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Zall Development (Cayman) Holding Co., Ltd.

卓爾發展(開曼)控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2098)

DISCLOSEABLE TRANSACTION

The Board wishes to announce that on 21 August 2011 (i) Zall Development Hong Kong, a wholly owned subsidiary of the Company, entered into the Zhen An Acquisition Agreement with Chen Kai in relation to the acquisition of the entire issued share capital of Zhen An Properties, which in turn owns 48% interest in the Target Company; and (ii) Zall Development Wuhan, a wholly owned subsidiary of the Company, entered into the Equity Transfer Agreement with Huiyu Real Estate in relation to the acquisition of 3% interest in the Target Company. Upon completion of the Acquisitions, Zall Development Hong Kong and Zall Development Wuhan will enter into the Joint Venture Agreement with Huiyu Real Estate and Chen Kai in relation to the Target Company. The aggregate consideration for the Acquisitions will be RMB523,680,000 (equivalent to approximately HK\$637,755,288).

As the applicable percentage ratios as set out in the Listing Rules are more than 5% but less than 25%, the Acquisitions and the transactions contemplated under the Agreements on an aggregated basis constitute a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. Upon completion of the Acquisitions, the Target Company will become a non-wholly owned subsidiary of the Company.

THE ACQUISITIONS

The Zhen An Acquisition Agreement

Date: 21 August 2011

Parties:

(a) Chen Kai; and

(b) Zall Development Hong Kong

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, as at the date of this announcement, Chen Kai and its respective ultimate beneficial owner are independent third parties not connected with the Company or any of its subsidiaries or any of their respective directors, chief executive or substantial shareholders or any of their respective associates.

Asset to be acquired

Pursuant to the Zhen An Acquisition Agreement, Zall Development Hong Kong will acquire the entire issued share capital of Zhen An Properties, which in turn owns 48% interest in the Target Company from Chen Kai.

Consideration

Pursuant to the Zhen An Acquisition Agreement, consideration for the acquisition of the entire issued share capital of Zhen An Properties will be RMB519,790,000 (equivalent to approximately HK\$633,017,914), which was determined after arm's length negotiation between Chen Kai and Zall Development Hong Kong with reference to the unaudited net assets of Zhen An Properties as of 15 August 2011 of approximately USD8,400,000 (equivalent to approximately HK\$65,520,000) and the valuation of the Land as assessed by an independent valuer at the amount of RMB1,000,000,000 as of 15 August 2011. The consideration payable by Zall Development Hong Kong to Chen Kai will be paid in the following manner:

- (i) RMB96,110,000 (equivalent to approximately HK\$117,046,022) will be payable within 3 days after the execution of the Zhen An Acquisition Agreement;
- (ii) RMB300,000,000 (equivalent to approximately HK\$365,350,188) will be payable within 3 days after the completion of the transfer of the entire issued share capital of Zhen An Properties to Zall Development Hong Kong from Chen Kai; and
- (iii) RMB123,680,000 (equivalent to approximately HK\$150,621,704) will be payable within 3 days after the completion of the transfer of 3% interest in the Target Company to Zall Development Wuhan from Huiyu Real Estate pursuant to the Equity Transfer Agreement.

Completion

Completion of the Zhen An Acquisition Agreement shall take place after (i) the transfer of the entire issued share capital of Zhen An Properties from Chen Kai to Zall Development Hong Kong having been recorded to the register of members of Zhen An Properties and (ii) all legal requirements in relation to such transfer having been fulfilled.

The Equity Transfer Agreement

Date: 21 August 2011

Parties:

- (a) Huiyu Real Estate; and
- (b) Zall Development Wuhan

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, as at the date of this announcement, Huiyu Real Estate and its respective ultimate beneficial owner are independent third parties not connected with the Company or any of its subsidiaries or any of their respective directors, chief executive or substantial shareholders or any of their respective associates.

Asset to be acquired

Pursuant to the Equity Transfer Agreement, Zall Development Wuhan will acquire 3% interest in the Target Company from Huiyu Real Estate.

Consideration

Pursuant to the Equity Transfer Agreement, the consideration for the acquisition of 3% interest in the Target Company will be RMB3,890,000 (equivalent to approximately HK\$4,737,374) which was determined after arm's length negotiation between Huiyu Real Estate and Zall Development Wuhan with reference to the unaudited net assets of the Target Company as of 15 August 2011 of approximately RMB110,832,946 (equivalent to approximately HK\$134,976,126) and the valuation of the Land as assessed by an independent valuer at the amount of RMB1,000,000,000 as of 15 August 2011. The consideration payable by Zall Development Wuhan to Huiyu Real Estate will be paid within 3 days after the execution of the Equity Transfer Agreement.

