

6 INCOME TAX (Continued)

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

(iv) Withholding tax

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

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

7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	For the year ended 31 December 2014				
	Directors' fee RMB'000	Salaries allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Equity settled share-based payment RMB'000	Total RMB'000
Chairman:					
Yan Zhi	—	366	9	1,218	1,593
Executive directors:					
Wang Danli	—	360	9	110	479
Cui Jinfeng	—	119	9	122	250
Fang Li	—	115	9	97	221
Non-executive director:					
Fu Gaochao	—	119	9	122	250
Independent non-executive directors:					
Yang Qiongzhen	—	158	—	—	158
Cheung Ka Fai	—	158	—	—	158
Peng Chi	—	158	—	—	158
	—	1,553	45	1,669	3,267

7 DIRECTORS' REMUNERATION (Continued)

	For the year ended 31 December 2013				
	Directors' fee RMB'000	Salaries allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Equity settled share-based payment RMB'000	Total RMB'000
Chairman:					
Yan Zhi	—	366	7	3,122	3,495
Executive directors:					
Wang Danli	—	360	7	281	648
Cui Jinfeng	—	119	7	312	438
Fang Li	—	115	7	250	372
Non-executive director:					
Fu Gaochao	—	119	7	312	438
Independent non-executive directors:					
Yang Qiongzhen	—	157	—	—	157
Cheung Ka Fai	—	157	—	—	157
Peng Chi	—	157	—	—	157
	—	1,550	35	4,277	5,862

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2013: four) are directors whose emoluments are disclosed in note 7. The emoluments in respect of the other two (2013: one) individuals are as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other emoluments	1,148	1,142
Retirement scheme contributions	13	13
Equity settled share-based payment expenses	—	—
	1,161	1,155

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

The emoluments of Nil (2013: one) individual with the highest emoluments are within the following bands:

	2014 Number of individuals	2013 Number of individuals
HKD 1,000,001–1,500,000	–	1

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss for the year of RMB112,290,000 (2013: RMB51,352,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's (loss)/profit for the year:

	2014 RMB'000	2013 RMB'000
Amount of consolidated loss attributable to equity shareholders dealt with in the Company's financial statements	(112,290)	(51,352)
Dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	–	216,320
Company's (loss)/profit for the year (note 31(a))	(112,290)	164,968

Details of dividends paid and payable to equity shareholders of the Company are set out in note 31(f).

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,572,819,000 (2013: RMB1,583,747,000) and 3,500,000,000 ordinary shares in issue during the year.

10 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,674,027,000 (2013: RMB1,616,850,000) and the weighted average number of ordinary shares of 3,803,809,000 shares (2013: 3,653,092,000 shares), calculated as follows:

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

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

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

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

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Motor vehicles RMB'000	Furniture, office equipment and others RMB'000	Total RMB'000
Cost:				
At 31 December 2012/1 January 2013	128,822	15,579	7,100	151,501
Additions	—	787	3,641	4,428
Transfer from completed properties held for sale	14,203	—	—	14,203
Disposal of a subsidiary	—	—	(30)	(30)
At 31 December 2013/1 January 2014	**143,025**	**16,366**	**10,711**	**170,102**
Additions	4,049	3,925	2,057	10,031
Revaluation of buildings reclassified to investment properties (ii)	49,261	—	—	49,261
Transfer to investment properties – depreciation offset	(882)	—	—	(882)
Transfer to investment properties (ii)	(63,100)	—	—	(63,100)
Reclassification to assets of disposal group held for sale (note 24)	(146)	(1,111)	(1,356)	(2,613)
Disposals	—	(39)	(70)	(109)
At 31 December 2014	**132,207**	**19,141**	**11,342**	**162,690**
Accumulated depreciation:				
At 31 December 2012/1 January 2013	(6,905)	(8,940)	(2,501)	(18,346)
Charge for the year	(3,398)	(3,741)	(2,706)	(9,845)
Disposal of a subsidiary	—	—	3	3
At 31 December 2013/1 January 2014	**(10,303)**	**(12,681)**	**(5,204)**	**(28,188)**
Charge for the year	(8,343)	(2,911)	(2,046)	(13,300)
Transfer to investment properties – depreciation offset	882	—	—	882
Reclassification to assets of disposal group held for sale (note 24)	6	552	570	1,128
Written back on disposals	—	1	6	7
At 31 December 2014	**(17,758)**	**(15,039)**	**(6,674)**	**(39,471)**

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Motor vehicles RMB'000	Furniture, office equipment and others RMB'000	Total RMB'000
Net book value:				
At 31 December 2014	114,449	4,102	4,668	123,219
At 31 December 2013	132,722	3,685	5,507	141,914

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

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

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

(ii) During 2014, certain owner-occupied buildings were transferred to investment properties, because they were no longer used by the Group and were leased to a related party (see note 12).

Immediately before transfer, the Group remeasured the properties to fair value and recognised a gain of RMB49,261,000 in OCI. The valuation techniques and significant unobservable inputs used in measuring the fair value of the building at the date of transfer were the same as those applied to investment properties at the reporting date (see note 12(b)(ii)).

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

12 INVESTMENT PROPERTIES

(a) Reconciliation of carrying amount

	Investment Properties RMB'000	Investment properties under development RMB'000	Total RMB'000
At 1 January 2013	2,917,000	1,790,800	4,707,800
Additions	6,263	190,896	197,159
Transfer from completed properties held for sale (ii)	493,683	—	493,683
Fair value adjustments	1,591,254	150,904	1,742,158
Transfer to investment properties	95,900	(95,900)	—
At 31 December 2013	5,104,100	2,036,700	7,140,800
Representing:			
Cost	1,063,859	1,626,275	2,690,134
Fair value adjustments	4,040,241	410,425	4,450,666
	5,104,100	2,036,700	7,140,800
At 1 January 2014	**5,104,100**	**2,036,700**	**7,140,800**
Additions	**—**	**819,304**	**819,304**
Transfer from completed properties held for sale (ii)	**93,400**	**—**	**93,400**
Transfer from property, plant and equipment (note 11(ii))	**63,100**	**—**	**63,100**
Fair value adjustments	**679,644**	**1,459,923**	**2,139,567**
Reclassification to assets of disposal group held for sales (iii)	**—**	**(1,811,071)**	**(1,811,071)**
At 31 December 2014	**5,940,244**	**2,504,856**	**8,445,100**
Representing:			
Cost	**1,220,358**	**891,692**	**2,112,050**
Fair value adjustments	**4,719,886**	**1,613,164**	**6,333,050**
	5,940,244	**2,504,856**	**8,445,100**
Book value:			
At 31 December 2014	**5,940,244**	**2,504,856**	**8,445,100**
At 31 December 2013	5,104,100	2,036,700	7,140,800

12 INVESTMENT PROPERTIES (Continued)

(a) Reconciliation of carrying amount (Continued)

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

(ii) During the year ended 31 December 2014, the Group transferred certain completed properties held for sale to investment properties upon there was an actual change in use from sale to earning rental income purpose, which were evidenced by commencement of operating lease as stipulated in the lease agreements entered into by the Group. Correspondingly a fair value gain amounting to RMB325,630,000 (2013: RMB1,423,017,000) upon transfer was recognised.

