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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)

**CONNECTED TRANSACTION
DISPOSAL OF INTEREST IN ZALL CENTER INVESTMENT**

The Board announces that on 1 July 2013, Zall Investment Group and Zall Holding entered into the Sale and Purchase Agreement, pursuant to which Zall Investment Group has agreed to dispose of and Zall Holding has agreed to acquire from Zall Investment Group the Sale Interest at a consideration of RMB30,196,000 (equivalent to approximately HK\$37,908,480).

As at the date of this announcement, Zall Holding is owned as to 95% by Mr. Yan and 5% by Ms. Chen Lifan. Mr. Yan is a controlling shareholder, the chairman and an executive Director of the Company, and Ms. Chen Lifan is the spouse of Mr. Yan. Zall Holding is therefore an associate of Mr. Yan and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of the Sale and Purchase Agreement by Zall Investment Group and Zall Holding constituted a connected transaction for the Company under the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) as set out in the Listing Rules in respect of the Disposal are more than 0.1% but is less than 5%, the Disposal as contemplated under the Sale and Purchase Agreement is subject to the reporting and announcement requirements but exempted from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE SALE AND PURCHASE AGREEMENT

Date: 1 July 2013

Parties:

- (1) Zall Investment Group as the seller; and
- (2) Zall Holding as the purchaser

Zall Holding is a company established in the PRC with limited liability on 29 September 2007 and as at the date of this announcement, it is owned as to 95% by Mr. Yan and 5% by Ms. Chen Lifen. Mr. Yan is a controlling shareholder, the chairman and an executive Director of the Company, and Ms. Chen Lifen is the spouse of Mr. Yan. Zall Holding is therefore an associate of Mr. Yan and hence a connected person of the Company under Chapter 14A of the Listing Rules.

ASSET TO BE DISPOSED OF

The Sale Interest represented the entire equity interests in Zall Center Investment. As at the date of the Sale and Purchase Agreement, Zall Center Investment was an investment holding company wholly owned by Zall Investment Group and was engaged in property development and sales of properties in the PRC and possessed the land use right of a parcel of land with a total site area of approximately 3,344 sq.m. and the property ownership of a building on such parcel of land since April 2008 and five office buildings on the land adjacent to such parcel of land with a total GFA of approximately 8,970 sq.m. since November 2010, all in Jiang'an District of Wuhan in Hubei Province. Pursuant to the Sale and Purchase Agreement, Zall Investment Group has agreed to dispose of and Zall Holding has agreed to acquire from Zall Investment Group the Sale Interest at a total consideration of RMB30,196,000 (equivalent to approximately HK\$37,908,480).

Upon completion of the Disposal, Zall Center Investment became wholly owned by Zall Holding and Zall Center Investment ceased to be a subsidiary of the Company.

Set out below is the audited financial information of Zall Center Investment, which was consolidated into the audited financial statements of the Group for the two years ended 31 December 2011 and 31 December 2012:

	For the year ended 31 December 2011 (RMB)	For the year ended 31 December 2012 (RMB)
Revenue	—	—
Net loss before tax	(895,123)	(2,316,138)
Net loss after tax	(895,123)	(2,316,138)
Net assets	27,203,511	24,887,373

CONSIDERATION

The aggregate consideration of the Disposal payable by Zall Holding is RMB30,196,000 (equivalent to approximately HK\$37,908,480), which was determined after arm's length negotiation among the parties with reference to the appraised value of Zall Center Investment as at 31 May 2013 by an independent valuer. The Directors consider the consideration for the Disposal is fair and reasonable so far as the Company and the Shareholders are concerned.

The consideration was payable and had been paid by the Purchaser within 6 months from the date of the Sale and Purchase Agreement.

FINANCIAL EFFECT OF THE GROUP

The Group recorded a gain of RMB5,756,000 (equivalent to approximately HK\$7,226,163) on the Disposal.

USE OF PROCEEDS FROM THE DISPOSAL

The net proceeds from the Disposal of approximately RMB30,196,000 (equivalent to approximately HK\$37,908,480) have been used as general working capital of the Group.

REASONS FOR THE DISPOSAL

As at the date of the Sale and Purchase Agreement, Zall Center Investment was a wholly owned subsidiary of the Company and was engaged in property development and sales of properties in the PRC. It had possessed the land use right of a parcel of land with a total site area of approximately 3,344 sq.m. and the property ownership of a building on such parcel of land and five office buildings on the land adjacent to such parcel of land with a total GFA of approximately 8,970 sq.m., all in Jiang'an District of Wuhan in Hubei Province.

Zall Center Investment did not create any revenue for the Group for the years ended 31 December 2011 and 2012 and the Directors consider that it was a ripe opportunity for the Group to dispose of the Sale Interest and realize its investment at a profit. The Company would benefit from a stronger liquidity and overall financial position of the Group and could also direct all of its corporate resources previously occupied by the investment in the Sale Interest to other business of the Group that may be of higher growth potential.

The Directors, including the independent non-executive Directors, consider that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder were entered into on normal commercial terms following arm's length negotiations between the parties and the terms are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As at the date of this announcement, Zall Holding is owned as to 95% by Mr. Yan and 5% by Ms. Chen Lifen. Mr. Yan is a controlling shareholder, the chairman and an executive Director of the Company, and Ms. Chen Lifen is the spouse of Mr. Yan. Zall Holding is therefore an associate of Mr. Yan and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of the Sale and Purchase Agreement by Zall Investment Group and Zall Holding constituted a connected transaction for the Company under the Listing Rules. Since Mr. Yan

had a material interest in the transaction contemplated under the Sale and Purchase Agreement, he abstained from voting for the Board resolution to approve the entering into of the Sale and Purchase Agreement and the Disposal as contemplated under the Sale and Purchase Agreement.

As the applicable percentage ratios (other than the profits ratio) as set out in the Listing Rules in respect of the Disposal are more than 0.1% but is less than 5%, the Disposal as contemplated under the Sale and Purchase Agreement is subject to the reporting and announcement requirements but exempted from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Company is an investment holding company and the Group is a developer and operator of large-scale, consumer product-focused wholesale shopping malls and commercial properties in China.

Zall Investment Group is an indirectly wholly owned subsidiary of the Company and an investment holding company.

Definitions

Unless otherwise stated, the terms in this announcement have the following meanings:

“Board”	the board of Directors
“Company”	Zall Development Group Ltd. (卓爾發展集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Interest by Zall Investment Group pursuant to the Sale and Purchase Agreement
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Yan”	Mr. Yan Zhi, a Controlling Shareholder, the chairman and executive Director of the Company

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	a sale and purchase agreement dated 1 July 2013 entered into between Zall Investment Group and Zall Holding in relation to the Disposal
“Sale Interest”	the entire equity interests in Zall Center Investment disposed of to Zall Holding under the Sale and Purchase Agreement
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zall Center Investment”	Wuhan Zall Center Investment Co., Ltd. (武漢卓爾中心投資有限公司), a company established in the PRC with limited liability on 12 August 1996 and an indirect wholly owned subsidiary of the Company
“Zall Holding”	Zall Holding Co., Ltd. (卓爾控股有限公司), a company established in the PRC with limited liability on 29 September 2007 and held as to 95% by Mr. Yan and 5% by Ms. Chen Lifen
“Zall Investment Group”	Zall Investment Group Co., Ltd. (卓爾投資集團有限公司), formerly known as Wuhan Zall Investment Co., Ltd. (武漢投資有限公司), a company established in the PRC with limited liability on 31 December 2004 and an indirect wholly owned subsidiary of the Company
“%”	per cent

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

Hong Kong, 7 April 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.