Completion

Completion of the Equity Transfer Agreement shall take place after the registration in relation to the transfer of the 3% interest in the Target Company from Huiyu Real Estate to Zall Development Wuhan with the relevant PRC authorities having been completed. Upon completion of the Acquisitions, Zall Development Hong Kong and Zall Development Wuhan will collectively (indirectly and directly) own as to an aggregate of 51% interest in the Target Company and the Target Company will become a non-wholly owned subsidiary of the Company.

INFORMATION OF ZHEN AN PROPERTIES

Zhen An Properties is incorporated in the Cayman Islands with limited liability and is an investment holding company. As at the date of this Announcement, Zhen An Properties owns 48% interest in the Target Company.

Set out below is a summary of the financial information of the Zhen An Properties based on the unaudited financial statements for the year ended 31 December 2009 and 31 December 2010 in accordance with the generally accepted accounting principles in the PRC:

	For the year ended 31 December 2009 <i>USD\$'000</i>	For the year ended 31 December 2010 <i>USD\$'000</i>
Turnover	—	—
Loss before tax	2	2
Loss after tax	2	2
Net assets	8,402	8,400

INFORMATION OF THE TARGET COMPANY

The Target Company is a company established under the PRC with limited liability and principally engaged in property development and sales of properties in the PRC. It currently possesses the land use rights certificate to the Land which is located at Xin Hua Road, Jiang Han District, Wuhan, the PRC (surrounded by China Minsheng Bank Building to its east; Bank of China Building to its south; New World Trade Centre and New World Department Store to its west; and China Construction Bank Building to its north) with a total site area of approximately 9,976.55 square meter and total planned gross floor area of approximately 97,203.09 square meter and has obtained all the necessary permits and approvals in relation to the planning, construction and development of the Land.

Set out below is a summary of the financial information of the Target Company based on the unaudited financial statements for the year ended 31 December 2009 and 31 December 2010 in accordance with the generally accepted accounting principles in the PRC:

	For the year ended 31 December 2009 <i>RMB'000</i>	For the year ended 31 December 2010 <i>RMB'000</i>
Turnover	—	—
Loss before tax	554	4,462
Loss after tax	554	4,462
Net assets	56,867	52,405

The Joint Venture Agreement

The Cooperation

According to information provided by the Target Company, it possesses the land use rights certificate to a the Land which is located at Xin Hua Road, Jiang Han District, Wuhan, the PRC (武漢市江漢區新華路與建設大道交匯處) with aggregate total site area of approximately 9,976.55 square meter and has obtained all the necessary permits and approvals in relation to the planning, construction and development of the Land.

As part of the development plan, the Land is to be re-developed into a first-grade commercial building. The development work is currently under construction and expected to be completed in 2013. The Joint Venture Agreement will be entered into by and among the parties upon completion of the Acquisitions with the objective that each of Huiyu Real Estate, Chen Kai, Zall Development Hong Kong and Zall Development Wuhan will cooperate with each other to better develop the Land in accordance with the terms of the Joint Venture Agreement.

Board composition of the Target Company

The Target Company will be managed by the board of directors of the Target Company. Upon completion of the Acquisitions, the board of directors of the Target Company will consist of 5 members whom shall be elected by the shareholders of the Target Company, and Zhen An Properties and Zall Development Wuhan will be entitled to nominate 3 directors of the Target Company and Huiyu Real Estate will be entitled to nominate 2 directors of the Target Company.

Profit sharing of the JV Company

Zhen An Properties, Zall Development Wuhan and Huiyu Real Estate will share the profits and bear the losses of the Target Company in accordance with their respective shareholding in the Target Company at the time of distribution.

Restrictions on transfer of interest in the Target Company

Transfer of interest in the Target Company by a party to the Joint Venture Agreement to a third party is subject to pre-emptive right of the other party of the Joint Venture Agreement and the terms of transfer offered to the third party shall not be more favourable than those offered to the other party to the Joint Venture Agreement.

REASON FOR ENTERING THE ACQUISITIONS

The Company is a developer and operator of large-scale, consumer product-focused wholesale shopping malls and commercial properties in China.

The Acquisitions will enable the Company to acquire an interest in the Land and enhance the Company's presence in the first-grade commercial property market of Wuhan, which is in line with the Group's existing operation in Wuhan and the Board believes the Acquisitions will provide valuable opportunity for the Company to obtain the development rights in respect of the Land. The Board considers that the Acquisitions will expand the Group's revenue streams and enhance shareholders' value.

Upon completion of the Acquisitions, the Target Company will be accounted for as a subsidiary in the financial statements of the Company, and its financial information will be consolidated into the financial statements of the Company.