(iii) At 31 December 2014, The Group's investment properties with carrying value of RMB 1,811,071,000 were related to the disposal group and were reclassified to assets of disposal group held for sale (see note 24).

(iv) At 31 December 2014, Certain bank loans granted to the Group were jointly secured by investment properties and investment properties under development with an aggregate carry value of RMB3,681,843,000 (2013: RMB2,648,017,000) (see note 26).

(b) Fair value measurement of properties

(i) Fair value hierarchy

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

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

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

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

12 INVESTMENT PROPERTIES (Continued)

(b) Fair value measurement of properties (Continued)

(i) Fair value hierarchy (Continued)

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

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

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

(ii) Information about Level 3 fair value measurements

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

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

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

13 INTERESTS IN JOINT VENTURES

	2014 RMB'000	2013 RMB'000
Share of net assets	**820,255**	774,888
Representing:		
Share of net assets as at 1 January	**774,888**	161,292
Share of net identifiable assets at the acquisition date	**—**	90,000
Share of profits	**45,367**	523,596
Share of net assets as at 31 December	**820,255**	774,888

Details of the Group's interests in joint ventures, which are accounted for using the equity method in the consolidated financial statements, are as follows:

Name of company	Place of establishment	Registered/ paid-in capital	Effective interest held registered by the Group 2013	Effective interest held registered by the Group 2014	Principal activity
Wuhan Big World Investment Development Co., Ltd. ("Wuhan Big World Investment") 武漢大世界投資發展有限公司*	The PRC	100,000,000	50%	**50%**	Property development
Wuhan Big World Market Management Co., Ltd. 武漢大世界市場管理有限公司*	The PRC	1,000,000	50%	**50%**	Property management
Wuhan Zall Shengtang Properties Co., Ltd. 武漢卓爾盛唐置業有限公司*	The PRC	150,000,000	60%	**60%**	Property development

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

All these entities are unlisted corporate entities whose quoted market price is not available.

13 INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information of Wuhan Big World Investment adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements are disclosed below:

	2014 RMB'000	2013 RMB'000
Gross amounts of Wuhan Big World Investment's		
Current assets	502,001	607,240
Non-current assets	1,843,130	1,739,182
Current liabilities	(221,171)	(247,067)
Non-current liabilities	(658,574)	(728,583)
Equity	(1,465,386)	(1,370,772)
Included in the above assets and liabilities:		
Cash and cash equivalents	97	75,639
Current financial liabilities (excluding trade and other payables and provisions)	(16,223)	(43,523)
Non-current financial liabilities (excluding trade and other payables and provisions)	(658,574)	(728,583)
Revenue	34,355	114,239
Profit for the year	94,614	1,048,121
Other comprehensive income	—	—
Total comprehensive income	94,614	1,048,121
Included in the above profits:		
Increase in fair value of investment properties	123,905	1,260,708
Depreciation and amortisation	(729)	(653)
Interest income	38	89
Borrowing expenses	—	(20,000)
Reconciled to the Group's interest in Wuhan Big World Investment		
Gross amounts of Wuhan Big World Investment's net assets	1,465,386	1,370,772
Group's effective interest	50%	50%
Group's share of Wuhan Big World Investment's net assets	732,693	685,386
Carrying amount included in the consolidated financial statements	732,693	685,386

13 INTERESTS IN JOINT VENTURES (Continued)

Aggregate information of joint ventures that are not individually material

Summarised financial information of Wuhan Big World Market Management Co., Ltd. and Wuhan Zall Shengtang Properties Co., Ltd., adjusted for any differences in accounting policies are disclosed below:

	2014 RMB'000	2013 RMB'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**87,562**	89,502
Aggregate amount of the Group's share of these associates'		
Loss for the year	**(1,940)**	(465)
Other comprehensive income	**—**	—
Total comprehensive income	**(1,940)**	(465)

14 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2014 RMB'000	2013 RMB'000
Current tax assets:		
PRC Corporate Income Tax	**5,418**	8,183
PRC Land Appreciation Tax	**27,169**	84,435
	32,587	92,618
Current tax liabilities:		
PRC Corporate Income Tax	**180,901**	72,089
PRC Land Appreciation Tax	**18,570**	—
	199,471	72,089

14 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognised:

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

	Provision for PRC LAT RMB'000	Fair value adjustments for investment properties RMB'000	Withholding tax on profits of PRC subsidiaries RMB'000	Tax loss RMB'000	Others RMB'000	Total RMB'000
Deferred tax arising from:						
At 1 January 2013	9,114	(697,784)	(5,001)	10,519	18,774	(664,378)
Credited/(charged) to the consolidated statement of profit or loss	(26,018)	(738,969)	5,001	(10,519)	6,454	(764,051)
At 31 December 2013	(16,904)	(1,436,753)	—	—	25,228	(1,428,429)
Deferred tax arising from:						
At 1 January 2014	(16,904)	(1,436,753)	—	—	25,228	(1,428,429)
Credited/(charged) to the consolidated statement of profit or loss	17,911	(851,110)	—	1,718	43,598	(787,883)
Other Increase	—	(12,315)	—	—	136,623	124,308
Transfer to assets of disposal group held for sale	(2,469)	—	—	—	(140,673)	(143,142)
Transfer to liabilities of disposal group held for sale	—	64,296	—	—	—	64,296
At 31 December 2014	(1,462)	(2,235,882)	—	1,718	64,776	(2,170,850)

14 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

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

(ii) Reconciliation to the statement of financial position

	2014 RMB'000	2013 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**47,925**	2,520
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(2,218,775)**	(1,430,949)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(t), the Group has not recognised deferred tax assets in respect of unused tax losses of RMB190,117,000 as at 31 December 2014 (2013: RMB144,899,000). The directors consider it is not probable that future taxable profits against which the losses can be utilised will be available from these subsidiaries.

The unrecognised tax losses will expire in the following years:

	2014 RMB'000	2013 RMB'000
2014	**—**	2,026
2015	**10,446**	10,446
2016	**17,224**	17,224
2017	**35,274**	38,811
2018	**73,300**	76,392
2019	**53,873**	—
	190,117	144,899

(d) Deferred tax liabilities not recognised

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

14 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(d) Deferred tax liabilities not recognised (Continued)

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

As at 31 December 2014, the aggregate amounts of PRC undistributed profits of the Group's PRC subsidiaries in respect of which the Group has not provided for dividend withholding tax were approximately RMB2,113,391,000 (2013: RMB1,486,299,000).

15 INTERESTS IN SUBSIDIARIES

	The Company	
	2014	2013
	RMB'000	RMB'000
Unlisted investment, at cost (i)	**—**	—
Capital contribution to subsidiaries	**15,811**	15,811
Amounts due from subsidiaries	**1,301,813**	1,344,085
	1,317,624	1,359,896

(i) This represents the Company's direct investment in Zall Development (BVI) Holding Co., Company Ltd., a wholly owned subsidiary, at investment cost of HKD1 (equivalent to RMB0.79).

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

The following list contains the particulars of principal subsidiaries of the Group at 31 December 2014. The class of shares held is ordinary unless otherwise stated.

