Zall Development Group Ltd.
卓爾發展集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2098)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

CHAIRMAN'S STATEMENT

Connect the world, Vision the future

2015 was a year witnessed profound changes in China's market. China's economy entered into, of which the internet has comprehensively restructured China's business environment and physical commerce was subject to unprecedented impacts and challenges. With 2016 as the first year, the collaborative development of internet and big data, artificial intelligence, virtual reality and other cutting-edge technologies will create stronger and more radical influences and changes on the business sector in China. As business-organisational structure in human society is experiencing profound changes and intelligent internet era is around the corner, business world is under a gradual transition from assisting humans on convenient information matching and transaction with computers and internet, to voluntarily initiating and completing transactions with intelligent internet nodes on the basis of big data.

This change of an era is often concomitant with significant opportunities, just like this round of internet tide giving rise to the ultra-large commercial organisation, such as Alibaba, Tencent and JD.com. With further extensive and deep-going spread of internet and new technologies and new application models in the internet-related fields, it will continue to lead China's enterprises to transform and upgrade, meanwhile, it will once again spawn a number of outstanding enterprises that have solid foundation of entity industry and realize qualitative change and leap through the combination of internet + and advanced technologies.

As the global manufacturing centre as well as a giant in the internet industry, China enjoys exceptional advantages to become the world's commodities exchange centre. Zall Development Group Ltd. (the "Company") and its subsidiaries (collectively, the "Group") have been taking root on trading circulation area for years, and profoundly studying, judging and firmly grasping the trend and opportunity of internet development in recent years. Since mid-2015, we comprehensively embraced the internet, actively promoted the transformation and upgrade, and proposed the "Zall Cloud Market" program with "wholesale + internet" to create a global trading platform. It was a great honor that the program was highly recognized by Dr. Gang Yu, the founder of Yihaodian.com. Dr. Gang Yu first directly invested in the Group, and then was invited to serve as co-chairman of the board of directors of the Group, responsible for the structure and implementation of the Zall Cloud Market program.

It is generally known that the Group has a relatively large-scale offline entity trading and logistics market, comprising over 20 specialized wholesale markets with more than 20,000 merchants. As the Group held the "China Wholesale Market Annual Meeting" and "China North Hankou Trade Fair" for recent successive years, it built and maintained good communication and cooperation with the main wholesale markets in different regions of China, including Yiwu, Guangzhou, Kunming, Chengdu, Xi'an and Shenyang. The Group launched the "Zall Cloud Market" program, based on the properties, clients, logistics and data basis and advantages of the offline entity trading markets with North Hankou International Trade Centre, Tianjin Zall E-commerce Mall, Jingzhou Zall City, etc. as representation, to achieve full integration of various entity wholesale markets and e-commerce throughout the country, to reduce supply chain costs of China's wholesale segment, to improve operating efficiency, and to build China's largest integrated online and offline wholesale trading platform. Zall Cloud Market includes three online trading and service platforms, namely Zallgo, Zalljinfu and Zallfuhui, which serve online transactions of wholesale trading, financing support and smart logistics respectively to form a closed loop of big data integration services. By the end of February 2016, Zallgo's transaction amount exceeded RMB4.3 billion and registered business operators reached 9,654; Zalljinfu's total financing amounted to RMB1.1 billion and registered users reached 60,000; and Zallfuhui's service charges amounted to RMB180 million and registered users reached 12,000.

It is just the first step of the Group's transformation and upgrade that assisting online trading of China's offline wholesale markets and providing online trading, financing and logistics services. The Group has a place in transformation and upgrading mode of wholesale markets in China's market where e-commerce providers gather, owing to its unique offline basis. But if it just stopped there without forming Zall's unique transaction system, increasing customer's loyalty, thereby enhancing the Company's operating scale and profitability, nor fully jointing with latest technology and trend of internet development, it is bound to lag behind the market.

I have proposed the board of the directors to consider changing the Group's name from "Zall Development Group" to "Zall Group", representing that the Group's traditional business, property development will be only a part of the principal businesses. The Group will develop a cloud market trading and service system combining online and offline business, on the basis of entity market, logistics and property and regarding Zall Cloud Market as an opportunity, and actively promote cross-border trading, customer-end business, integrated logistics, financial services, arrangement of intelligent payment hardware and system integration, to form the world's largest B2B trading platform and database for consumer goods.

【Zall Development】 business segment focuses on operating entity market and continues to develop, manage and operate offline market, logistics, storage and processing facilities, maintaining its leading position in the industry, whereas it will make prudent investment judgment and protect and enhance the offline advantages through alliances, joint venture, management output and collaboration.

【Zall Cloud Market】business segment focuses on business-end operation and implements "Zall Cloud Market" plan. Zall Cloud Market devotes itself to building online markets for all the mainstream offline entity wholesale markets in China, so as to become China's largest B2B e-commerce platform.

【Zall Cross-border】business segment focuses on cross-border trading and procurement business. With the business advantages of the world's leading cross-border e-commerce, Lightinthebox which just invested by the Group, by using the data, merchant and commodity advantages of Zallgo platform, it actively develops cross-border e-commerce business, which is to assist merchants of Zallgo to sell commodities to the global market through Lightinthebox, and to provide distribution services for overseas goods in the China's market through cooperation and establishment of new channels.

【Zall Cloud Commerce】business segment focuses on customer-end operation. Based on the data of Zallgo and the advantages of direct procurement from offline market, it develops B2B2C business in the forms of new setup or merger and acquisition, building the commercial brands with complete online and offline integration such as "Zalldaji（卓爾大集）", "www.whwgh.com（萬國優選）" and "Zallselected（卓爾優選）".

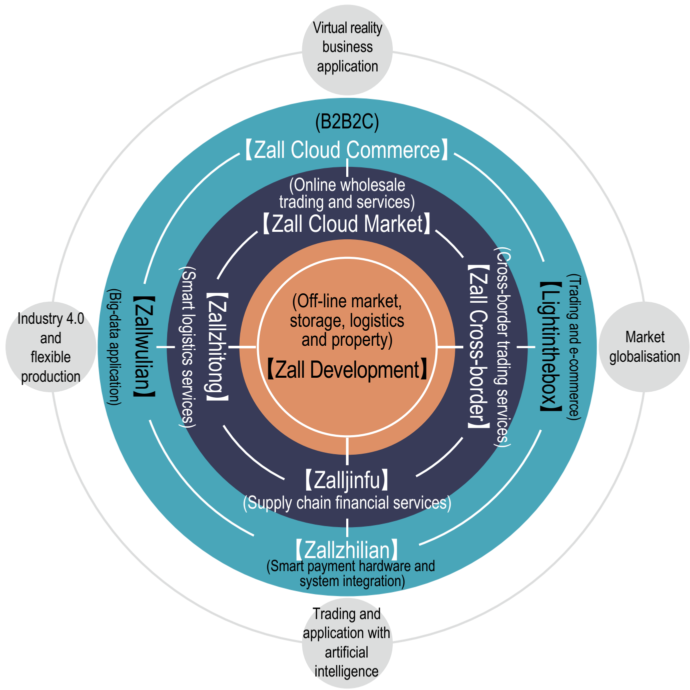
【Zalljinfu】business segment focuses on supply chain financial service business. It will make Zalljinfu and the guarantee company's team in the Zall Cloud Market independent and actively develop the supply chain financial services, becoming the Group's important profit growth points in due course.

【Zallzhilian】business segment focuses on research and development, manufacture and application of smart logistics and payment hardware. Meanwhile, it established a payment system targeted at various trading scenes, and actively applies for the third-party payment license, providing Zall trading platform and ecosphere with payment and hardware support.

【Zallzhitong】business segment focuses on smart logistics business. Based on the market advantages of online and offline trading, it creates "Zalljisong（卓集送）" system through building and hosting regional distribution centers and the use of logistics information of trading, to achieve smart logistics.

【Zallwulian】business segment, we will conduct big data mining based on the platform trading to apply the internet of things technology to transformation and upgrading of supply chain and flexible production, and improve performance of production and circulation of the enterprises.

From this, we can draw the outline of ecosphere and supply chain created on the basis of the trading system with integration of online and offline business of Zall:



Without doubt, the Group has consistently adhered to the prudent business philosophy. The existing offline property development and operation business also achieved good results in 2015:

In 2015, net profit amounted to approximately RMB2,037.7 million for the year, representing an increase of 29.6% as compared with that of 2014. The first market of Tianjin Zall E-commerce Mall, "Zall Haining Leather Mall (卓爾海寧皮革城)" opened, becoming the largest fur specialized market in Northern China, which undertook the transfer of the old wholesale markets in Beijing and Tianjin. Ten malls, such as phase I of Jingzhou Zall City opened and Hotel Articles Mall, Brand Clothing Mall and Wanguo Selected Plaza were unveiled simultaneously. The phase II of Brand Clothing Mall of North Hankou opened, the supporting industrial park of North Hankou City was put into use, and the model of "front store and back plant" was established, which enhanced the market competitiveness of North Hankou.

In respect of offline business, we will pay more attention to quality management in 2016, focusing on improving the operation and service level, with an aim to assist the Company to achieve a substantial increase in rental and service revenue.

The business transformation aforementioned will be implemented in accordance with the Group's principles of prudent operation, of which Zall Development, Zalljinfu, Zallzhilian, Zallzhitong, Zall Cloud Commerce shall always guarantee profit. Zall Cloud Market, Zall Cross-border will break even in recent years, both making contribution for profits of Zall Group.

We believe that, traditional supply chain in western countries is established on OEM system connected to major brands and sales, while the supply chain in China is established on a supply chain relating to wholesale and distribution. The former one enjoys higher efficiency and the latter one shows greater flexibility. Supply chain in future can unprecedentedly integrate these two major advantages in one system, by standardization, separation of trading model and socialization, big data and intelligentization, production and trading can be arranged and switched with flexibility in different situations so that commodity trading, financial transaction and goods circulation can be separated and combined, through which a complete intelligent organization can be reached on demand discovery, demand aggregation, production capacity allocation, complement finance, logistics and distribution as well as service crowdsourcing, etc. The arrival of virtual reality and 5G generation will blur the distinction between online and offline. 3D printing and Industry 4.0 will drive production to an extreme that a commercial and professional social network allows supplier and buyer connected to each other at any time and the artificial intelligence will discover and grasp opportunity for trading ahead to human being.

We strongly believe that, trading in future will become a crucial driving force to our demand and production. Technological innovation on our trading platform will eventually bring an evolution in trading, which lead to an upsurge in the efficiency and frequency of commodity trading compared to nowadays, making commodity trading easier and cheaper.

