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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)

**SUBSCRIPTION OF NEW SHARES
UNDER GENERAL MANDATE**

The Board is pleased to announce that on 6 August 2015 (after trading hours of the Stock Exchange), the Company entered into the Share Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue, on the Share Subscription Completion Date, in aggregate 53,448,000 Subscription Shares at a consideration of approximately HK\$155,000,000 at the Subscription Price of HK\$2.90 per Subscription Share.

The 53,448,000 Subscription Shares represent:

- (a) approximately 1.53% of the existing total issued Shares as at the date of this announcement;
- (b) approximately 1.50% of the total issued Shares as enlarged by the allotment and issue of the 53,448,000 Subscription Shares (assuming that there will not be any change in the issued share capital of the Company between the date of this announcement and the Share Subscription Completion Date save for the issue of such Subscription Shares).

If the condition precedent to the completion of the Share Subscription is not satisfied, the Share Subscription will lapse and will not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares or other securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 6 August 2015 (after trading hours of the Stock Exchange), the Company entered into the Share Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue, on the Share Subscription Completion Date, in aggregate 53,448,000 Subscription Shares at a consideration of approximately HK\$155,000,000 at the Subscription Price of HK\$2.90 per Subscription Share.

PRINCIPAL TERMS OF THE SHARE SUBSCRIPTION AGREEMENT

Date:

6 August 2015

Parties:

- (a) the Company as issuer; and
- (b) the Subscriber.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Subscriber is an Independent Third Party. The Subscriber will not become a substantial shareholder (as defined in the Listing Rules) of the Company immediately upon completion of the Share Subscription.

The Subscription Shares:

The Subscription Shares represent:

- (a) approximately 1.53% of the total issued Shares as at the date of this announcement; and
- (b) approximately 1.50% of the total issued Shares as enlarged by the allotment and issue of the Subscription Shares (assuming that there will not be any change in the issued share capital of the Company between the date of this announcement and the Share Subscription Completion Date save for the issue of such Subscription Shares).

The aggregate nominal value of the Subscription Shares is HK\$534,480.

Ranking of the Subscription Shares

The Subscription Shares, when allotted, issued and credited as fully paid up, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares, including the right to receive all future dividends and distributions which may be declared, made or paid by the Company on a record date of which falls on or after the date of allotment and issue of the Subscription Shares.

General Mandate

The Subscription Shares will be allotted and issued under the General Mandate. As at the date of this announcement, the Company has not utilized the General Mandate and the can issue up to 700,000,000 new Shares. The issue of the Subscription Shares is not subject to the approval of the Shareholders.

Application for listing

An application will be made by the Company to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

The Subscription Price

The Subscription Price of HK\$2.90 per Subscription Share represents:

- (a) a discount of approximately 4.61% to the closing price of HK\$3.04 per Share as quoted on the Stock Exchange on 5 August 2015, being the last trading day immediately prior to the date of the Share Subscription Agreement;
- (b) a discount of approximately 6.45% to the closing price of HK\$3.10 per Share as quoted on the Stock Exchange on 6 August 2015, being the date of the Share Subscription Agreement; and
- (c) a discount of approximately 3.91% to the average closing price of approximately HK\$3.018 per Share as quoted on the Stock Exchange for the last five trading days up to and including 5 August 2015 (both dates inclusive), being the date immediately preceding the date of the Share Subscription Agreement.

The Subscription Price was determined after arm's length negotiations between the Subscriber and the Company with reference to the recent trading performance of the Shares and business prospects of the Group. The Directors consider that the Subscription Price is fair and reasonable under the current market conditions and the Share Subscription is in the interest of the Company and the Shareholders as a whole.

The Subscription Shares have a market value of approximately HK\$166 million, based on the closing price of HK\$3.10 per Share on 6 August 2015, being the date of the Share Subscription Agreement.

Based on the net proceeds of approximately HK\$155 million, the net price per Subscription Share is HK\$2.90.

Condition for the Share Subscription

Pursuant to the Share Subscription Agreement, completion of the Share Subscription is conditional upon the listing committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares.

If the above condition is not satisfied on or before the Long Stop Date, the Share Subscription Agreement shall lapse automatically.

Completion of Share Subscription

Completion of Share Subscription under the Share Subscription Agreement shall take place on the Share Subscription Completion Date.

INFORMATION OF THE SUBSCRIBER

The Subscriber, Dr. Yu Gang, was the co-founder and chairman emeritus of Yihaodian, a leading e-commerce company in China. He has also served as Vice President at Dell Inc. and Amazon.com. Dr. Yu Gang received his PhD from the Wharton School of Business, University of Pennsylvania in 1990.