(Expressed in Renminbi unless otherwise indicated)

15 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
Zall Development (BVI) Holding Co., Company Ltd. (卓爾發展(BVI)控股有限公司)	British Virgin Islands ("BVI")	HKD1	100%	100%	—	Investment holding
Zall Development (HK) Holding Company Limited ("Zall Hong Kong" or 卓爾發展(香港)控股有限公司)	Hong Kong	HKD100	100%	—	100%	Investment holding
Zhong Bang Financial Holdings Limited (眾邦金融控股有限公司)	British Virgin Islands ("BVI")	USD1	100%	—	100%	Investment holding
Zhong Bang Financial Group Limited (眾邦金融集團有限公司)	Hong Kong	HKD1	100%	—	100%	Investment holding
Zall Development (Wuhan) Co., Ltd. ("Zall Wuhan" or 卓爾發展(武漢)有限公司*)	The PRC	HKD39,800,000	100%	—	100%	Investment holding
North Hankou Group Co., Ltd. ("North Hankou Group" or 漢口北集團有限公司*)	The PRC	RMB59,600,000	100%	—	100%	Investment holding
Zall Investment Group Co., Ltd. ("Zall Investment Group" or 卓爾投資集團有限公司*)	The PRC	RMB100,000,000	100%	—	100%	Investment holding and property Development
Wuhan Logistics Enterprise Community Investment Development Co., Ltd. (武漢物聯港投資開發有限公司*)	The PRC	RMB30,000,000	100%	—	100%	Property development

(Expressed in Renminbi unless otherwise indicated)

15 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
Wuhan North Hankou International Goods Trading Center Co., Ltd. (武漢漢口北國際商品交易中心有限公司*)	The PRC	RMB1,000,000	100%	—	100%	Property development
Wuhan North Hankou Trade Market Investment Co., Ltd. (武漢漢口北商貿市場投資有限公司*)	The PRC	RMB55,000,000	100%	—	100%	Property development
Wuhan North Hankou Market Management Co., Ltd. (武漢漢口北市場管理有限公司*)	The PRC	RMB1,000,000	100%	—	100%	Property management
Wuhan North Hankou Logistics Co., Ltd. (武漢漢口北物流有限公司*)	The PRC	RMB10,000,000	100%	—	100%	Logistics management
Wuhan Zall Four Seasons Hotel Management Co., Ltd. (武漢卓爾四季酒店管理有限公司*)	The PRC	RMB1,000,000	100%	—	100%	Property management
Wuhan North Hankou Shangqing Advertising Co., Ltd. (武漢漢口北商情廣告有限公司*)	The PRC	RMB1,500,000	100%	—	100%	Advertising services
Wuhan North Hankou Xincheng Construction Co., Ltd. (武漢漢口北新城建設有限公司*)	The PRC	RMB1,000,000	100%	—	100%	Property development
Wuhan Zongbu Jidi Construction Co., Ltd. (武漢總部基地建設有限公司*)	The PRC	RMB20,000,000	100%	—	100%	Property development

(Expressed in Renminbi unless otherwise indicated)

15 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
Wuhan Eastern Zall Properties Co., Ltd. ("Wuhan Eastern Zall Properties" or 武漢東方卓爾置業有限公司*)	The PRC	RMB30,000,000	100%	—	100%	Property development
Wuhan Salon Investment Co., Ltd. (武漢客廳投資有限公司*)	The PRC	RMB30,000,000	100%	—	100%	Property development
Wuhan Zall City Investment and Development Co., Ltd. ("Wuhan Zall City" or 武漢卓爾城投資發展有限公司*)	The PRC	RMB50,000,000	100%	—	100%	Property development
Wuhan Zall Property Management Co., Ltd. ("Wuhan Zall Property Management" or 武漢卓爾物業管理有限公司*)	The PRC	RMB5,000,000	100%	—	100%	Property management
Hubei Zhuohua Real Estate Co., Ltd. ("Zhuohua Real Estate" or 湖北卓華地產有限公司*)	The PRC	RMB550,000,000	100%	—	100%	Property development
Hubei Hu Pan Hao Ting Real Estate Development Co., Ltd. (湖北湖畔豪庭房地產開發有限公司*)	The PRC	RMB50,000,000	100%	—	100%	Property development
Wuhan Xinrui Real Estate Development Co., Ltd. (武漢新銳房地產開發有限公司*)	The PRC	RMB20,000,000	100%	—	100%	Property development
Wuhan Panlong Zall Properties Co., Ltd. ("Wuhan Panlong Properties" or 武漢盤龍卓爾置業有限公司*)	The PRC	RMB10,000,000	100%	—	100%	Property development

(Expressed in Renminbi unless otherwise indicated)

15 INTERESTS IN SUBSIDIARIES (Continued)

			Proportion of ownership interest			
Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Zall Development (Xiangyang) Co., Ltd. (卓爾發展(襄陽)有限公司*)	The PRC	HKD20,000,000/ HKD3,000,000	100%	—	100%	Property development
Zhen An (Wuhan) Company Limited ("Zhen An Wuhan" or 正安實業(武漢)有限公司*)	The PRC	USD17,500,000	51%	—	51%	Property development
Zall Development (Shenyang) Co., Ltd. (卓爾發展(瀋陽)有限公司*)	The PRC	USD192,765,000/ USD98,460,237	100%	—	100%	Property development
Wuhan Zall Football Club Co., Ltd. (武漢卓爾職業足球俱樂部有限公司*)	The PRC	RMB105,000,000	100%	—	100%	Football Club
Shanxi Zall Western Regions Industrial Development Ltd. ("Zall Shanxi" or 陝西卓爾西域實業發展有限公司*)	The PRC	RMB100,000,000/ RMB30,000,000	70%	—	70%	Property development
Zhen An Properties Limited ("Zhen An Cayman" or 正安資產(開曼群島)實業股份有限公司)	Cayman Islands	USD10,000,000/ USD8,010,000	100%	—	100%	Investment holding
Zall Development (Changsha) Co., Ltd. (卓爾發展(長沙)有限公司*)	The PRC	RMB100,000,000	80%	—	80%	Property development
Zall Trade Market Development (Xiaogan) Co., Ltd. (卓爾商貿發展(孝感)有限公司*)	The PRC	RMB100,000,000	100%	—	100%	Property development

(Expressed in Renminbi unless otherwise indicated)

15 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Zall Development (Tianjin) Co., Ltd. ("Zall Tianjin" or 卓爾發展(天津)有限公司*)	The PRC	RMB1,001,000,000/ RMB442,000,000	100%	–	100%	Property development
Zall Development (Jingzhou) Co., Ltd. ("Zall Jingzhou" or 卓爾發展(荊州)有限公司*)	The PRC	USD100,000,000/ USD27,692,718	100%	–	100%	Property development
Wuhan North Hankou Electronic Commerce Co., Ltd. (武漢漢口北電子商務有限公司*)	The PRC	RMB1,500,000	100%	–	100%	Electronic Commerce
Wuhan Zall Yuecheng Investment Co., Ltd. (武漢卓爾悦城投資有限公司*)	The PRC	RMB50,000,000	100%	–	100%	Property development
Zall (Luotian) Investment Co., Ltd. (卓爾(羅田)投資有限公司*)	The PRC	RMB10,000,000	100%	–	100%	Property development
Wuhan Zall Aoshan Investment Co., Ltd. (武漢卓爾奧山投資有限公司*)	The PRC	RMB200,000,000/ RMB40,000,000	51%	–	51%	Property development
Zall Development (Xiaogan) Co., Ltd. ("Zall Xiaogan" or 卓爾發展(孝感)有限公司*)	The PRC	RMB60,000,000	100%	–	100%	Property development
Tianjin Zall E-commerce city Management Co., Ltd. (天津卓爾電商城管理有限公司*)	The PRC	RMB10,000,000/ RMB1,000,000	100%	–	100%	Property Management