It is always said that Google and Baidu built a network between text and hypertext, Facebook and Tencent established a network on socialization between human being and Amazon and Alibaba created a network for final step in commercial trading, the outlook of Zall is arranging a smart commercial trading system: Beginning with commodities circulation; link with logistics, finance, data, software and service; combine O2O's B2B, B2C and C2B and connect to the world to achieve a full intelligentization.

We are certainly standing on a starting point of a new era; thereby we can arrange our business and plan our future at a brand new height. I will lead the staff, together with members of the Board, based on the intelligent commercial trading ecosystem to build China's largest commodity trading platform, reduce transaction costs, assist growth of manufacturers as our duties, joint with cutting-edge technology, maintain innovation of business models, and lead the market and the future, so as to make Zall a market platform and a service organization that is trusted by customers and a great commercial undertaking that is widely respected.

The board (the "Board") of directors (the "Directors") of the Company is pleased to announce the consolidated results of the Group for the year ended 31 December 2015, together with the comparative amounts for the corresponding period in 2014.

FINANCIAL HIGHLIGHTS

	2015	2014
	RMB'000	*RMB'000*
Revenue	**1,029,482**	1,986,129
Gross profit	**271,210**	976,104
Gross profit margin	**26.3%**	49.1%
Profit for the year	**2,045,988**	1,610,724
Earnings per share — Basic (RMB)	**0.193**	0.150
— Diluted (RMB)	**0.188**	0.147
Total non-current assets	**13,244,027**	9,442,153
Total current assets	**10,525,592**	12,733,861
Total assets	**23,769,619**	22,176,014
Total non-current liabilities	**7,906,997**	5,662,713
Total current liabilities	**5,552,091**	7,951,161
Total liabilities	**13,459,088**	13,613,874
Net assets	**10,310,531**	8,562,140

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2015
(Expressed in Renminbi)

	Note	**2015**	2014
		RMB'000	*RMB'000*
Revenue	*3*	**1,029,482**	1,986,129
Cost of sales		**(758,272)**	(1,010,025)
Gross profit		**271,210**	976,104
Other income	*4*	**972,184**	8,265
Selling and distribution expenses		**(141,337)**	(165,546)
Administrative and other expenses		**(153,480)**	(156,047)
Profit from operations before changes in fair value of investment properties		**948,577**	662,776
Increase in fair value of investment properties and non-current assets classified as held for sale		**439,584**	1,831,706
Fair value gain upon transfer of completed properties held for sale to investment properties		**798,158**	325,630
Profit from operations after changes in fair value of investment properties		**2,186,319**	2,820,112
Share of profits of joint ventures		**10,315**	45,367
Gain on disposal of subsidiaries		**353,708**	1,437
Fair value change on embedded derivative component of the convertible bonds	*17*	**(17,027)**	(9,320)
Finance income	*5(a)*	**5,740**	22,333
Finance costs	*5(a)*	**(264,909)**	(122,073)
Profit before taxation	*5*	**2,274,146**	2,757,856
Income tax	*6(a)*	**(228,158)**	(1,147,132)
Profit for the year		**2,045,988**	1,610,724
Attributable to:			
Equity shareholders of the Company		**2,037,727**	1,572,819
Non-controlling interests		**8,261**	37,905
Profit for the year		**2,045,988**	1,610,724

	Note	**2015**	2014
		RMB'000	*RMB'000*
Earnings per share *(Note)*			
Basic (RMB)	*7*	**0.193**	0.150
Diluted (RMB)	*7*	**0.188**	0.147

Note: Earnings per share for the year ended 31 December 2014 has been retroactively adjusted for the Share Subdivision (note 18).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2015
(Expressed in Renminbi)

	Note	**2015**	2014
		RMB'000	*RMB'000*
Profit for the year		**2,045,988**	1,610,724
Other comprehensive income for the year (after tax and reclassification adjustments):			
Items that will not 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		**(49,030)**	3,280
Other comprehensive income for the year		**(49,030)**	40,226
Total comprehensive income for the year		**1,996,958**	1,650,950
Attributable to:			
Equity shareholders of the Company		**1,988,697**	1,613,045
Non-controlling interests		**8,261**	37,905
Total comprehensive income for the year		**1,996,958**	1,650,950

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	8	**224,338**	123,219
Investment properties	9	**12,519,200**	8,445,100
Intangible assets		—	5,654
Interests in joint ventures		**89,326**	820,255
Deferred tax assets		**202,504**	47,925
Long-term receivables	14	**208,659**	—
		13,244,027	9,442,153
Current assets			
Financial assets held for trading		**1,083,176**	—
Properties under development	10	**4,010,176**	4,803,536
Completed properties held for sale	11	**3,736,630**	1,505,406
Inventories	12	—	3
Current tax assets		**29,447**	32,587
Trade and other receivables, prepayments	13	**827,143**	973,823
Available-for-sale unlisted equity securities		—	500
Restricted cash		**441,650**	352,708
Cash and cash equivalents		**243,470**	250,840
		10,371,692	7,919,403
Non-current assets classified as held for sale		**153,900**	147,700
Assets of disposal group held for sale	21	—	4,666,758
		10,525,592	12,733,861
Current liabilities			
Trade and other payables	15	**3,629,542**	2,950,897
Bank loans and loans from other financial institutions	16	**1,682,081**	997,160
Convertible bonds	17	—	677,866
Current tax liabilities		**186,254**	199,471
Deferred income		**15,983**	133,596
		5,513,860	4,958,990
Liabilities directly associated with non-current assets classified as held for sale		**38,231**	36,309
Liabilities of disposal group held for sale	21	—	2,955,862
		5,552,091	7,951,161

	Note	2015 RMB'000	2014 RMB'000
Net current assets		**4,973,501**	4,782,700
Total assets less current liabilities		**18,217,528**	14,224,853
Non-current liabilities			
Bank loans and loans from other financial institutions	*16*	**4,712,680**	3,424,529
Deferred income		**19,569**	19,409
Deferred tax liabilities		**3,174,748**	2,218,775
		7,906,997	5,662,713
NET ASSETS		**10,310,531**	8,562,140
CAPITAL AND RESERVES			
Share capital	*18*	**29,727**	29,071
Reserves		**9,438,741**	7,888,830
Total equity attributable to equity shareholders of the Company		**9,468,468**	7,917,901
Non-controlling interests		**842,063**	644,239
TOTAL EQUITY		**10,310,531**	8,562,140

NOTES

(Expressed in Renminbi unless otherwise indicated)

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. 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 2 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 2015 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:

— financial instruments classified as available-for-sale or as financial assets held for trading;

— investment property; and

— embedded derivative component of the convertible bonds.

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

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.

2 CHANGES IN ACCOUNTING POLICIES

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:

- Annual Improvements to IFRSs 2010-2012 Cycle

- Annual Improvements to IFRSs 2011-2013 Cycle

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

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

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, IAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

3 REVENUE AND SEGMENT REPORTING

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

Revenue represents income from sales of properties, property management services income, rental income, income from hotel operation, income from construction contracts 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 revenue during the year are as follows:

	2015	2014
	RMB'000	*RMB'000*
Sales of properties	**695,951**	1,894,744
Property management services	**22,987**	13,963
Rental income	**103,497**	71,676
Revenue from construction contracts	**196,975**	—
Others	**10,072**	5,746
	1,029,482	1,986,129

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 revenue.

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 mainly engaged in one segment in the PRC. The Group started to develop its E-commerce, internet finance and logistics information and data services in the second half of 2015. Since these operations were newly set up, the revenue and profit generated from these operations are less than 10% of the combined revenue and profits of all reporting segments. The total assets of these operations are also less than 10% of the combined assets of all reporting segments. Hence management did not separately disclose segment information regarding these operations.

4 OTHER INCOME

	Note	2015 RMB'000	2014 RMB'000
Gain on early redemption of convertible bonds		**123,849**	—
Gain on sales of financial assets held for trading		**540**	—
Fair value change on financial assets held for trading		**348,358**	—
Gain on disposal of 10% interest of Zall Shenyang and Zall Xiaogan	*19(c)*	**4,016**	—
Loss on disposal of non-current assets classified as held for sale		—	(2,579)
Government grants	*(i)*	**114,399**	22
Forfeited deposits and compensation from customers		**1,058**	451
Football club related revenue		**11,268**	10,243
Gain on remeasurement of previously held interest upon step acquisition of subsidiaries		**265,870**	—
Gain on bargain purchase of subsidiaries		**101,423**	—
Others		**1,403**	128
		972,184	8,265

(i) Government grants recognised in profit or loss are in relation to its contribution to promotion activities in the PRC, mainly including RMB70,435,000 amortised in deferred income and RMB43,964,000 transferred from other payables, which has not been confirmed by the government until 2015.

5 PROFIT BEFORE TAXATION

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

(a) Finance (income)/costs

	Note	2015 RMB'000	2014 RMB'000
Finance income			
Interest income		**(5,740)**	(22,333)
Finance costs			
Interest on convertible bonds	*17*	**164,450**	91,888
Interest on bank loans and loans from other financial institutions		**455,416**	449,606
Other borrowing costs		**118,996**	51,662
Less: amounts capitalised into properties under development and investment properties under development	*i*	**(486,042)**	(482,210)
		252,820	110,946
Bank charge and others		**8,891**	9,075
Net foreign exchange loss		**3,198**	2,052
		264,909	122,073

(i) The borrowing costs have been capitalised at rates ranging from 4.60%–16.41% per annum in the year ended 31 December 2015 (2014: 6.00%–11.00% per annum).

(b) Staff costs

	2015	2014
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**45,794**	43,634
Contributions to defined contribution retirement plan	**8,637**	6,531
Equity-settled share-based payment expenses	**1,733**	2,436
	56,164	52,601

(c) Other items

		2015	2014
	Note	***RMB'000***	*RMB'000*
Amortisation		**3,389**	10,893
Depreciation			
– properties, plant and equipment		**12,412**	13,300
– disposal group held for sale		**398**	—
Auditors' remuneration			
– audit services		**2,700**	2,790
– other services		**20**	490
Operating lease charges		**32,860**	53,399
Cost of construction contracts		**208,659**	—
Cost of properties sold	*(i)*	**507,699**	956,187

(i) Cost of properties sold is after netting off benefits from government grants of RMB5,697,000 for the year ended 31 December 2015 (2014: RMB42,024,000).

