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ZALL Development

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)

PROFIT WARNING

This announcement is made by the Company pursuant to the provisions of inside information under Part XIVA of the SFO and Rule 13.09(2) of the Listing Rules.

The Board wishes to inform the shareholders of the Company and potential investors that based on the preliminary assessment of the Group's unaudited management accounts for the year ended 31 December 2013 and the information currently available to the Board, it is expected that there would be a substantial decline in the core net profit of the Group for the year ended 31 December 2013 as compared to that of 2012.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by Zall Development Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to the provisions of inside information under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “**SFO**”) and Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The board of directors (the “**Board**”) wishes to inform the shareholders of the Company and potential investors that based on the preliminary assessment of the Group's unaudited management accounts for the year ended 31 December 2013 and the information currently available to the Board, it is expected that there would be a substantial decline in the core net profit of the Group for the year ended 31 December 2013 as compared to that of 2012. Core net profit refers to the net operating profit of the Group, excluding the gains or losses on revaluation of the Group's investment properties and convertible bond. The fair value of the Group's investment properties and convertible bond as at 31 December 2013 will be revalued by the Group's valuer and any gains or losses from such revaluation may be significant to the Group's net profit for the year ended 31 December 2013.

Based on information currently available to the Board, the Board considers that such decline is primarily attributable to the decrease in the gross profit margin of the properties sold and delivered during 2013. In 2013, there was a change in the combination of the properties sold. In 2012, majority of the revenue from sales of properties were contributed by the Group's wholesale shopping mall project, of which the gross profit margin of the wholesale shopping mall units sold was usually maintained at over 70%. However, in 2013, a significant portion of the Group's turnover was derived from sale of office and residential properties, of which the gross profit margins of these properties were significantly lower than the wholesale shopping mall units in 2012, leading to a drop in the overall gross profit margin of the Group for the year ended 31 December 2013.

Despite the expected decline in the core net profit of the Group for the year ended 31 December 2013, the Board considers the Group maintains an overall strong operations and financial position. In 2013, the Group changed its overall business strategy from selling majority of its wholesale shopping mall units to retaining a significant portion of those units as investment properties in order to enjoy the long-term capital gain and rental income. The Board considers that such change of business strategy is in the best interest of the Group in the long run.

The Company has yet to finalise the annual results of the Group for the year ended 31 December 2013. The information contained in this announcement is only based on a preliminary assessment by the management of the Company with reference to the information currently available including the unaudited management accounts of the Group, which have not been reviewed or audited by the Company's auditors and the actual results of the Group for the year ended 31 December 2013 may be different from what is disclosed herein. Investors are advised to read carefully the annual results announcement of the Company for the year ended 31 December 2013 which is expected to be issued before end of 31 March 2014.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 24 January 2014

As at the date of this announcement, the Board 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. Cheung Ka Fai and Mr. Peng Chi, as independent non-executive Directors.