(Expressed in Renminbi unless otherwise indicated)

15 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Haining Zall Leather Market Management. Co., Ltd. (海寧卓爾皮革市場管理顧問有限公司*)	The PRC	RMB100,000/ RMB0	100%	—	100%	Leather market Management consultation service
Haining North Hankou Leather Market. Co., Ltd. (海甯漢口北皮革市場管理顧問有限公司*)	The PRC	RMB100,000/ RMB0	100%	—	100%	Leather market Management consultation service
Changsha Zall Electrical Mall Management. Co., Ltd. (長沙卓爾電商城管理有限公司*)	The PRC	RMB1,000,000/ RMB0	100%	—	100%	Property Management
Tianjin Zall Logistics Co., Ltd. (天津卓爾物流有限公司*)	The PRC	RMB5,000,000/ RMB0	100%	—	100%	Warehouse service
Tianjin Zall Ecommerce Co., Ltd. (天津卓爾電子商務有限公司*)	The PRC	RMB1,000,000/ RMB0	100%	—	100%	E-commerce
Tianjin Zall City Development Management Co., Ltd. (天津卓爾城發展有限公司*)	The PRC	RMB100,000,000/ RMB0	100%	—	100%	Property Management
Tianjin Zall City Property Services Co., Ltd. (天津卓爾城物業服務有限公司*)	The PRC	RMB5,000,000/ RMB0	100%	—	100%	Property Management
Shenyang Zall Electrical Mall Development Co., Ltd. (瀋陽卓爾電商城發展有限公司*)	The PRC	RMB90,000,000/ RMB0	100%	—	100%	Property Management

* These entities are all PRC limited liability companies. The English translation of the company names is for reference only. The official names of these companies are in Chinese. The directors consider that no individual non-controlling interest is considered material to the Group as at 31 December 2014 and 2013.

16 PROPERTIES UNDER DEVELOPMENT

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

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

As at 31 December 2014, certain properties under development with an aggregate carrying value of RMB1,811,963,000 (2013: RMB2,457,880,000) was pledged for certain bank loans granted to the Group (see note 26).

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

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

17 COMPLETED PROPERTIES HELD FOR SALE

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

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

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

As at 31 December 2014, completed properties held for sale with an aggregate carrying value of RMB1,063,691,000 (2013: RMB565,099,000) were pledged for certain bank loans granted to the Group (see note 26).

18 INVENTORIES

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

19 TRADE AND OTHER RECEIVABLES, PREPAYMENTS

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

19 TRADE AND OTHER RECEIVABLES, PREPAYMENTS (Continued)

(i) Ageing analysis

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

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

The details on the Group's credit policy are set out in note 32.

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

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

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

20 RESTRICTED CASH

Included in restricted cash was an aggregate carrying amount of RMB229,700,000 (2013: RMB374,500,000) pledged for certain bank loans granted to the Group (note 26).

21 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Cash at bank and in hand	250,840	738,758	17,636	10,889

22 RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH USED IN OPERATIONS:

	Note	2014 RMB'000	2013 RMB'000
Profit before taxation		2,757,856	2,547,287
Adjustments for:			
Amortisation	5(c)	10,893	16,014
Depreciation	5(c)	13,300	9,845
Other net loss	4	2,579	8,602
Finance income	5(a)	(22,333)	(3,928)
Finance costs	5(a)	122,073	62,570
Fair value change on embedded derivative component of the convertible bonds	28	9,320	(12,684)
Increase in fair value of investment properties and non-current assets classified as held for sale	12, 23	(1,831,706)	(319,141)
Fair value gain upon transfer of completed properties held for sale to investment properties	12	(325,630)	(1,423,017)
Share of profits of joint ventures	13	(45,367)	(523,596)
Equity settled share-based payment expenses	5(b)	2,436	6,243
Amortisation of deferred income	27	(54,644)	(70,881)
Gain on disposal of subsidiaries	37	(1,437)	(5,756)
		637,340	291,558
Increase in properties under development, completed properties held for sale, inventories		(1,616,543)	(2,234,077)
Increase in trade and other receivables, prepayments		(108,136)	(549,415)
(Decrease)/Increase in trade and other payables		(357,477)	1,160,487
Increase in government grants received	27	123,974	—
Increase in other deferred income	27	2,363	21,845
Cash used in operations		(1,318,479)	(1,309,602)

23 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2014, the directors revisited the Group's investment property portfolio and committed to a plan to sell certain units of its investment properties. Such investment properties are available for immediate sale in its present condition and the directors consider that its sales is highly probable. As at 31 December 2014, the non-current assets classified as held for sale and the liabilities directly associated with such assets are as follows:

Non-current assets classified as held for sale

	2014 RMB'000	2013 RMB'000
Cost	37,910	47,441
Fair value adjustments	109,790	110,559
	147,700	158,000

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

	2014 RMB'000	2013 RMB'000
Deferred tax liabilities	36,309	35,935

At 31 December 2014, there was no pledge of non-current assets classified as held for sale.

24 DISPOSAL GROUP HELD FOR SALE

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

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

24 DISPOSAL GROUP HELD FOR SALE (Continued)

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

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

Pursuant to the Proposed Restructuring, management of the Group committed to a plan to disposal of entire equity interest in Zhen An Cayman, Wuhan Zall City and Zhen An Wuhan. Accordingly, assets and liabilities of these companies are presented as disposal group held for sale.

(a) Impairment losses relating to the disposal group

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

24 DISPOSAL GROUP HELD FOR SALE (Continued)

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

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

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

(c) Cumulative income or expenses included in OCI

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

(d) Pledged assets

At 31 December 2014, certain assets of disposal group held for sale with an aggregate carrying value of RMB3,348,980,000 (2013: Nil) were pledged for certain bank loan granted to the disposal group held for sale (see note 26).

(e) Measurement of fair values

The non-recurring fair value measurement for the disposal group held for sale of RMB1,975,436,000 has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 12(b) (ii)).

25 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Amounts due to third parties				
Trade payables (i)	**1,219,349**	944,055	**—**	—
Receipts in advance (ii)	**1,025,028**	2,037,316	**—**	—
Other payables and accruals	**706,520**	495,251	**327**	3,400
	2,950,897	3,476,622	**327**	3,400
Amounts due to related parties				
Amounts due to subsidiaries	**—**	—	**50,914**	50,572
Amounts due to a related party	**—**	50,000	**—**	—
	2,950,897	3,526,622	**51,241**	53,972

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

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

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

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

(ii) Receipts in advance primarily consisted of deposits and down payments from customers for purchases of the Group's properties. Such proceeds were recorded as current liabilities before the associated sales were recognised. Sale of properties is subsequently recognised to the profit or loss in accordance with the Group's accounting policy as set out in note 1(v) (i).