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2015	2014
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax ("CIT")	**31,185**	215,995
PRC Land appreciate Tax ("LAT")	**50,951**	142,880
	82,136	358,875
Deferred tax		
Origination and reversal of temporary differences	**146,022**	788,257
	228,158	1,147,132

(b) Taxation in other comprehensive income

During 2014, certain owner-occupied buildings were transferred to investment properties (see note 9), the Group remeasured the properties to fair value and recognised a revaluation gain of RMB49,261,000 and related tax RMB12,315,000 in other comprehensive income ("OCI"). No owner-occupied buildings was transferred to investment properties during 2015.

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

	Note	**2015** *RMB'000*	2014 *RMB'000*
Profit before taxation		**2,274,146**	2,757,856
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned		**553,041**	717,874
Tax effect of non-deductible expenses		**5,202**	3,941
Tax effect of non-taxable share of profits of joint ventures		**(2,579)**	(11,342)
Tax effect of non-taxable income		**(253,151)**	—
Tax effect of unused tax losses not recognised		**49,357**	11,750
Tax effect of use of previously unrecognised tax losses		**(2,126)**	(1,657)
Withholding tax on gain from disposal of PRC subsidiaries		**9,844**	—
PRC LAT in relation to properties sold		**50,951**	142,880
PRC LAT in relation to investment properties	*(v)*	**(226,191)**	425,875
Tax effect on PRC LAT		**43,810**	(142,189)
Actual tax expense		**228,158**	1,147,132

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

(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.

(v) The Group has reviewed the investment properties project, namely Tianjin Zall E-Commerce Mall held by Tianjin Zall City Development Co,. Ltd and determined that the part of the 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 as these part of properties will be operated through selling the operating right for a term of 20 years. As a result, the Group has reversed the deferred LAT relating to these properties amounting to RMB334,684,000 accordingly.

7 EARNINGS PER SHARE

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ("EPS") for the year ended 31 December 2014 has been retroactively adjusted for the Share Subdivision (see note 18(a)).

(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 RMB2,037,727,000 (2014: RMB1,572,819,000) and the weighted average of 10,573,913,000 ordinary shares (2014: 10,500,000,000, as restated), calculated as follows:

(i) Weighted average number of ordinary shares

	2015	2014
	'000	*'000*
		(Restated)
Issued ordinary shares at 1 January	**3,500,000**	3,500,000
Effect of Share Subdivisions	**7,000,000**	7,000,000
Effect of placing of new shares	**66,810**	—
Effect of share options exercised	**7,103**	—
Weighted average number of ordinary shares at 31 December	**10,573,913**	10,500,000

(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 RMB2,095,355,000 (2014: RMB1,674,027,000) and the weighted average number of ordinary shares of 11,123,016,000 shares (2014: 11,411,427,000 shares, as restated), after adjusting for the effects of deemed issue of shares under the Company's Pre-IPO Share Option Scheme, the effect of deemed conversion of convertible bond (note 17), calculated as follows:

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

	2015	2014
	RMB'000	*RMB'000*
Profit attributable to ordinary equity shareholders of the Company	**2,037,727**	1,572,819
After tax effect of effective interest on the liability component of convertible bonds	**164,450**	91,888
After tax effect of change in fair value of embedded derivative component of the convertible bonds	**17,027**	9,320
After tax effect of gain arising from redemption of convertible bonds	**(123,849)**	—
Profit attributable to ordinary equity shareholders of the Company (diluted)	**2,095,355**	1,674,027

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

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Weighted average number of ordinary shares at 31 December	**10,573,913**	10,500,000
Effect of deemed issue of shares under the Company's Pre-IPO Share Option Scheme for nil consideration after the effect of Share Subdivision	**52,461**	55,149
Effect of conversion of convertible bonds after the effect of Share Subdivision *(Note 17)*	**496,642**	856,278
Weighted average number of ordinary shares (diluted) at 31 December	**11,123,016**	11,411,427

8 PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Motor vehicles *RMB'000*	Furniture, office equipment and others *RMB'000*	Total *RMB'000*
Cost:				
At 1 January 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 21)*	(146)	(1,111)	(1,356)	(2,613)
Disposals	—	(39)	(70)	(109)
At 31 December 2014/1 January 2015	132,207	19,141	11,342	162,690
Additions	110,086	259	4,745	115,090
Additions through acquisition of subsidiaries	—	468	1,906	2,374
Disposals	—	(227)	(2)	(229)
Disposals arising from disposal of subsidiaries	(245)	(1,560)	(2,040)	(3,845)
At 31 December 2015	242,048	18,081	15,951	276,080

	Buildings	Motor vehicles	Furnitur, office equipment and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation:				
At 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 21)*	6	552	570	1,128
Written back on disposals	—	1	6	7
At 31 December 2014 /1 January 2015	(17,758)	(15,039)	(6,674)	(39,471)
Charge for the year	(9,157)	(1,219)	(2,036)	(12,412)
Additions through acquisition of subsidiaries	—	(437)	(1,606)	(2,043)
Written back on disposals	—	203	1	204
Disposal arising from disposal of subsidiaries	9	706	1,265	1,980
At 31 December 2015	(26,906)	(15,786)	(9,050)	(51,742)
Net book value:				
At 31 December 2015	215,142	2,295	6,901	224,338
At 31 December 2014	114,449	4,102	4,668	123,219

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

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

	2015	2014
	RMB'000	*RMB'000*
In the PRC held under medium-term lease (10–50 years)	**114,449**	114,449

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

Immediately before transfer, the Group remeasured the properties to fair value and recognized 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 9(b) (ii)).

(iii) At 31 December 2015, certain buildings of the Group with carrying value of RMB20,272,000 (2014: RMB21,546,000) were without building ownership certificate. The Group was in progress of applying for the relevant buildings ownership certificates.

9 INVESTMENT PROPERTIES

(a) Reconciliation of carrying amount

	Investment Properties *RMB'000*	Investment properties under development *RMB'000*	Total *RMB'000*
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 8(ii))*	63,100	—	63,100
Fair value adjustments	679,644	1,459,923	2,139,567
Reclassification to assets of disposal group held for sale	—	(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

	Investment Properties *RMB'000*	Investment properties under development *RMB'000*	Total *RMB'000*
At 1 January 2015	5,940,244	2,504,856	8,445,100
Additions	65,278	483,338	548,616
Transfer from completed properties held for sale *(ii)*	393,942	—	393,942
Additions through acquisition of subsidiaries *(note 20)*	1,900,000	—	1,900,000
Fair value adjustments	944,542	287,000	1,231,542
At 31 December 2015	9,244,006	3,275,194	12,519,200
Representing:			
Cost	3,579,578	1,375,030	4,954,608
Fair value adjustments	5,664,428	1,900,164	7,564,592
	9,244,006	3,275,194	12,519,200
Book value:			
At 31 December 2015	9,244,006	3,275,194	12,519,200
At 31 December 2014	5,940,244	2,504,856	8,445,100

(i) During the year ended 31 December 2015, a net gain of RMB1,231,542,000 (2014: RMB2,139,567,000), and deferred tax thereon of RMB140,274,000 (2014: RMB853,730,000), 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 2015, the Group transferred certain completed properties held for sale to investment properties on condition that 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 RMB798,158,000 (2014: RMB325,630,000) upon transfer was recognised.

(iii) At 31 December 2015, certain bank loans granted to the Group were jointly secured by investment properties and investment properties under development with an aggregate carrying value of RMB9,906,911,000 (2014: RMB3,681,843,000) (see note 16).

(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

	Fair value as at 31 December 2015	**Fair value measurements as at 31 December 2015 categorised into level 3**
	RMB'000	*RMB'000*
Recurring fair value measurement — investment properties	12,519,200	12,519,200

	Fair value as at 31 December 2014	**Fair value measurements as at 31 December 2014 categorised into level 3**
	RMB'000	*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 2015. 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%–6.0% (2014: 3.0%–6.5%)
		Market monthly rental rate (RMB/sq.m.)	2–200 (2014: 4–210)
		Occupancy rate	95%–98% (2014: 95%–98%)
	Direct comparison method	Market unit sales rate (RMB/sq.m.)	N/A (2014: 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.

10 PROPERTIES UNDER DEVELOPMENT

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

	2015	2014
	RMB'000	*RMB'000*
Expected to be recovered within one year		
Properties under development for sale	**1,547,967**	1,935,178
Expected to be recovered after more than one year		
Properties held for future development for sale	**1,707,868**	1,509,968
Properties under development for sale	**754,341**	1,358,390
	2,462,209	2,868,358
	4,010,176	4,803,536

As at 31 December 2015, certain properties under development with an aggregate carrying value of RMB1,203,573,000 (2014: RMB1,811,963,000) was pledged for certain bank loans granted to the Group (see note 16).

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

	2015	2014
	RMB'000	*RMB'000*
Held under		
long leases (over 50 years) in the PRC	**104,008**	719,754
medium-term leases (40-50 years) in the PRC	**930,286**	1,162,441
	1,034,294	1,882,195

11 COMPLETED PROPERTIES HELD FOR SALE

	2015	2014
	RMB'000	*RMB'000*
Completed properties held for sale in the PRC	**3,736,630**	1,505,406

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

	2015	2014
	RMB'000	*RMB'000*
Held under		
long leases (over 50 years) in the PRC	**7,008**	9,861
medium-term leases (40-50 years) in the PRC	**198,146**	47,424
	205,154	57,285

As at 31 December 2015, completed properties held for sale with an aggregate carrying value of RMB1,549,223,000 (2014: RMB1,063,691,000) were pledged for certain bank loans granted to the Group (see note 16).

12 INVENTORIES

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

13 TRADE AND OTHER RECEIVABLES, PREPAYMENTS

	2015	2014
	RMB'000	*RMB'000*
Amounts due from third parties		
Trade and bill receivables *(i)*	**142,162**	72,439
Prepaid business tax and other tax	**62,876**	66,985
Prepayments and other receivables	**622,105**	633,310
	827,143	772,734
Amounts due from related parties *(ii)*	**—**	201,089
	827,143	973,823

(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:

	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**79,663**	51,111
3 to 12 months	**35,357**	10,417
Over 12 months	**27,142**	10,911
	142,162	72,439

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 2015.

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

14 CONSTRUCTION CONTRACTS

The aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the gross amount due from customers for contract work at 31 December 2015, is RMB208,659,000 (2014: Nil).

The gross amount due from customers for contract work at 31 December 2015 that is expected to be recovered after more than one year is RMB208,659,000 (2014: Nil). The amount of retentions receivable is recorded as "long-term receivables" in the consolidated statement of financial position of the Group.