REASONS FOR THE SHARE SUBSCRIPTION

The Company through its subsidiaries is principally engaged in developing and operating of large-scale, consumer product-focused wholesale shopping malls and commercial properties in the People's Republic of China. As stated in the Company's interim report for the six months ended 30 June 2014 and 2014 annual report, the Company was considering a strategic restructuring exercise on its existing businesses to lower the proportion of non-core property development business in the overall businesses so as to concentrate the Group's resources on the extended value added business, such as warehousing, logistics, E-commerce and financial services, in addition to developing and operating large-scale consumer product focused wholesale shopping malls.

In view of the above, the Directors (including the independent non-executive Directors) consider the terms of the Share Subscription Agreement, which were negotiated on an arm's length basis and agreed on normal commercial terms between the parties involved, are fair and reasonable, and the Share Subscription is in the interests of the Company and the Shareholders as a whole.

INTENDED USE OF PROCEEDS

The gross and net aggregate proceeds after deducting all relevant costs and expenses of the Share Subscription is approximately HK\$155 million and HK\$155 million, respectively, representing a net price of HK\$2.90 per Subscription Share. The Company intends to apply all the net proceeds to be raised from the Share Subscription for the development of the Company's E-commerce business and other general corporate purposes.

FUND RAISING ACTIVITIES DURING THE PAST TWELVE MONTHS

The Company has not carried out any equity fund raising activities during the 12 months immediately preceding the date of this announcement.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (a) as at the date of this announcement; and (b) immediately upon completion of the Share Subscription (assuming that there will not be any change in the issued share capital of the Company from the date of this announcement to the Share Subscription Completion Date) are as follow:

Shareholders	As at the date of this announcement		Immediately after the completion of the Share Subscription (assuming that there will not be any change in the issued share capital of the Company from the date of this announcement to the Share Subscription Completion Date)	
	Number of Shares	%	Number of Shares	%
Zall Development Investment Company Limited and Mr. Yan Zhi ^(Note 1)	2,686,111,000	76.75	2,686,111,000	75.60
<i>Public</i>				
Rich Unicorn Holdings Limited ^(Note 2)	288,889,000	8.25	288,889,000	8.13
The Subscriber	—	—	53,448,000	1.50
Other public Shareholders	<u>525,000,000</u>	<u>15.00</u>	<u>525,000,000</u>	<u>14.77</u>
	<u><u>3,500,000,000</u></u>	<u><u>100.00</u></u>	<u><u>3,553,448,000</u></u>	<u><u>100.00</u></u>

Notes:

1. As at the date of this announcement, Zall Development Investment Company Limited is a company wholly-owned by Mr. Yan Zhi, Mr. Yan Zhi is deemed to be interested in 2,686,111,000 Shares currently held by Zall Development Investment Company Limited.
2. As at the date of this announcement, Rich Unicorn Holdings Limited is a company wholly-owned by Mr. Ji Changqun. Mr. Ji Changqun is deemed to be interested in 288,889,000 Shares currently held by Rich Unicorn Holdings Limited.

If the condition precedent to the completion of the Share Subscription is not satisfied, the Share Subscription will lapse and will not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares or other securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Board”	the board of Directors
“Business Day(s)”	any day(s) (excluding Saturday, Sunday and public holiday) on which banks are generally open for business in Hong Kong
“Company”	Zall Development Group Ltd. (Stock Code: 2098), a company incorporated in Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution passed at the Company’s annual general meeting on 29 May 2015 to allot and issue up to 700,000,000 Shares, representing 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of the said meeting
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons as defined under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 August 2015 or such other date as the Company and the Subscriber may agree in writing
“PRC”	the People’s Republic of China
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Subscription”	the subscription for the Subscription Shares by the Subscriber pursuant to the terms of the Share Subscription Agreement
“Share Subscription Agreement”	the agreement dated 6 August 2015 entered into between the Company and the Subscriber in connection with the subscription of 53,448,000 new Shares by the Subscriber
“Share Subscription Completion Date”	the day on which the completion of Share Subscription takes place, which shall be the third Business Day after the date on which the condition precedent to the Share Subscription Agreement is fulfilled or such other date as the Company and the Subscriber may agree in writing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Dr. Yu Gang
“Subscription Price”	HK\$2.90 per Subscription Share

“Subscription Shares” a total of 53,448,000 new Shares to be subscribed by the Subscriber pursuant to the Share Subscription Agreement at an aggregate consideration of HK\$155,000,000 at the Subscription Price of HK\$2.90 per Subscription Share

“substantial shareholder” has the meaning ascribed to it under the Listing Rules

“%” per cent

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

Hong Kong, 6 August 2015

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 of the Company; Mr. Fu Gaochao, as non-executive director of the Company; Ms. Yang Qiongzhen, Mr. Cheung Ka Fai and Mr. Peng Chi, as independent non-executive directors of the Company.