26 BANK LOANS AND LOANS FROM OTHER FINANCIAL INSTITUTIONS

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

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

26 BANK LOANS AND LOANS FROM OTHER FINANCIAL INSTITUTIONS (Continued)

Bank loans and loans from other financial institutions bear interest ranging from 6.00% to 11.00% per annum for the year ended 31 December 2014 (2013: 6.00% to 9.66% per annum).

Bank loans and loans from other financial institutions(including bank loans included in disposal group held for sale) are secured by the following assets:

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

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

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

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

27 DEFERRED INCOME

The deferred income is analysed as follows:

	Government grants RMB'000	Sale and leaseback arrangement RMB'000	Total RMB'000
Balance at 1 January 2013	650,191	36,157	686,348
Changes for the year:			
Additions	—	21,845	21,845
Amortisation	(61,676)	(9,205)	(70,881)
Balance at 31 December 2013	588,515	48,797	637,312
Less: deferred income due within 1 year	(588,515)	(12,211)	(600,726)
Non-current portion of deferred income at 31 December 2013	—	36,586	36,586
Balance at 1 January 2014	588,515	48,797	637,312
Changes for the year:			
Additions	123,974	2,363	126,337
Amortisation	(42,024)	(12,620)	(54,644)
Reclassification to liabilities of disposal group held for sale	(546,491)	(9,509)	(556,000)
Balance at 31 December 2014	123,974	29,031	153,005
Less: deferred income due within 1 year	(123,974)	(9,622)	(133,596)
Non-current portion of deferred income at 31 December 2013	—	19,409	19,409

(i) During the year ended 31 December 2010, the Group received RMB560,000,000 from a local government office, namely Jiangjun Road Sub-district Office of People's Government of Dongxihu District of Wuhan City (武漢市東西湖區人民政府將軍路街道辦事處). Pursuant to a written notice issued by Finance Office of Jiangjun Road Sub-district Office of People's Government of Dongxihu District of Wuhan City (武漢市東西湖區人民政府將軍路街道辦事處財政所) dated 2 April 2011, such grant is for subsidising the infrastructure construction of a project undertaken by one of the Group's subsidiaries, namely Wuhan Zall City.

During the year ended 31 December 2014, the Group received RMB15,800,000 from a local government office, namely Administrative Committee of Xiqing Xuefu Industrial District of Tianjin City (天津西青學府工業區管理委員會). Pursuant to a written notice issued by Administrative Committee of Xiqing Xuefu Industrial District of Tianjin City (天津西青學府工業區管理委員會) dated 1 April 2014, such grant is for subsidising the infrastructure construction of a project undertaken by one of the Group's subsidiaries, namely Zall Tianjin.

27 DEFERRED INCOME (Continued)

(i) (Continued)

During the year ended 31 December 2014, the Group received RMB37,739,000 from a local government office, namely Finance Office of Yangdian Town of Xiaogan City (孝感市楊店鎮財政所財政局). Pursuant to a written notice issued by Finance Office of Yangdian Town of Xiaogan City (孝感市楊店鎮財政所財政局) dated 18 May 2014, such grant is for subsidising the infrastructure construction of a project undertaken by one of the Group's subsidiaries, namely Zall Xiaogan.

During the year ended 31 December 2014, the subsidiary named Zall Jingzhou received RMB70,435,000 from a local government office, namely Stated Owned Assets Management Center of Jingzhou District of Jingzhou City (荊州市荊州區國有資產經營中心).

(ii) In conjunction with certain sale contracts entered into by the Group for sale of properties, the Group subsequently leased back certain sold properties from the respective buyers under operating leases for a term of 5 years at an agreed rental rate. Upon recognition of the sale of such properties, a portion of the sale proceeds, which represents the excess of sale price over fair value of such properties, is recognised as deferred income and amortised over the respective lease terms.

28 CONVERTIBLE BONDS

On 19 June 2013, the Company issued convertible bonds in an aggregate principal amount of US dollars ("USD") 100 million due 19 June 2018 ("Maturity Date"). The convertible bonds bear interest at 5.5% per annum payable semi-annually. The due payment of all sums expressed to be payable by the Company are guaranteed by all of the subsidiaries of the Company, other than those organised under the laws of the PRC.

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

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

- Conversion rights are exercisable at any time on and after 19 June 2013 up to the close of business on the seventh day prior to Maturity Date.
- Pursuant to the terms of the convertible bonds, the number of shares to be issued on conversion of convertible bonds will be determined by dividing the principal amount of the convertible bonds converted at the fixed rate of Hong Kong dollars ("HKD") 7.7636 = USD1.00 by HKD3.0799 per share (initial "Conversion Price"), subject to adjustment, then in effect.
- The Conversion Price may be reset on 19 June 2014 and 19 June 2015 subject to the stock price of the Company.

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

28 CONVERTIBLE BONDS (Continued)

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

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

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

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

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

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

	Host liability component 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 the year of 2013:			
Interest expenses((i) and note 5(a))	45,787	—	45,787
Interest expenses paid during the period	(17,032)	—	(17,032)
Change in fair value of derivative component	—	(12,684)	(12,684)
Exchange realignment	(6,041)	—	(6,041)
Balance at 31 December 2013	510,795	97,502	608,297
Less: Interest payable due within 1 year	(1,040)	—	(1,040)
Non-current portion of convertible bonds at 31 December 2013	509,755	97,502	607,257

28 CONVERTIBLE BONDS (Continued)

	Host liability component RMB'000	Derivative component RMB'000	Total RMB'000
Balance at 1 January 2014	510,795	97,502	608,297
Changes for the year of 2014:			
Interest expenses ((i) and note 5(a))	91,888	—	91,888
Interest expenses paid during the period	(33,595)	—	(33,595)
Change in fair value of derivative component	—	9,320	9,320
Exchange realignment	1,956	—	1,956
Balance at 31 December 2014	571,044	106,822	677,866

(i) Interest expense

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

(ii) Conversion rights exercised

No convertible bonds were converted up to 31 December 2014.

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

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

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

29 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD30,000. Contributions to the plan vest immediately.

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

30 EQUITY SETTLED SHARE-BASED PAYMENTS

On 1 June 2010, 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.

(Expressed in Renminbi unless otherwise indicated)

30 EQUITY SETTLED SHARE-BASED PAYMENTS (Continued)

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

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

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

	2014 Weighted average exercise price HKD	2014 Number of share options	2013 Weighted average exercise price HKD	2013 Number of share options
Outstanding at 1 January	**0.871**	**29,452,500**	0.871	29,452,500
Forfeited during the year	**0.871**	**(297,500)**	—	—
Outstanding at 31 December	**0.871**	**29,155,000**	0.871	29,452,500
Exercisable at 31 December	**0.871**	**20,408,500**	0.871	13,387,500

At 31 December 2014, the weighted average remaining expected life of Pre-IPO Share Option is 1.5 years (31 December 2013: 2.5 years).