15 TRADE AND OTHER PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Amounts due to third parties		
Trade payables *(i)*	**1,343,703**	1,219,349
Receipts in advance *(ii)*	**925,132**	1,025,028
Other payables and accruals	**639,364**	706,520
	2,908,199	2,950,897
Amounts due to related parties		
Amounts due to a joint venture	**148,400**	—
Amounts due to the ultimate controlling party	**572,943**	—
	3,629,542	2,950,897

(i) As of the end of the reporting period, the ageing analysis of trade creditors, which are included in trade and other payables, based on the invoice date, is as follows:

	2015	2014
	RMB'000	*RMB'000*
Due within 3 months	**283,872**	407,443
Due after 3 months but within 12 months	**161,692**	576,945
Due after 12 months	**898,139**	234,961
	1,343,703	1,219,349

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 2015, included in trade payables were retention payables of RMB15,741,000 (2014: RMB17,801,000) 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.

16 BANK LOANS AND LOANS FROM OTHER FINANCIAL INSTITUTIONS

At 31 December 2015, the bank loans and loans from other financial institutions were repayable as follows:

	2015	2014
	RMB'000	*RMB'000*
Within one year or on demand	**1,682,081**	997,160
After 1 year but within 2 years	**1,111,556**	1,640,900
After 2 years but within 5 years	**2,872,944**	945,800
After 5 years	**728,180**	837,829
	4,712,680	3,424,529
	6,394,761	4,421,689

	2015	2014
	RMB'000	*RMB'000*
Secured	**5,874,761**	3,717,689
Unsecured	**520,000**	704,000
	6,394,761	4,421,689

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

	2015	2014
	RMB'000	*RMB'000*
Restricted cash	**304,500**	229,700
Investment properties	**7,116,382**	2,625,443
Investment properties under development	**2,790,529**	1,056,400
Properties under development	**1,203,573**	1,811,963
Completed properties held for sale	**1,549,223**	1,063,691
Assets of disposal group held for sale	**—**	3,348,980
	12,964,207	10,136,177

(b) Bank loans and loans from other financial institutions bear interest ranging from 4.60% to 16.41% per annum for the year ended 31 December 2015 (2014: 6.00% to 11.00% per annum).

(c) 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; (3) early repayment of principal to be triggered when 70% of the gross sellable area for the underlying property project are sold; or (4) restriction of providing financial guarantees. 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 2015, bank loans of the Group totalling RMB2,134,025,000 (2014: RMB857,000,000) 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 2015 as the Group has obtained notices from the corresponding banks dated 31 December 2015, 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.

(d) As at 31 December 2015, the Group had a total of RMB475,000,000 (2014: RMB118,000,000) of unutilised loan facilities provided by commercial banks in China.

(e) As at 31 December 2015, certain secured bank loans of the Group totaling RMB200,000,000 (2014: RMB200,000,000) were guaranteed by a subsidiary of the Group.

17 CONVERTIBLE BONDS

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

Under the subscription agreement, if the conversion rights of the holder of the Convertible Bonds have not been exercised or the Convertible Bonds have not been repurchased or redeemed up to the Maturity Date, the Company would redeem at 135.40722% of its principal amount, accrued and unpaid interest thereon to the Maturity Date and the Non-conversion Premium Payment (as defined below).

The rights of the holder of the Convertible Bonds to convert the Convertible Bonds into ordinary shares illustrated in the subscription agreement are as follows:

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

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

— The conversion price might be reset on 19 June 2014 and 19 June 2015 subject to the stock price of the Company.

In accordance with the terms and conditions of the subscription agreement, the Company should pay USD13,160 per USD200,000 in principal amount of the Convertible Bonds upon any redemption of the Convertible Bonds ("Non-Conversion Premium Payment").

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

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

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

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

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

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

The Company exercised the further redemption right and elected to redeem all the bonds outstanding on 31 July 2015.

The convertible bonds as at 31 December 2015 and 2014 are analysed as follows:

	Host liability component *RMB'000*	Derivative component *RMB'000*	Total *RMB'000*
Balance at 1 January 2014	510,795	97,502	608,297
Changes for the year of 2014:			
Interest expenses *((i) and note 5(a))*	91,888	—	91,888
Interest expenses paid during the year	(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
Balance at 1 January 2015	571,044	106,822	677,866
Changes for the year of 2015:			
Interest expenses *((i) and note 5(a))*	164,450	—	164,450
Interest expenses paid during the year	(20,352)	—	(20,352)
Change in fair value of derivative component	—	17,027	17,027
Exchange realignment	(159)	—	(159)
Redemption of convertible bonds	(714,983)	—	(714,983)
Gain arising from redemption of convertible bonds *(note 4)*	—	(123,849)	(123,849)
Balance at 31 December 2015	—	—	—

(i) Interest expense

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

18 SHARE CAPITAL AND RESERVES

(a) Share capital

The par value of the ordinary shares of the Company was initially at HKD0.01 per share. With effect from 14 September 2015, each of the then existing issued and unissued shares of the Company was subdivided into 3 subdivided shares of HKD0.003$\dot{3}$ each (each defined as "Subdivided Share"), after an ordinary resolution was passed at the annual general meeting of the Company held on 14 September 2015 and with an approval obtained from the Stock Exchange of Hong Kong Limited (the "Share Subdivision"). Upon the Share Subdivision became effective, the authorised capital of the Company became HKD80,000,000, divided into 24,000,000,000 Subdivided Shares of HKD0.003$\dot{3}$ each. The other rights and terms of the shares remain unchanged as at 31 December 2015 (2014: 8,000,000,000 shares at HKD0.01 per share, which are the numbers before the effect of the Share Subdivision).

As at 31 December 2015, the total number of issued ordinary shares of the Company was 10,745,577,750 shares after the effect of the Share Subdivision (2014: 3,500,000,000 shares before the effect of the Share Subdivision), which included 85,233,750 shares after the effect of the Share Subdivision (2014: Nil) held under the Share Option Schemes.

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.

		2015		2014	
	Note	**Number of shares** ***('000)***	**Amount** ***HKD'000***	Number of shares *('000)*	Amount *HKD'000*
Authorised:					
Ordinary shares of HKD0.01 each				8,000,000	80,000
Ordinary shares of HKD0.003$\dot{3}$ each		**24,000,000**	**80,000**		
Ordinary shares, issued and fully paid:					
At 1 January		**3,500,000**	**35,000**	3,500,000	35,000
Shares issued under share option scheme after the Share Subdivision	*(i)*	**85,234**	**284**	—	—
Placing of new shares before Share Subdivision	*(ii)*	**53,448**	**534**	—	—
Effect of Share Subdivision		**7,106,896**	**—**	—	—
At 31 December		**10,745,578**	**35,818**	3,500,000	35,000

(i) On 3 December 2015, options under the share option scheme were exercised for 85,233,750 ordinary shares after the effect of the Share Subdivision (2014: nil ordinary shares before the effect of the Share Subdivision) of the Company at a consideration of RMB20,574,230 in total, of which RMB234,543 (equal to HKD284,000) was credited to share capital and the balance of RMB20,339,687 was credited to the share premium account and RMB40,423,471 has been transferred from the capital reserve to share premium account in accordance with the accounting policy adopted by share-based payment.

(ii) On 7 August 2015 the Company placed 53,448,000 new shares before the effect of the Share Subdivision to Gang Yu (an executive director and the co-chairman of the Group) at a price of HKD2.90. Proceeds of RMB421,000 (equal to HKD534,000) representing the par value of these ordinary shares, were credited to the Company's share capital and the excess of the proceeds over the nominal value of the total number of ordinary shares issued after offsetting share issuance costs of RMB121,926,000, were credited to the share premium account of the Company.

(b) Dividends

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

A special dividend in the total amount of RMB582,785,000 (equivalent to HKD739,414,800) was approved and paid after the completion of the disposal of Zhen An Properties Limited ("Zhen An Cayman") and Zhen An Wuhan Company Limited ("Zhen An Wuhan") (see note 19) (2014: Nil).

No final dividend proposed after the end of reporting period of 2014 and 2015.

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

No final dividend in respect of the previous financial year was approved and paid during the year of 2014 and 2015.

19 DISPOSAL OF SUBSIDIARIES

(a) Equity swap transaction in relation to disposal of Wuhan Zall City Investment and Development Co. Ltd. ("Wuhan Zall City") and acquisition of Wuhan Zall Inland Port Center Investment Co. Ltd. ("Wuhan IP Center"), Wuhan North Hankou Guarantee Investment Co. Ltd. ("Wuhan Guarantee Investment") and Wuhan Zhuo Futong Technology Co., Ltd. ("Zhuo Futong Technology") (formerly, Wuhan Zhong Bang Financial Investment Company Limited)

During the year ended 31 December 2015, the Equity Swap Agreement among Zall Investment Group Co., Ltd. ("Zall Investment Group") and Zall Holdings Company Limited ("Zall Holdings") was completed. Zall Investment Group transfer its entire equity interest in Wuhan Zall City to Zall Holdings, and as a consideration, Zall Holdings transfer its entire equity interest in Wuhan IP Center, Wuhan Guarantee Investment and Zhuo Futong Technology; and cash amounting to RMB15,200,000 to Zall Investment Group.

Disposal of Wuhan Zall City

	Net book value as at 30 June 2015 (the disposal date) *RMB'000*
Property, plant and equipment	2,317
Deferred tax assets	141,366
Long term deferred expense	13
Cash and cash equivalents	60,059
Restricted cash	4,194
Trade and other receivables, prepayment	367,491
Properties under development	2,502,314
Bank loans	(1,483,810)
Trade and other payables	(757,509)
Current tax liabilities	(163,647)
Deferred income	(550,096)
Net assets	122,692
Consideration received, satisfied in equity	371,321
Consideration received, satisfied in cash	15,200
Net gain on disposal	263,829
Cash including in acquired subsidiaries	14,086
Net cash outflow	**(30,773)**

(b) Connected transaction in relation to disposal of entire issued share capital of Zhen An Cayman

On 22 October 2014, Zall Hong Kong, Zall Commerce Investment Company Limited ("Zall Commerce") and Mr Yan Zhi entered into the Disposal Agreement pursuant to which (i) Zall Hong Kong conditionally agreed to sell and Zall Commerce conditionally agreed to acquire the entire equity interest in Zhen An Cayman at a cash consideration of RMB586,000,000. Zhen An Cayman holds 48% equity interest in Zhen An Wuhan; and (ii) Zall Hong Kong conditionally agreed to procure Zall Wuhan to transfer the Remaining Equity Interest (representing 3% equity interest in Zhen An Wuhan) to Zall Commerce or its nominee.