The Directors (including the independent non-executive Directors) consider that the Acquisitions and the transactions contemplated under the Agreements have been made on normal commercial terms and that such terms are fair and reasonable so far as the Company and the Shareholders are concerned and that the Acquisitions contemplated under the Agreements are in the interest of the Company and the Shareholders as a whole. The consideration for the Acquisitions will be financed by internal resources of the Group.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios as set out in the Listing Rules are more than 5% but less than 25%, the Acquisitions and the transactions contemplated under the Agreements on an aggregate basis constitute a discloseable transaction for the Company under Rule 14.06 of the Listing Rules.

GENERAL

Huiyu Real Estate was established in the PRC with limited liability and principally engaged in property development and sales of properties in the PRC. As at the date of this Announcement, Huiyu Real Estate owns 52% interest in the Target Company.

Chen Kai was incorporated in the British Virgin Islands with limited liability and is an investment holding company. As at the date of this Announcement, Chen Kai owns the entire issued share capital of Zhen An Properties.

DEFINITIONS

“Acquisitions”	(i) the acquisition of 3% interests in the Target Company pursuant to the Equity Transfer Agreement; and (ii) the acquisition of the entire issued share capital of Zhen An Properties pursuant to the Zhen An Acquisition Agreement;
“Agreements”	the Equity Transfer Agreement and the Zhen An Acquisition Agreement;
“Board”	the board of directors of the Company;
“Chen Kai”	Chen Kai Holdings Limited, a company incorporated in British Virgin Islands with limited liability on 14 August, 2007;
“Company”	Zall Development (Cayman) Holding Co., Ltd. (卓爾發展 (開曼) 控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange;
“Cooperation”	the cooperation among Huiyu Real Estate, Chen Kai, Zall Development Hong Kong and Zall Development Wuhan in relation to the cooperation and management of the Target Company pursuant to the Joint Venture Agreement;
“Directors”	the directors of the Company;
“Equity Transfer Agreement”	the acquisition agreement entered into by and among Huiyu Real Estate and Zall Development Wuhan on 21 August 2011 in relation to the acquisition of 3% interest in the Target Company;

“Group”	the Company and its subsidiaries (which shall exclude, where the context requires, Zhen An Properties and the Target Company after completion of the Acquisitions);
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Huiyu Real Estate”	惠譽房地產股份有限公司 (Huiyu Real Estate Company Limited), a company established in the PRC with limited liability on 4 August 1999;
“Independent Third Parties”	persons who are independent of and not connected nor acting in concert with the Directors, chief executive, management shareholders or substantial shareholders of the Company or its subsidiaries, or any of their respective associates;
“Joint Venture Agreement”	the Joint Venture Agreement to be entered into upon completion of the Acquisitions by and among Huiyu Real Estate, Chen Kai, Zall Development Hong Kong and Zall Development Wuhan in relation to the Cooperation;
“Land”	the Land is located at Xin Hua Road, Jiang Han District, Wuhan, the PRC (武漢市江漢區新華路與建設大道交匯處) with a total site area of approximately 9,976.55 square meter
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, being the lawful currency in PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	正安實業（武漢）有限公司 (Zhen An Wuhan Company Limited), a company established under the PRC with limited liability on 18 October, 1996;
“USD”	the United States dollars, the lawful currency of the United States of America;
“Zall Development Hong Kong”	Zall Development (HK) Holding Company Limited (卓爾發展（香港）控股有限公司), a company incorporated in Hong Kong with limited liability on 25 March 2003 and an indirect wholly owned subsidiary of the Company;

- “Zall Development Wuhan” 卓爾發展（武漢）有限公司 (Zall Development (Wuhan) Co., Ltd.), a company established in the PRC with limited liability on 23 October 1998 and an indirect wholly owned subsidiary of the Company;
- “Zhen An Properties” Zhen An Properties Limited (正安資產（開曼群島）實業股份有限公司), a company incorporated in the Cayman Islands with limited liability on 21 November 1997; and
- “Zhen An Acquisition Agreement” the acquisition agreement entered into by and among Chen Kai and Zall Development Hong Kong on 21 August 2011 in relation to the acquisition of the entire issued share capital of Zhen An Properties

For illustration purposes, amounts in RMB in this announcement have been translated into HK\$ at HK\$1.00 = RMB0.82113.

For illustration purposes, amounts in USD in this announcement have been translated into HK\$ at HK\$1.00 = USD0.12821.

By Order of the Board
Zall Development (Cayman) Holding Co., Ltd.
Yan Zhi
Chairman

Hong Kong, 21 August, 2011

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Yan Zhi, Mr. Cui Jinfeng, Mr. Fang Li and Ms. Wang Danli, as executive Directors; Mr. Fu Gaochao, as non-executive Director; Ms. Yang Qiongzhen, Mr. Cheng Ka Fai and Mr. Peng Chi, as independent non-executive Directors.