31 SHARE CAPITAL AND RESERVES

(a) Movements in components of equity

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

	Note	Share capital RMB'000	Share premium RMB'000 31(c)(i)	Equity settled share-based payment reserve RMB'000 31(c)(iv)	Exchange reserve RMB'000 31(c)(iii)	Retained profits/(loss) RMB'000	Total equity RMB'000
At 1 January 2013		29,071	1,179,689	30,378	(18,911)	5,123	1,225,350
Changes in equity for 2013:							
Total comprehensive income for the year		–	–	–	(32,816)	164,968	132,152
Equity settled share-based transaction		–	–	6,243	–	–	6,243
Dividends approved in respect of the previous year	31(f)	–	–	–	–	(167,286)	(167,286)
At 31 December 2013 and 1 January 2014		29,071	1,179,689	36,621	(51,727)	2,805	1,196,459
Changes in equity for 2014:							
Total comprehensive income for the year		–	–	–	8,150	(112,290)	(104,140)
Equity settled share-based transaction		–	–	2,069	–	367	2,436
At 31 December 2014		29,071	1,179,689	38,690	(43,577)	(109,118)	1,094,755

31 SHARE CAPITAL AND RESERVES (Continued)

(b) Share capital

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

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

(c) Reserves

(i) Share premium

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

(ii) PRC statutory reserve

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

(iii) Exchange reserve

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

(iv) Equity settled share-based payment reserve

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

(v) Other reserve

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

31 SHARE CAPITAL AND RESERVES (Continued)

(c) Reserves (Continued)

(vi) Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment immediately before its reclassification as investment property.

(d) Capital management

The Group's primary objective when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its property development projects, provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital, by pricing properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

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

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, and obligations under finance leases) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity and redeemable preference shares, other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends.

During 2014, the Group's strategy, which was unchanged from 2013, was to maintain the adjusted net debt-to-capital ratio not exceed 75%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The adjusted net debt-to-capital ratio at 31 December 2014 and 2013 was as follows:

	Note	2014 RMB'000	2013 RMB'000
Current liabilities:			
Bank loans and loans from other financial institutions	26	997,160	2,012,808
Bank loans included in disposal group held for sale	24(b)	414,900	—
Convertible bonds	28	677,866	1,040
		2,089,926	2,013,848
Non-current liabilities:			
Bank loans and loans from other financial institutions	26	3,424,529	3,084,950
Bank loans included in disposal group held for sale	24(b)	1,322,240	—
Convertible bonds	28	—	607,257
		4,746,769	3,692,207
Total debt		6,836,695	5,706,055

31 SHARE CAPITAL AND RESERVES (Continued)

(d) Capital management (Continued)

	Note	2014 RMB'000	2013 RMB'000
Less: Short-term bank deposits		—	150,000
Restricted cash	20	352,708	419,023
Cash and cash equivalents	21	250,840	738,758
Restricted cash included in disposal group held for sale	24(b)	6	—
Cash and cash equivalents included in disposal group held for sale	24(b)	11,500	—
Adjusted net debt		6,221,641	4,398,274
Total equity attributable to equity shareholders of the Company		7,917,901	6,302,420
Less: Accumulated fair value change from convertible bonds	28	3,364	12,684
Intangible assets		5,654	16,516
Adjusted capital		7,908,883	6,273,220
Adjusted net debt-to-capital ratio		78.67%	70.11%

(e) Distributable reserves

As at 31 December 2014, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 of the Cayman Islands, amounted to approximately RMB1,070,571,000 (2013: RMB1,182,494,000), which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. After the end of the reporting period, there is no proposed dividends (2013: Nil).

(f) Dividends

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

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

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

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

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents, restricted cash, trade and bill receivables and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash and cash equivalents and restricted cash held by the Group are mainly deposited in financial institutions such as commercial banks which maintain sound reputation and financial situation. The credit risk is considered low and the Group has exposure limit to any single financial institution.

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

In respect of other receivables due from third parties, the Group reviews the exposures and manages them based on the need of operation.

Except for the financial guarantees given by the Group as set out in note 34, the Group does not provide any other guarantees which would expose the Group to credit risk.

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

(b) Liquidity risk

The management of the Group reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor the Group's liquidity requirements in the short and longer terms. The Group's policy is to regularly monitor liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's and the Company's financial liabilities excluding receipts in advance, which the Group expects to settle by delivery of completed properties. The contractual maturities are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk (Continued)

The Group:

	2013					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans and loans from other financial institution	2,123,352	1,088,093	2,410,511	369,605	5,991,561	5,097,758
Trade and other payable (excluding receipts in advance)	1,489,306	—	—	—	1,489,306	1,489,306
Convertible bonds	33,533	33,533	949,514	—	1,016,580	608,297
	3,646,191	1,121,626	3,360,025	369,605	8,497,447	7,195,361

	2014					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans and loans from other financial institution	1,327,612	1,933,148	1,263,764	1,162,309	5,686,833	4,421,689
Bank loans included in disposal group held for sale	1,806,663	—	—	—	1,806,663	1,737,140
Trade and other payable (excluding receipts in advance)	1,925,869	—	—	—	1,925,869	1,925,869
Trade and other payable included in disposal group held for sale (excluding receipts in advance)	445,741	—	—	—	445,741	445,741
Convertible bonds	33,654	33,654	919,302	—	986,610	677,866
	5,539,539	1,966,802	2,183,066	1,162,309	10,851,716	9,208,305

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk (Continued)

The Company:

	2013					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Trade and other payable	53,972	—	—	—	53,972	53,972
Convertible bonds	33,533	33,533	949,514	—	1,016,580	608,297
	87,505	33,533	949,514	—	1,070,552	662,269

	2014					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Trade and other payable	51,241	—	—	—	51,241	51,241
Convertible bonds	33,654	33,654	919,302	—	986,610	677,866
	84,895	33,654	919,302	—	1,037,851	729,107

As shown in the above analysis, bank loans and convertible bonds of the Group and the Company amounting to RMB3,167,929,000 and RMB33,654,000 respectively were due to be repaid during 2015. The short-term liquidity risk inherent in this contractual maturity date has been addressed after the end of the reporting period by convertible bonds has been waived from the third party (see note 28) and unutilised bank loan facility (see note 36(d)). Note 1(b) sets out actions taken by management to manager the liquidity needs of the Group to enable it to continue to meet its obligations as they fall due.

(c) Interest rate risk

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

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

The interest rates and terms of repayment of bank loans of the Group are disclosed in note 26 to the consolidated financial statements. The Group does not carry out any hedging activities to manage its interest rate exposure.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Interest rate risk (Continued)

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's net borrowing (as defined above) at the end of the reporting period.

The Group:

	2014		2013	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Net fixed rate borrowings:				
Bank loans and loans from other financial institutions	6%–9.5%	1,081,000	6%–9%	1,506,300
Convertible bonds	5.5%	611,900	5.5%	609,690
Bank loans included in disposal group held for sale	6.77%–9%	346,900	—	—
		2,039,800		2,115,990
Variable rate borrowings:				
Bank loans and loans from other financial institutions	6%–9%	3,340,689	6%–9%	3,591,458
Bank loans included in disposal group held for sale	6%–10%	1,390,240	—	—
		4,730,929		3,591,458
Total net borrowings		6,770,729		5,707,448
Fixed rate borrowings as a percentage of total net borrowings		30%		37%

The Company:

	2014		2013	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Net fixed rate borrowings:				
Convertible bonds	5.5%	611,900	5.5%	609,690
Total net borrowings		611,900		609,690
Net fixed rate borrowings as a percentage of total net borrowings		100%		100%

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2014, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and total equity attributable to equity shareholders of the Company by approximately RMB15,134,000 (2013: decrease/increase profit after tax and total equity attributable to equity shareholders of the Company by approximately RMB13,468,000) in response to the general increase/decrease in interest rates, which has not taken into account of interest capitalization to property for sales.