An extraordinary general meeting was held on 16 January 2015 and the ordinary resolution related to the Disposal Agreement was passed. The terms in Disposal Agreement were completed on 19 June 2015. Accordingly, Zhen An Cayman and Zhen An Wuhan have ceased to be subsidiaries of the Company.

As of the disposal date, Zhen An Wuhan was stated at carrying amount and comprised the following assets and liabilities.

	Net book value as at the 19 June 2015 (the disposal date) *RMB'000*
Investment properties	1,887,789
Property, plant and equipment	384
Long term deferred expense	124
Cash and cash equivalents	3,646
Trade and other receivables, prepayment	37,281
Trade and other payables	(33,519)
Current tax liabilities	(5)
Bank loans	(614,000)
Deferred tax liabilities	(64,296)
Net assets	1,217,404
51% of total net asset	620,876
Consideration received, satisfied in cash	586,000
Net loss on disposal	(34,876)
Net cash inflow	**582,354**

(c) Disposal of equity interest in Zall Development (Shenyang) Co., Ltd. ("Zall Shenyang") and Zall Development (Xiaogan) Ltd. ("Zall Xiaogan")

On 24 June 2015, Zall Hong Kong and Fullshare Holdings Limited ("Fullshare", a company incorporated in the Cayman Islands with limited liability and listed on the Main Board of Stock Exchange of Hong Kong Limited under the stock code of 607), entered into the following agreements:

(i) the Zall Shenyang Equity Transfer Agreement, pursuant to which Zall Hong Kong agreed to sell the 90% of Zall Shenyang equity Interest, at the total consideration of RMB587 million which settled by 543,517,500 shares of Fullshare at an issue price of HKD1.35 per share; and

(ii) the Zall Xiaogan Equity Transfer Agreement, pursuant to which Zall Hong Kong agreed to sell 90% of the Zall Xiaogan Equity Interest, at the total consideration of RMB149million which settled 137,962,500 shares of Fullshare at an issue price of HKD1.35 per share.

Disposal of Zall Shenyang

	Net book value as of Zall Shenyang as at 24 June 2015 (the disposal date) *RMB'000*
Property, plant and equipment	455
Deferred tax assets	7,622
Cash and cash equivalents	9,369
Trade and other receivables, prepayment	102,674
Properties under development	1,000,480
Current tax assets	7,411
Bank loans	(161,010)
Trade and other payables	(376,668)
Net assets	590,333
Consideration received, satisfied in financial assets held for trading	587,000
Fair value of the residue 10% of equity	65,222
Net gain on disposal	61,889
Net cash outflow	**(9,369)**

Disposal of Zall Xiaogan

	Net book value of Zall Xiaogan as at 24 June 2015 (the disposal date) *RMB'000*
Property, plant and equipment	186
Deferred tax assets	845
Cash and cash equivalents	959
Trade and other receivables, prepayment	118,255
Properties under development	70,529
Trade and other payables	(5,188)
Deferred income	(37,739)
Net assets	147,847
Consideration received, satisfied in financial assets held for trading	149,000
Fair value of the residue 10% of equity	16,556
Net gain on disposal	17,709
Net cash outflow	**(959)**

(d) Disposal of Wuhan Zall Football Club Co., Ltd. ("Zall Football")

On 20 December 2015, the Group disposed of its entire equity interests in Zall Football to Zall Holdings at a consideration of RMB20,630,000.

	Net book value as at 14 December 2015 (the disposal date) *RMB'000*
Intangible assets	2,264
Property, plant and equipment	1,052
Cash and cash equivalents	706
Trade and other receivables, prepayment	28,585
Trade and other payables	(40,837)
Current tax liabilities	(1,131)
Net liabilities	(9,361)
Consideration received, satisfied in cash	20,630
Net gain on disposal	29,991
Net cash inflow	**19,924**

(e) **Disposal of Wuhan Zall Four Seasons Hotel Management Co., Ltd. ("Zall Four Seasons Hotel")**

On 8 December 2015, the Group disposed of its entire equity interests in Zall Four Seasons Hotel to Zall Holdings at a consideration of RMB1,000,000.

	Net book value as at 8 December 2015 (the disposal date) *RMB'000*
Property, plant and equipment	172
Cash and cash equivalents	186
Inventory	3
Trade and other receivables, prepayment	1,052
Trade and other payables	(15,579)
Net liabilities	(14,166)
Consideration received, satisfied in cash	1,000
Net gain on disposal	15,166
Net cash inflow	**814**

The total net gain of the disposed subsidiaries during the year ended 31 December 2015 is RMB353,708,000 (2014: RMB1,437,000), which is included in the consolidated financial statements of the Group. The considerations received in cash of disposal subsidiaries were RMB622,830,000.

20 ACQUISITION OF SUBSIDIARIES

Wuhan Big World Investment Development Co., Ltd ("Wuhan Big World Investment") was established as an equity joint venture enterprise with limited liability in the PRC on 12 May 2008 with a registered capital of RMB100 million. Wuhan Big World Investment has a wholly owned subsidiary namely Wuhan Big World Marketing Management Co., Ltd. At the time of its establishment, Wuhan Big World Investment was owned as to 50% by North Hankou Group Co., Ltd. ("North Hankou Group"), a subsidiary of the Group. Wuhan Big World Investment is principally engaged in developing vehicle wholsesales mall and property management.

Pursuant to a share transfer agreement dated 2 July 2015 entered into between North Hankou Group and Fujian Zongheng Investment Group Co., Ltd. ("Fujian Zongheng"), Fujian Zongheng agreed to sell its equity interest, being 50% of the equity interest in the Wuhan Big World Investment, at a total consideration of RMB300 million. The total consideration would be settled by instalment. On 15 July 2015, the Group effectively owned 60% equity interest in Wuhan Big World Investment upon the settlement of the consideration amounting to RMB100 million as agreed. As a result, Wuhan Big World Investment became a subsidiary of the Group.

In the post acquisition date to 31 December 2015, Wuhan Big World Investment contributed revenue of RMB42,452,000 and profit of RMB56,968,000 to the Group's result.

	Pre-acquisition carrying amount *RMB'000*	**Fair value adjustment** *RMB'000*	**Recognised value on acquisition** *RMB'000*
Property, plant and equipment	131	—	131
Investment properties	1,900,000	—	1,900,000
Cash and cash equivalents	26,020	—	26,020
Trade and other receivable, prepayment	83,237	—	83,237
Properties under development	161,601	82,869	244,470
Completed properties held for sale	358,533	732,997	1,091,530
Bank loans — current	(60,000)	—	(60,000)
Trade and other payables	(344,682)	—	(344,682)
Deferred income — current	(6,522)	—	(6,522)
Current tax liabilities	(4,724)	—	(4,724)
Bank loans — non-current	(274,825)	—	(274,825)
Deferred tax liabilities	(343,541)	(284,127)	(627,668)
Deferred income-Non-current	(12,740)	—	(12,740)
Total identifiable net assets acquired	1,482,488	531,739	2,014,227
Proportion of ownership (60%)			1,208,536
Deemed disposal of previously held interest (50%)			(1,007,113)
Consideration, satisfied by cash			(100,000)
Gain on bargain purchase *(note 4)*			101,423
Net cash flow arising from acquisition			
Cash consideration paid			(200,000)
Cash acquired			26,020
Net cash outflow			(173,980)

Bargain purchase was arisen from the acquisition of Wuhan Big World Investment as the Group's interest in net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date exceeds the aggregate of the fair value of the consideration transferred.

No contingent consideration arrangements or contingent liabilities were identified upon step acquisition.

The Group recognised a gain of RMB268,870,000 as a result of the remeasurement of previously held interest, being the amount of interest in Wuhan Big World Investment immediately before the acquisition and the value of Wuhan Big World Investment attributable to the Group as implies by the acquisition consideration. The gain is included in other income in the Group's consolidated statment of profit or loss for the year ended 31 December 2015. The fair value of Wuhan Big World Investment, an unlisted company, was estimated by management of the Group. The fair value estimates are based on prices at which properties of similar companies are trading in a public market. The companies that are comparable to Wuhan Big World Investment in terms of business nature and associated risks are selected based on the following relevant criteria: (a) properties, (b) markets, (c) earnings and growth, (d) capital structure, (e) nature of competition and (f) the characteristics of driving underlying investment risk and expected rate of return. The Group recognised the non-controlling interests at the proportionate share of net assets of Wuhan Big World Investment.

21 DISPOSAL GROUP HELD FOR SALE

Pursuant to the Reorganisation, 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 in 2014. Accordingly, assets and liabilities of these groups are presented as disposal group held for sale.

As at 31 December 2014, the disposal group had cash and cash equivalents and restricted cash of RMB11,506,000. As at that date, disposal group had bank loans and loans from other financial institutions due within one year of RMB414,900,000. The unutilised bank loan facilities were RMB28,000,000 included in 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.

(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.

	The Group
	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.

(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 were pledged for certain bank loan granted to the Group.

(e) Measurement of fair values

The non-recurring fair value measurement for the disposal group of RMB1,951,436,000 has been categorised as a Level 3 fair value based on the inputs to the valuation technique used as at 31 December 2014.

The Reorganisation has been completed in June 2015. Zhen An Cayman, Zhen An Wuhan and Wuhan Zall City have ceased to be subsidiaries of the Group.

The results of operations of the disposal group for the period from 1 January 2015 to 30 June 2015 (disposal date) are set out below:

	RMB'000
Revenue	58,023
Cost of sales	(39,911)
Other income	1,466
Selling and distribution expenses	(3,383)
Administrative and other expenses	(7,404)
Finance income	11
Finance costs	(516)
Amortisation	(398)
Amortisation of deferred income included in disposal group held for sale	6,636
Current tax expenses	(6,855)
Deferred tax expenses	(351)
Results of operations of disposal group held for sale for the period from 1 January 2015 to 30 June 2015	7,318

22 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Major transaction in relation to major acquisition of interest in, and warrant issued by Lightinthebox Holding Co., Ltd.

On 17 March 2016, Zall Cross-border E-commerce Investment Company Limited ("Zall Cross-border E-commerce", an indirect wholly-owned subsidiary of the Company) and the Lightinthebox Holding Co., Ltd. ("Lightinthebox", a company incorporated under the laws of the Cayman Islands with limited liability, whose American Depositary Shares are listed on the New York Stock Exchange) entered into the Subscription Agreement, pursuant to which Lightinthebox conditionally agreed to issue and Zall Cross-boarder E-commerce conditionally agreed to subscribe for the Subscription Securities which comprise, in aggregate, (i) 42,500,000 shares of Lightinthebox (to be issued pursuant to the Subscription Agreement) and (ii) the warrants to be issued by Lightinthebox pursuant to the Subscription Agreement entitling the holder thereof to subscribe up to 7,455,000 shares of Lightinthebox.

The consideration amounted to USD76.5 million (equivalent to approximately HKD592.9 million) was paid in cash.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Business Restructuring and Strategic Transformation of the Group

In 2015, the Group completed its business restructuring by disposing of its non-core assets and business, with the transformation strategies established by the Board during the second half of 2014 being basically implemented. The Group will continue to consolidate its advantages in core business and push forward the process of bringing its core business online and O2O integration, all in a bid to thoroughly transform the Group from a traditional property developer to a service-oriented and internet-based E-commerce enterprise. With the proactive effort to develop its E-commerce business, the Group launched the "Cloud Market" plan during the second half of 2015, which aims to expand E-commerce, internet finance, logistics information and data services based on the data advantage and service functions of transaction, warehousing, logistics and finance of the large-scale commerce and logistics center. The "Cloud Market" plan, encompassing three online transaction and service platforms, namely Zallgo (卓爾購), Zalljinfu (卓金服) and Zallfuhui (卓服匯) for E-commerce, finance and logistics respectively, will provide core functions including online wholesale and procurement management, as well as value-added services such as supply chain finance, logistics information and transaction matching so as to facilitate the integration of online and offline businesses. Through its "Cloud Market" plan, the Group will swiftly sharpen its competitive edge in supply chain resources, with an aim to build the largest wholesale transaction platform featuring online-offline integration and become a leading O2O enterprise in China.

Currently, the Group's businesses are categorized into offline businesses and online businesses:

Offline businesses

Offline businesses mainly comprise: 1) development, operation and sale of large-scale wholesale and trade centers, including the three main trade center projects of North Hankou International Trade Centre, Tianjin Zall E-commerce Mall and Jingzhou Zall City; 2) provision of office, commercial production, processing and auxiliary commercial space for the regional headquarters of various types of corporate customers (including enterprises inside the wholesale markets) through projects such as No.1 Enterprise Community-Wuhan project, No.1 Enterprise Community-Changsha headquarters project and North Hankou Industrial City project; and 3) warehousing and logistics business, including different types of warehousing and logistics facilities and the Wuhan Inland Port Centre project.

North Hankou International Trade Centre is the flagship project of the Group, and is an integrated commodity sale platform featuring display, storage, logistics and E-commerce in one. North Hankou is well-positioned to capitalize on the relocation of the market on Hanzheng Street, and to proactively introduce Zhejiang, Guangdong and other coastal markets of origin for the construction of more than 20 specialized markets in footwear, small goods, clothing, hotel supplies, daily chemical products, children's products, electronics and electrical appliances, automobiles and related accessories, staging active wholesale transactions of millions of commodities. In 2015, the sixth

North Hankou International Trade Fair was successfully held in China. A total transaction amount of RMB23.8 billion was recorded for the 37 days of the trade fair, representing a historical record high for the trade fair and an increase by approximately 12% from last year. Riding on the edges of the North Hankou project that clusters numerous merchants in one single platform, the development and E-commercialization of foreign trade in North Hankou has achieved new breakthroughs. In respect of foreign trade, North Hankou Imported Goods Display Centre "萬國優選" (www.whwgh.com) commenced business in 2015, showcasing a comprehensive series of imported goods including mother and childcare, food, beverages and wines, daily chemical products, fruits and seafood. The first North Hankou-Russia Economic and Trade Symposium was successfully held, bringing in a purchase amount of approximately US$1 billion by the Russian merchants. After their visit, trade representatives of Thai enterprises will strengthen the cooperation with North Hankou to increase the number of local Thai product directly imported to Wuhan. In respect of E-commercialization, North Hankou E-commerce Mall has commenced operation and formed the largest E-commerce business in China that encompasses mega-scale E-commercial building, base for ventures by university students and salon for E-commerce customer generation in one comprehensive system. Leveraging on the property advantages of the offline market, the Company has joined hands with Alibaba Wuhan Industrial Zone to launch the "萬家網店 Support Scheme" that has attracted more than 3,000 online wholesalers to enter North Hankou, bringing in monthly transaction amount of over RMB800 million. With ICBC e-Buy North Hankou channel going online, more than 4,000 merchants of North Hankou made their presence on the ICBC e-Buy E-commerce platform, establishing the largest online wholesale service platform in China. In 2015, North Hankou project was once again awarded as "National E-commerce Demonstration Base (國家級電子商務示範基地)", "National Pilot Market for Domestic and Foreign Trade (國家級內外貿結合商品試點市場) and "Hubei Pilot Market for Domestic and Foreign Trade (湖北省內外貿結合試點市場)".

Tianjin Zall E-commerce Mall is located in Xiqing University Town, Tianjin, and is designed to cover warehousing, logistics, finance, passenger transportation, informatization and other areas to form an all-category, all-format and all-industry chain service equipped with comprehensive auxiliary facilities. The first phase of the project has a gross floor area of 612,000 square meters. Construction works for the main part were completed, and some of the commercial and trade zones have completed interior decorative works and commenced operation. Amongst all, Haining Leather City (Zone A1) has commenced operation in 2015, forming the largest specialized fur market in northern China.

Phase one of Jingzhou Zall City has commenced construction in 2013, featuring a total gross area of 317,000 square meters and a total of over 5,300 standardized shops, making itself a leader amongst innovative specialized wholesale markets in central China. At present, all the works for the main part of phase one were completed and the entire phase is expected to complete in 2017. Phase one of Jingzhou Zall City comprises 6 buildings, with two of them being completed and ready for presale. Some merchants have already moved in for commencement of business by the end of 2015.

No. 1 Enterprise Community — Wuhan project provides office and auxiliary commercial space for local headquarters of different categories of corporate customers, tailor-making consolidated commercial auxiliary facilities combining office, research and development, logistics and display in one for top-notch corporates. Phases one, two and three of Enterprise Community — Wuhan project have all completed construction, while the phase four with a planned area of 500,000 square meters has entered the stage of project construction. The project has successfully attracted the nearly 100 enterprises to set up their headquarters therein, including Changhong, BBK, Amoi, Panda, and Central China Grid.

Zall No. 1 Enterprise Community — Changsha functions mainly as a base of local headquarters and E-commerce auxiliary services for different types of enterprises, as well as the incubation base for warehousing and logistics centers and E-commerce ventures. The project will converge traditional wholesalers and brands that have E-commercialized and pure e-commerce business to realize a service coverage of the markets in Hunan and south-western China. It is aimed to become the most influential physical base for E-commerce enterprises of consumer products in central China, which will in turn facilitate the upgrade and transformation of the traditional industry model. Phase one of the project was completed and has passed inspection by the end of 2015 and has commenced of sale and marketing.

The North Hankou Industrial City was generally planned to construct industrial premises with an area of 3,000,000 sq.m., which has a capacity of stationing nearly 2,000 manufacturers. The project provides complete physical auxiliary facilities and comprehensive professional services for manufacturers of brand clothing city, textile and accessory city as well as knitted and cotton clothing city in the North Hankou International Trade Centre, possessing production and processing area, storage facilities area, staff living quarters, business street and research and development creative centre, exhibition and training centre, logistics service centre and brand incubation centre, and forming an integrated park with design, manufacture, exhibition, training and living facilities. It will be built as a top industrial park covering the whole industrial chain which is the largest one in Central China, has most complete categories of garment processing, and most concentrated origin of the apparel industry upon its establishment. The processing industries gathering nearby will make North Hankou a cost-competitive market, which will further strengthen the radiation distribution function of North Hankou as China's largest consumer goods trading platform for domestic needs. In 2015, the first phase of plants of the industrial city was completed and would be put into business use in 2016.

The logistics business of the Wuhan Inland Port Centre mainly focuses on providing supporting services and facilitating wholesale clients to store, exhibit, distribute, purchase and sell consumer goods and other products among wholesalers, distributors and merchants. The inland port centre will introduce a city pickup and delivery service platform focused on "cash on delivery" service, providing freight forwarding, special line, less-than-carload freight enterprises with ground distribution operations. It will cooperate with Amazon and other global leading logistics enterprises to launch the first B2B smart cloud storage service platform in Wuhan, and offer storage and delivery integrated solution for a large number of traditional dealers, traders, wholesalers, manufacturers, third-party logistics providers and other clients as well as those carry out internet e-commerce business, so as to focus on building an integrated, hub-like and modern logistics base adhering to the service concept of "smart cloud storage and city pickup and delivery". Main construction of the phase I of the Wuhan Inland Port Centre was basically completed, and the exterior wall decoration, interior decoration, park road and greening were expected to be completed in the first half of 2016.

Online Businesses

This mainly comprises the "Cloud Market" plan supported by the three major online transaction and service platforms, namely Zallgo (卓爾購), Zalljinfu (卓金服) and Zallfuhui (卓服匯).

Overall Business and Financial Position of Zall Cloud Market

The Group launched the "Zall Cloud Market Plan" to expand e-commerce, internet banking, logistics information, data services and other businesses, standing on the basis and advantages of the existing trade, warehousing, logistics, finance and data of large-scale commerce logistics center. In August 2015, Dr. Gang Yu, the founder of Yihaodian.com, joined the Group as an executive Director and the co-chairman of the Company, responsible for promoting and implementing the Group's "Zall Cloud Market Plan". "Zall Cloud Market Plan" aims at full integration of physical wholesale market and e-commerce, relying on the basis and advantages of property, customers, logistics and data of offline physical commerce markets in North Hankou. The Group specially set up an e-commerce group comprising a professional team with over 300 employees, specializing in online trading and service platform for provision of online wholesale, procurement management and other core functions as well as supply chain finance, logistics information, transaction match and other value-added services, so as to achieve the organic integration of the offline and online businesses, and introduce three online trading and service platforms: Zallgo (卓爾購), Zalljinfu (卓金服) and Zallfuhui (卓服匯).