The sensitivity analysis above indicates the instantaneous change in the Group's profit/loss after tax and retained profits and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of each reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and the retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expenses or income of such a change in interest rates. The analysis is performed on the same basis for the year ended 31 December 2013.

(d) Currency risk

The Group and the Company is exposed to foreign currency risk primarily on bank deposits and convertible bonds to which the transactions relate. The currencies giving rise to this risk are primarily US dollars and Hong Kong dollars.

(i) Exposure to currency risk

The following table details the Group's and the Company's exposure at the end of each reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of the exposure are shown in RMB, translated using the spot rate at the end of each reporting period.

	2013			
	Group		Company	
	United States Dollars USD'000	Hong Kong Dollars HKD'000	United States Dollars RMB'000	Hong Kong Dollars HKD'000
Cash and cash equivalents	52,050	6,102	5,045	5,665
Convertible bonds	(608,297)	—	(608,297)	—
Net exposure arising from recognized assets and liabilities	(556,247)	6,102	(603,252)	5,665

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (Continued)

(i) Exposure to currency risk (Continued)

	2014			
	Group		Company	
	United States Dollars USD'000	Hong Kong Dollars HKD'000	United States Dollars USD'000	Hong Kong Dollars HKD'000
Cash and cash equivalents	7,268	9,572	7,220	8,348
Convertible bonds	(677,866)	—	(677,866)	—
Net exposure arising from recognized assets and liabilities	(670,598)	9,572	(670,646)	8,348

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's and the Company's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

The Group:

	2014			2013		
	Increase (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000	Increase (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000
United States Dollars	5%	33,530	33,530	5%	28,400	28,400
Hong Kong Dollars	5%	(463)	(463)	5%	(267)	(267)
		33,067	33,067		28,133	28,133

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis (Continued)

The Company:

	2014			2013		
	Increase (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000	Increase (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000
United States Dollars	5%	33,532	33,532	5%	30,163	30,163
Hong Kong Dollars	5%	(417)	(417)	5%	(283)	(283)
		33,115	33,115		29,880	29,880

The foreign currency sensitivity analysis is calculated based on the major net foreign currency exposure of the Group as at the reporting date, assuming 5% shift of RMB against USD and HKD on the profit after tax and retained profits and excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2013.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

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

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

	Fair value at 31 December 2014 RMB'000	Fair value measurement as at 31 December 2014 categorised into Level 2 RMB'000	Fair value at 31 December 2013 RMB'000	Fair value measurement as at 31 December 2013 categorised into Level 2 RMB'000
Group and Company				
Recurring fair value measurements				
Derivative financial instruments:				
Embedded derivative component of the convertible bonds	106,822	106,822	97,502	97,502

During the year ended 31 December 2013 and 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.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(e) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Valuation techniques and inputs used in Level 2 fair value measurements

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

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

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

	At 31 December 2014		At 31 December 2013	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Group and Company				
Recurring fair value measurements				
Derivative financial instruments:				
Liability component of the convertible bonds	571,044	576,152	510,795	537,673

33 COMMITMENTS

(a) Operating lease commitment

— Lessor

The Group leases out a number of building facilities under operating leases. The leases typically run for an initial period of 1 to 10 years, with an option to renew the leases after that date at which time all terms are renegotiated. Further details of the carrying value of the investment properties are contained in note 12.

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

	2014 RMB'000	2013 RMB'000
Within 1 year	90,795	87,549
After 1 year but within 5 years	205,079	278,503
Above 5 years	14,973	12,972
	310,847	379,024

33 COMMITMENTS (Continued)

(a) Operating lease commitment (Continued)

— Lessee

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

During the year ended 31 December 2014, RMB53,399,000 (2013: RMB39,087,000) were recognised as an expense in the consolidated statement of profit or loss in respect of leasing of building facilities.

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

	2014 RMB'000	2013 RMB'000
Within 1 year	42,200	31,686
After 1 year but within 5 years	67,266	100,423
	109,466	132,109

(b) Capital commitments on development costs

As at 31 December 2014, the Group's capital commitments in respect of investment properties under development and properties under development are as follows:

	2014 RMB'000	2013 RMB'000
Contracted but not provided for		
— Investment properties under development	2,019,496	148,800
— Properties under development	391,777	2,409,299
	2,411,273	2,558,099

34 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 interests and penalties owed by the defaulted purchasers to the banks. The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends upon the earlier of the buyers obtained the individual property ownership certificate and the full settlement of mortgage loans by the buyers.

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:

	2014 RMB'000	2013 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**1,331,739**	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.

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.

35 MATERIAL RELATED PARTY TRANSACTIONS

The directors consider that all the below related party transactions during the year ended 31 December 2014 were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

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

(a) Transactions with key management personnel

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

	2014 RMB'000	2013 RMB'000
Wages, salaries and other benefits	**3,190**	3,242
Contribution to defined benefit contribution retirement scheme	**99**	86
Equity settled share-based payment expenses	**2,085**	5,344
	5,374	8,672

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

35 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions and Balances with related parties

Transactions

	2014 RMB'000	2013 RMB'000
Receipts from related parties		
— others	**416,400**	50,000
Payments to related parties		
— others	**(135,750)**	(303,050)

Balance with related parties were mainly resulting from the funding arrangements between these parties. Balances at 31 December 2014, and major terms of these balances are disclosed in notes 19 and 25.

(c) Disposal of subsidiaries

During the year ended 31 December 2014, the Group disposed of its entire equity interest in Wuhan Zall Jinan Hotel Management Co., Ltd. ("Zall Jinan Hotel") and Wuhan Zall Yuexi Hotel Management Co., Ltd. ("Wuhan Zall Yuexi") to Wuhan Zall Wenlv Co., Ltd. ("Zall Wenlv") at considerations of RMB1,639,489. Zall Wenlv is wholly owned by Zall Holdings and ultimately controlled by the Controlling Equity Owners. Details of the disposal are set out in note 37.

(d) Other related party transactions

During the year ended 31 December 2014, the Group received rental income of RMB Nil (2013: RMB12,000) from Zall Holdings, which constitutes connected person of the Group as defined under Chapter 14A of the Listing Rules.

During the year ended 31 December 2014, the Group received rental income of RMB325,664 (2013: RMB 82,000) from CIG Yangtze Port PLC, a company of which Mr. Yan Zhi is the ultimate controlling equity owner. CIG Yangtze Port PLC is considered as a connected person of the Group as defined under Chapter 14A of the Listing Rules.

During the year ended 31 December 2014, the Group received rental income of RMB413,191 (2013: Nil) from Wuhan Zall Yuexi, which was disposed to a subsidiary of Zall Holdings at 25 September 2014.

As the percentage ratios for these related party transactions are less than 0.1%, these transactions are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements applicable under Chapter 14A of the Listing Rules as they fall within the de minimis threshold under Rule 14A.33 of the Listing Rules.

36 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

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

The directors consider that the Proposed Transactions are expected to be completed before 30 June 2015.

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

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

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

37 DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2014, the Group disposed of its entire equity interest in Zall Jinan Hotel and Wuhan Zall Yuexi to Zall Wenlv.