According to the information from Analysys International, the transaction sale and income scale of B2B market in the PRC reached RMB9.4 trillion and RMB19.22 billion respectively in 2014. It is expected that the transaction scale and income scale of B2B market in the PRC will reach RMB13.8 trillion and RMB38.19 billion by 2017. Through the three online trading and service platforms, Zallgo, Zalljinfu and Zallfuhui, Zall Cloud Market continuously strengthens its supply chain service capabilities, meanwhile, according to the integration needs of procurement, wholesale purchasing, sales, operations, management, finance and other business processes of medium-sized and small wholesale merchants with the upstream and downstream supply chain business partners, Zall Cloud Market adopts service diversification and industry intensification means to carry out supply chain financial service on the B2B platform, dig trade behavior and transaction records with big data and conduct credit facility, financing, capital settlement and other services by cooperation with banks and financial institutions. Supply chain financial service can support the development of a large number of upstream and downstream medium-sized and small enterprises on the supply chain which are dependent on the core business of the industry, effectively solve the financing problems of medium-sized and small wholesale merchants, provide logistics services by cooperation with logistics providers, and solve transportation problems by striving for price advantage for enterprise users of the platforms, especially the problems related to bulk cargos that are not appropriate to large logistics.

The Group's three online platforms, Zallgo, Zalljinfu and Zallfuhui, cross-platform integration of which forms a closed loop ecosystem of Zall Cloud Market, are serving for online trading, financing support, intelligent logistics and other links of wholesale trade respectively, and the closed loop enjoys big data integration services. By the end of February 2016, Zallgo's transaction amount exceeded RMB4.3 billion and registered business operators reached 9,654; Zalljinfu's total financing amounted to RMB1.1 billion and registered users reached 60,000; and Zallfuhui's service charges amounted to RMB180 million and registered users reached 12,000.

Prospects

The Group aims at becoming China's leading large e-commerce enterprise integrating online and offline businesses, and plans to achieve its goals through the following strategies.

Undertake strategic planning of platforms by integrating online and offline businesses

As the core of future development, Zall Cloud Market undertakes strategic planning platforms by integrating online and offline businesses. Users can get product information on the online platform of Zallgo, and driving turnover of the wholesale market or booths is the key to full transition of B2B to online trade. With a large community of registered users of medium-sized and small enterprises and huge information and product base, the Zallgo platform provides data of offline products for online trading; and with large offline commodity trading centers and integrated logistics centers, passenger flow of commerce and trade will be expanded through online publicity and promotion; and with close coordination of online and offline businesses, a brand new mode of online operation and offline implementation will be created.

Expand the users and turnover of medium-sized and small wholesale merchants

As the largest online and offline integrated wholesale trading platform in Central China, Zallgo brings together a large number of domestic and overseas medium-sized and small enterprises. They bring a large number and full range of goods, which has become a huge advantage for Zallgo to improve customer loyalty. Buyers can use the website of Zallgo to look for the goods they need, and add desirable products and companies to their favorites during the process of browsing to enhance convenience of review and purchase next time. Zallgo offers buyers quick delivery of business opportunities, with which buyers can set keywords of the products they need and subscribe the latest news of the related commodities. In addition, buyers can also enjoy services including purchase of merchandise, shopping guide information, logistics services, looking for suppliers and posting selling advertisement and so on. Sellers and buyers on the Zallgo are inseparable, where many companies appear on the Zallgo platform with dual identity of suppliers and buyers, and as sellers, they can enjoy even more service on the platform.

Zallgo offers services mainly related to seller services, purchaser services, business tools, online help, etc. The stakeholders mainly include suppliers (being the sellers), purchasers (being the buyers), advertisers, third-party certification service providers, banks, etc. Each of the stakeholders carries out corresponding activities and achieves business on Zallgo. With development and innovation of technologies and business models, Zallgo can realize increasingly rich functions, and the range of stakeholders involved will be gradually expanded. As at 31 December 2015, Zallgo had 5,765 shops and 33,000 registered users, with turnover reaching RMB2.4 billion. It is expected that, through continuously improving brand awareness and online self-operated rate and increasing efforts on attracting investment and with buyers' public praise effect, turnover, annual registered users, and shops and markets stationed would all experience a steady growth for the year of 2016.

Serve upstream and downstream enterprises with supply chain financial services

Zalljinfu is the supply chain financial service platform of Zall Cloud Market, which effectively integrates trading information, logistics and property information, storage information, etc. of wholesale market, forming a big-data risk-control model and credit rating system, to provide core merchants and their upstream and downstream enterprises on Zall Cloud Market with convenient, fast and low-cost financing service. At present, its principal activities include Zallbangdai (卓幫貸), Zallbangchou (卓幫籌) and Zalldanbao (卓擔保). By the end of 2015, the number of registered users on Zalljinfu reached 38,000 and the total financing amount with the platform was RMB500 million, of which 95% were from Zallbangdai and 5% were from Zallbangchou.

In addition to the traditional mortgage business, the wholesale industry cluster is characterized that upstream and downstream small and micro enterprises generally lack of collateral, but possess a complete upstream and downstream supply chain. As merchants of Zallgo have financing needs in the trading process, Zalljinfu designed credit loan services based on seller and buyer, warehouse receipt pledge financing services and stock right pledge financing services. Logistics occupies the important delivery link in the entire commodity trading process, connecting the upstream and downstream supply chain. Zalljinfu provides financing services on the supply chain, on the basis of logistics service process and logistic production process. Based on the third-party logistics service carriers on the Zallfuhui platform, Zalljinfu designed accounts receivable factoring and financing, order financing and credit loan services. The financing needs from Zallgo and Zallfuhui platforms will be satisfied by Zalljinfu butting banks, financial institutions or other merchants to supply funds. Zalljinfu is an intermediary service provider between funds demand side and supply side, which will efficiently butt the two ends, reduce trading costs and improve trading efficiency, so as to facilitate the trading in the cloud market.

Through the integration of resource advantages and product advantages of traditional financial institutions (such as banks, asset management companies, etc.) and financial institutions (such as commercial factoring companies, guarantee companies, small loan companies, financial leasing companies, etc.), the Group created an O2O financial ecosystem of cloud market to better provide long-tail users of Zall Cloud Market with multi-level favorable financial services, gradually innovated and improved its own internet banking system. Zalljinfu will increase efforts on internet finance innovation in 2016, and provide better financial services for merchants of the cloud market, covering: O2O payments, online wealth management, online crowd funding, business factoring, internet insurance and other services.

Wuhan North Hankou Guarantee Investment Company Limited, a subsidiary of the Group, is one of important service means of supply chain financial services of the Zall Cloud Market platform, which provides support and services for healthy development of clients on each link of the supply chain of the professional market in North Hankou, to meet financial needs of merchants there. At present, it has provided credit guarantee services totaling more than RMB500 million for over 300 merchants across apparel, trunks and bags, shoes and fur, hotel supplies, automotive, mechanical and electrical industries. As at 31 December 2015, the Company was granted bank credit amounting to RMB550 million in total, the balance of which reached RMB110 million. To reduce the financing costs for small and micro enterprises, speed up turnover rate of goods, practically decrease circulating costs and expanding operating scale for a number of merchants, it strictly control the guarantee expense of secured financing clients below 2%, which greatly promoted the business development of the merchants there. The secured financing amounted to RMB105,440,000 throughout the year under review, of which RMB25,400,000 was for corporate clients and RMB80,040,000 was for individual customer.

Develop the ecosystem of supply chain of the medium-sized and small wholesalers

Zallfuhui focuses on logistics and property online services for the wholesale market, positioning as a service assistant of merchants. Through adding logistics delivery, lease and sale of warehouse of shops, property management and other service functions, it seamlessly connects commodities, shops, storage and logistics to provide integrated intelligent supporting services for merchants on the platform. Standing on the basis and advantages of the existing trade information, warehousing information, logistics information and data of the large-scale commerce logistics centers of Zall, it provides logistics information, trading match, storage property and other online data process and trading service, which organically integrates online and offline businesses.

In particular, with the wholesale market which has concentrated needs for logistics as the starting point of logistics sector, a logistics information platform and a trading platform were created and the credit rating system was gradually introduced and enhanced, to achieve one-to-one connection between owner of cargo and owner of vehicle, so as to significantly improve operating efficiency. The smart match of supply and demand and real-time monitoring of order status make the services transparent and simple. With the platform for posting and addressing information related to properties, merchants can quickly find properties for their shops, warehouse, lodging and office needs on the property end of Zallfuhui. In the future, a transaction platform for property information will be created for users to complete property transaction in an easy and convenient manner, enhance users' experience and thereby to improve the success rate of property transaction. The smart property service has been added into the development procedure of Zallfuhui. When the function is in service, merchants will be able to pay the utility bills, property fee, and rental and complete other actions with the APP Zallfuhui, which will achieve online and offline interoperability of more merchants' needs and highly improve the user's life convenience.

Through the above growth strategy, it is expected that the number of merchant users of Zallgo will increase. The registered users include business buyers, sellers, drivers, logistics companies, both sides of lease and sale of properties. It is expected that turnover of property transactions and logistics services will also experienced a healthy growth in 2016.

Results of Operation

Revenue

Revenue of the Group decreased by approximately 48.2% from RMB1,986.1 million for the year ended 31 December 2014 to RMB1,029.5 million for the year ended 31 December 2015. The decrease was primarily due to (i) decrease in the sales of properties; (ii) increase of rental income; and (iii) recognition of revenue from construction contracts during the year under review.

Sales of properties

Revenue from sales of properties decreased by approximately 63.3% from RMB1,894.7 million for the year ended 31 December 2014 to RMB696.0 million for the year ended 31 December 2015.

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 2015, together with the comparative figures for the year 2014 are set forth below:

	For the year ended 31 December					
	2015			2014		
	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	**65,666**	**6,247**	**410,202**	110,573	10,754	1,189,078
No. 1 Enterprise Community — Wuhan	**19,310**	**4,875**	**94,132**	73,384	4,038	296,312
Wuhan Salon	**7,326**	**7,386**	**54,110**	55,389	6,136	339,859
Zall Life City — Zall Hupan Haoting Residences	**8,507**	**5,343**	**45,452**	14,797	4,697	69,495
Jingzhou Zall City	**14,806**	**4,107**	**60,806**	—	—	—
No. 1 Enterprise Community — Changsha	**6,944**	**4,500**	**31,249**	—	—	—
Total	**122,559**		**695,951**	254,143		1,894,744

The Group's turnover from sales of properties decreased significantly over the year under review mainly due to the decrease in the GFA delivered of certain properties during 2015. The GFA sold in North Hankou Project was significantly decreased by approximately 40.6% from 110,573 sq.m. for the year ended 31 December 2014 to 65,666 sq.m. for the year ended 31 December 2015. The GFA sold in No. 1 Enterprise Community — Wuhan decreased by approximately 73.7% from 73,384 sq.m. for the year ended 31 December 2014 to 19,310 sq.m. for the year ended 31 December 2015.