	Net book value as of the disposal date RMB'000
Property, plant and equipment	3,594
Cash and cash equivalents	179
Trade and other receivables, prepayment	1,776
Inventories	857
Trade and other payables	(7,748)
Current tax liabilities	(95)
Net liabilities	(1,437)
Consideration received, satisfied in cash	—
Net gain on disposal	1,437
Net cash inflow	—

The net loss of the disposed entity during the year ended 31 December 2014 is RMB1,437,000 (2013: RMB449,000), which is included in the consolidated financial statements of the Group. The considerations of disposal subsidiaries were RMB1,639,489. At 31 December 2014, the Group has not received the consideration in cash.

(Expressed in Renminbi unless otherwise indicated)

38 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 31 December 2014, the directors consider the immediate parent and ultimate controlling party of the Group to be Zall Development Investment Company Limited and Mr. Yan Zhi respectively. Zall Development Investment Company Limited does not produce financial statements available for public use.

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014

Up to the date of issue of these consolidated financial statements, the IASB has issued a number of amendments and five new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 19, *Defined benefit plans: Employee contributions*	1 July 2014
Amendments to IFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to IFRS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
IFRS 15, *Revenue from contracts with customers*	1 January 2017
IFRS 9, *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the adoption of IFRS 9 and IFRS 15 which may have an impact on the entity's results and/or financial position.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the company's first financial year commencing after 3 March 2014 (i.e. the company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

Major Properties Information

As at 31 December 2014

THE GROUP'S PROPERTY PORTFOLIO SUMMARY — MAJOR PROPERTIES UNDER DEVELOPMENT

	Project	Location	Expected date of completion	Intended use	Site area (sq.m.)	Gross Floor Area (sq.m.)	Group's interest (%)
1	North Hankou International Trade Center	Liudian and Shekou Villages, Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Dec-2017	Shops	1,021,592	2,476,513	100%
2	Wuhan Salon (Phase I)	Jiangjunlu Street, Dongxihu District, Wuhan, Hubei Province, PRC	Dec-2017	Commercial and residential	162,674	738,085	100%
3	No. 1 Enterprise Community (Phase IV)	Te No. 1 Chutian Road, Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Dec-2017	Office	401,176	618,883	100%
4	North Hankou • Zall Life City — Hupan Haoting Residences (Phase II)	Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Dec-2015	Residential	105,453	219,242	100%
5	North Hankou • Zall Life city — Zhujinyuan Residences	Liudian and Xiaji Villages, Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Dec-2016	Residential	61,002	163,276	100%
6	Zui Jiang Nan Town	Wuhan Economic & Technological Development Zone	Dec-2016	Commercial and residential	105,737	198,336	100%
7	Shenyang Salon (Phase I)	Zaohua Village, Zaohuajiedao Yuhong District, Shenyang, Liaoning Province, PRC	Dec-2016	Commercial and residential	157,531	370,171	100%
8	Zall No.1 Enterprise Community • Changsha (Phase I)	Zhiji Village, Xingangzhen Kaifu District, Changsha, Hunan Province, PRC	Dec-2017	Commercial and office	185,076	349,311	80%
9	Jingzhou Zall City	Jinan Zhen, Sanhong Village, Jingzhou District, Jingzhou City, Hubei Province, PRC	Dec-2015	Commercial	158,746	318,150	100%
10	Tianjin Zall E-commerce Mall (Area C)	Xijing District, Qingwu Xuefu Industrial Park, Tianjin City, PRC	Jun-2016	Commercial	224,923	614,968	100%
11	Taohuayi Town	Yangdian Town, Xiaogan City, Hubei Province	Dec-2017	Commercial and residential	154,822	220,779	100%

As at 31 December 2014

THE GROUP'S PROPERTY PORTFOLIO SUMMARY — MAJOR COMPLETED PROPERTIES HELD FOR SALE

	Project	Location	Existing use	Gross Floor Area (sq.m.)	Group's interest (%)
1	Portion of North Hankou International Trade Center	Liudian and Shekou Villages, Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Shops and residential	296,148	100%
2	Portion of No. 1 Enterprise Community (Phase I, II & III) and No. 1 high rise office tower	Te No. 1 Chutian Road, Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Office	175,675	100%
3	North Hankou • Zall Life City — Hupan Haoting Residences	Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Residential	31,849	100%
4	Wuhan Salon (Phase I)	Jiangjunlu street, Dongxihu District, Wuhan, Hubei Province, PRC	Commercial and residential	94,813	100%

Major Properties Information (Continued)

As at 31 December 2014

THE GROUP'S PROPERTY PORTFOLIO SUMMARY — MAJOR PROPERTIES HELD FOR INVESTMENT

	Project	Location	Stage of completion	Approximate gross floor area (sq.m.)	Group's interest (%)
1	Portion of North Hankou International Trade Center	Liudian and Shekou Villages, Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Completed	356,061	100%
2	Portion of North Hankou International Trade Center	Liudian and Shekou Villages, Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Under development	37,217	100%
3	North Hankou Logistic Center	Liudian Village, Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Completed	25,549	100%
4	North Hankou Logistics Center	Liudian Village, Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Under development	18,355	100%
5	Portion of Building No. 1 of No. 1 Enterprise Community	Te No. 1 Chutian Road, Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Completed	6,911	100%
6	Portion of Commercial Street of No. 1 Enterprise Community	No. 18 Julong Road, Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Completed	11,597	100%
7	Zall International Finance Center	Xinhua Road and Jianshe Avenue, Jianghan District, Wuhan, Hubei Province, PRC	Under development	97,203	51%
8	Portion of Tianjin Zall E-commerce Mall (Area A & B)	Xijing District, Qingwu Xuefu Industrial Park, Tianjin City, PRC	Under development	519,458	100%

THE GROUP'S PROPERTY PORTFOLIO SUMMARY — MAJOR NON-CURRENT ASSETS HELD FOR SALE

	Project	Location	Approximate gross floor area (sq.m.)	Group's interest (%)
1	Portion of North Hankou International Trade Center	Liudian and Shekou Villages, Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	13,201	100%

Financial Summary

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Result					
Turnover	**1,986,129**	1,581,188	1,489,928	2,454,208	769,737
Gross Profit	**976,104**	664,849	1,082,880	1,739,034	356,527
Increase in fair value of investment properties and non-current assets classified as held for sale	**1,831,706**	319,141	200,467	255,881	626,563
Fair value gain upon transfer of completed properties held for sale to investment properties	**325,630**	1,423,017	496,888	—	—
Profit for the year attributable to:					
Equity shareholders of the Company	**1,572,819**	1,583,747	1,150,943	1,194,732	635,072
Non-controlling interests	**37,905**	45,273	18,022	(10,857)	(1,886)
Profit for the year	**1,610,724**	1,629,020	1,168,965	1,183,875	633,186
Financial position					
Total assets	**22,176,014**	18,298,116	12,680,414	9,083,964	5,088,018
Total liabilities	**13,613,874**	11,408,962	7,261,501	4,777,981	3,289,215
Non-controlling interests	**644,239**	586,734	541,461	503,439	47,909
Total equity attributable to equity shareholders of the Company	**7,917,901**	6,302,420	4,877,452	3,802,544	1,750,894
Total Equity	**8,562,140**	6,889,154	5,418,913	4,305,983	1,798,803