The GFA sold in Wuhan Salon and Zall Life City — Zall Hupan Haoting Residences decreased by approximately 86.8% from 55,389 sq.m. to 7,326 sq.m. and approximately 42.5% from 14,797 sq.m. to 8,507 sq.m., respectively. During the year, the Group disposed of its entire equity interest in Wuhan Zall City and the turnover of Wuhan Salon only comprised half of the year 2015.

For the year ended 31 December 2015, JingZhou Zall City and No. 1 Enterprise Community — Changsha had first time contributed revenue of RMB60.8 million and RMB31.2 million to the Group with a total GFA delivered of 14,806 sq.m. and 6,944 sq.m. respectively.

Rental income

The Group's rental income increased significantly by approximately 44.4% from RMB71.7 million for the year ended 31 December 2014 to RMB103.5 million for the year ended 31 December 2015. The increase was primarily due to an increase in the number of wholesale shopping mall units in the North Hankou Project retained for leasing.

Revenue from construction contract

During the year, the Group entered into a construction contract to build certain properties on behalf of a third party. The Group recognised a revenue of RMB197.0 million according to actual cost incurred for the year ended 31 December 2015.

Cost of sales

Cost of sales of the Group decreased by approximately 24.9% from RMB1,010.0 million for the year ended 31 December 2014 to RMB758.3 million for the year ended 31 December 2015, primarily due to the decrease in the sales of properties and regcognition of cost of construction contract of RMB208.6 million during the year.

Gross profit

Gross profit of the Group decreased by approximately 72.2% from RMB976.1 million for the year ended 31 December 2014 to RMB271.2 million for the year ended 31 December 2015. The Group's gross profit margin decreased from 49.1% in 2014 to 26.3% in 2015 mainly due to the changes in the combination of the properties delivered during the year. For the year ended 31 December 2014, approximately 62.8% of the revenue from sales of properties were contributed by sales of wholesale shopping mall units in North Hankou Project with a gross profit margin of over 60%. However, for the year ended 31 December 2015, approximately 59.0% of the revenue from sales of properties were contributed by sales of auxiliary facilities units in North Hankou Project, of which the gross profit margin is lower than traditional wholesale shopping mall units. The remaining 41.0% of the revenue from sales of properties comprised of other projects with the overall gross profit margin a lot lower than North Hankou Project.

Other income

Other income of the Group increased significantly from RMB8.3 million for the year ended 31 December 2014 to RMB972.2 million for the year ended 31 December 2015. The increase was mainly due to (i) gain on early redemption of convertible bonds of RMB123.8 million; (ii) gain arising from acquisition of subsidiaries of RMB367.3 million; (iii) government grant income of RMB114.4 million; and (iv) fair value change on financial assets held for trading of RMB348.4 million.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately 14.6% from RMB165.5 million for the year ended 31 December 2014 to RMB141.3 million for the year ended 31 December 2015. The decrease was primarily due to the offsetting effect of (i) an increase RMB8.8 million and RMB4.4 million in advertising and promotion expenses and staff related costs; and (ii) a decrease of RMB38.6 million in promotion expenses and other expenses related to Zall Football Club.

Administrative and other expenses

Administrative and other expenses of the Group decreased slightly by approximately 1.6% from RMB156.0 million for the year ended 31 December 2014 to RMB153.5 million for the year ended 31 December 2015. The decrease was primarily due to the offsetting effect of (i) an increase of RMB7.1 million and 2.4 million in public welfare donation and consult fee, respectively; (ii) a decrease of RMB10.4 million in entertainment and related expenses and office expenses; and (iii) a decrease of RMB2.4 million in rental expenses.

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

The Group 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 2015, the Group recorded fair value change of investment properties and non-current assets classified as held for sale of RMB439.6 million (2014: RMB1,831.7 million) and fair value gain upon transfer of completed properties held for sale to investment properties of RMB798.2 million (2014: RMB325.6 million). The significant net decrease of RMB919.6 million in fair value of the Group's investment properties during the year ended 31 December 2015 reflected the offsetting effect in the slowdown of property price in Wuhan and increased number of wholesale shopping mall units retained for rental purposes over the period under review.

Share of profits of joint ventures

Share of profits of joint ventures consisted primarily of share of profit from Wuhan Big World Investment, which reflected the Group's 50% equity interest share of profit of this entity. After the business combination, Wuhan Big World Investment became a subsidiary of the Group during the year.

Gain on disposal of subsidiaries

During the year, the Group completed its business restructuring by disposing of its non-core assets and business, including (i) equity swap transaction in relation to disposal of Wuhan Zall City and acquisition of Wuhan IP centre, Wuhan Guarantee Investment and Zhuo Futong Technology; and (ii) disposal of entire interests in Zhen An Cayman, Zall Shenyang, Zall Xiaogan, Zall Football, Zall Four Seasons Hotel. As a result of the disposal of these subsidiaries, the Group recognised an aggregate gain of RMB353.7 million during the year.

Finance income and costs

For the year ended 31 December 2015, interest income of RMB5.7 million (2014: RMB22.3 million) was credited to the consolidated statement of profit or loss.

For the year ended 31 December 2015, a net finance cost of RMB264.9 million (2014: RMB122.1 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 2015.

Income tax

Income tax decreased by approximately 80.1% from RMB1,147.1 million for the year ended 31 December 2014 to RMB228.2 million for the year ended 31 December 2015. The decrease was mainly due to the effect of (i) the decrease in PRC corporate income tax as the taxable profit from decrease in operating profit; (ii) the decrease of PRC LAT of RMB 91.9 million as a result of the decrease in properties sales; and (iii) the decrease of deferred LAT of RMB 652.1 million as result of decrease of fair value gain from investment properties and the reversal of deferred LAT relating to Tianjin Zall E-commerce Mall. The Group's effective tax rate was decreased from approximately 41.6% for the year ended 31 December 2014 to approximately 10.0% for the year ended 31 December 2015.

Profit for the year

For the year ended 31 December 2015, the Group recorded a net profit of RMB2,046.0 million. Profit attributable to equity shareholders of the Company was RMB2,037.7 million, representing a increase of approximately 29.6% over the amount of RMB1,572.8 million for the year ended 31 December 2014.

Liquidity and capital resources

As at 31 December 2015, cash and cash equivalents of the Group was RMB243.5 million (2014: RMB250.8 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 2015, the Group's total expenditure in respect of property, plant and equipment and investment properties under development amounted to RMB115.1 million and RMB548.6 million (2014: RMB10.0 million and RMB819.3 million), respectively.

Bank loans and loans from other financial institutions

As at 31 December 2015, the Group's total long-term and short-term loans was RMB6,394.8 million, representing a slight increase of RMB36.0 million over the amount of RMB6,158.8 million as at 31 December 2014, including long-term and short-terms loans of disposal group held for sale amount to RMB1,737.1 million. All the loans were denominated in RMB, being the functional currency of the Group.

Convertible bonds

The Group fully redeemed the convertible bonds issued on 19 June 2013 during the year under review.

Net gearing ratio

As at 31 December 2015, the net gearing ratio (calculated by dividing total borrowings, net of cash and cash equivalents, restricted cash and short term bank deposits, by total equity attributable to equity shareholders of the Company) of the Group was 60.2% (2014: 78.7%).

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 2015, the Group did not use any financial instruments for hedging purpose.

Charge on assets

As at 31 December 2015, the Group had pledged certain of its assets with a total book value of RMB12,964.2 million (2014: RMB10,136.2 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.

During the year, the Group's wholly owned subsidiary, Wuhan Guarantee Investment is principally engaged in provision of business start-up loan guarantee and personal loan guarantee for entrepreneurs in the PRC. In accordance with the terms stipulated in the relevant agreements, Wuhan Guarantee Investment is required to make payments to reimburse the beneficiary of the guarantee for the loss incurs if a specified borrower fails to make payment when due.

As at 31 December 2015, the guarantees provided to lenders in relation to personal loans and banks in relation to mortgage facilities granted to purchasers of the Group's properties amounted to RMB103.4 million (2014: Nil) and RMB1,455.9 million (2014: RMB1,331.7 million), respectively.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group employed a total of 979 full time employees (2014: 1,005). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2015, the employees benefit expenses were RMB56.2 million (2014: RMB52.6 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.

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. A total number of 85,233,750 shares granted pursuant to the Pre-IPO Share Option Scheme was exercised during the year ended 31 December 2015. Further information in relation to the Share Option Scheme and Pre-IPO Share Option Scheme will be set out in the annual report of the Company for the year ended 31 December 2015.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") as its corporate governance code of practices upon the listing of its shares on the Stock Exchange. In the opinion of the Board, save for the deviation to code provision A.2.1 below, the Company had complied with the code provisions as set out in the CG Code throughout the year ended 31 December 2015.

Code Provision A.2.1

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

During the year ended 31 December 2015, the Company has not separated the roles of chairman and chief executive officer of the Company and Mr. Yan Zhi acted as the co-chairman together with Dr. Gang Yu since 17 August 2015 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.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code for dealing in securities of the Company by the Directors during the year ended 31 December 2015. 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 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2015, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has been established in compliance with 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 2015 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 Mr. Wu Ying. Mr. Cheung Ka Fai serves as the chairman of the Audit Committee.

Scope of work of KPMG

The financial figures in respect of the announcement of the Group's results for the year ended 31 December 2015 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

FINAL DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2015 (2014: Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") will be held on Friday, 20 May 2016. A notice convening the AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

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

In order to determine who are eligible to attend and vote at the AGM, the Company's register of members will be closed for three days from Wednesday, 18 May 2016 to Friday, 20 May 2016 (both days inclusive), during which no transfer of shares of the Company will be effected. In order to be qualified 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, 17 May 2016.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final results announcement is published on the website of Stock Exchange at http://www.hkexnews.hk and on the Company's website at http://www.zallcn.com. The annual report for the year ended 31 December 2015 of the Group containing all the information required by the Listing Rules will also be published on the same websites and be dispatched to the shareholders of the Company in due course.

By Order of the Board
Zall Development Group Ltd.
Yan Zhi
Co-chairman

Hong Kong, 31 March 2016

As at the date of this announcement, the Board comprises Mr. Yan Zhi, Dr. Gang Yu, Mr. Cui Jinfeng and Mr. Wang Chuang, as executive directors of the Company; Mr. Fu Gaochao, as non-executive director of the Company; Mr. Cheung Ka Fai, Mr. Peng Chi and Mr. Wu Ying, as independent non-executive directors of the Company.