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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Zall Development Group Ltd., you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This circular appears for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

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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)

**PROPOSED SHARE SUBDIVISION,
PROPOSED CHANGE IN BOARD LOT SIZE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening the EGM of the Company to be held at Suite 1606, 16/F, Two Exchange Square, Central, Hong Kong at 11:00 a.m. on Friday, 16 October 2015 is set out on pages 10 to 11 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to Tricor Investor Services Ltd, the Hong Kong branch share registrar and transfer office of the Company, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

29 September 2015

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DEFINITIONS

In this circular, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday and Sunday) on which banks in Hong Kong are generally open for normal banking business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Company’s securities for trading on the Stock Exchange from 1,000 Shares to 3,000 Subdivided Shares
“Company”	Zall Development Group Ltd., a company incorporated in the Cayman Islands with limited liability whose Shares are listed and traded on the Main Board of the Stock Exchange
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held for the purpose of considering and, if thought fit, approving, the Share Subdivision
“Existing Share Certificate(s)”	the form of certificate(s) of the Shares in Blue colour
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	24 September 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Committee”	has the meaning ascribed to it in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share Certificate(s)”	the form of certificate(s) of the Subdivided Shares in Green colour

DEFINITIONS

“Pre-IPO Share Option(s)”	option(s) granted under the Pre-IPO Share Option Scheme entitling the holders thereof to subscribe for Share(s) or Subdivided Share(s), as the case may be
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme of the Company adopted on 20 June 2011
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company prior to the Share Subdivision
“Shareholder(s)”	holder(s) of Shares or Subdivided Shares, as the case may be
“Share Option(s)”	option(s) granted under the Share Option Scheme entitling the holders thereof to subscribe for Share(s) or Subdivided Share(s), as the case may be
“Share Option Scheme”	the share option scheme of the Company adopted on 20 June 2011
“Share Subdivision”	the proposed subdivision of every one (1) issued and unissued Share of par value of HK\$0.01 each into three (3) Subdivided Shares of par value of HK\$0.00333 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subdivided Share(s)”	ordinary share(s) of par value of HK\$0.00333 each in the share capital of the Company upon completion of the Share Subdivision

EXPECTED TIMETABLE

The expected timetable for the Share Subdivision and the Change in Board Lot Size is set out below:

2015

Latest time for lodging form of proxy for
the EGM (48 hours before the EGM)..... 11:00 a.m. on Wednesday,
14 October

Date and time of the EGM 11:00 a.m. on Friday,
16 October

Publication of the announcement of the results of the EGM Friday, 16 October

The following events are conditional upon the fulfilment of the conditions for the implementation of the Share Subdivision as set out in the paragraph headed “Conditions of the Share Subdivision” in the Letter from the Board.

Effective date of the Share Subdivision..... Monday, 19 October

First day of free exchange of the
Existing Share Certificates for the
New Share Certificates for the Subdivided Shares Monday, 19 October

Dealing in the Subdivided Shares commences..... 9:00 a.m. on Monday,
19 October

Original counter for trading in Shares
in board lots of 1,000 Shares temporarily closes..... 9:00 a.m. on Monday,
19 October

Temporary counter for trading in Subdivided Shares
in board lot size of 3,000 Subdivided Shares
(in the form of Existing Share Certificates) opens 9:00 a.m. on Monday,
19 October

Original counter for trading in Subdivided Shares
in board lots of 3,000 Subdivided Shares
(only New Share Certificates for the Subdivided Shares
can be traded at this counter) reopens 9:00 a.m. on Tuesday,
3 November

Parallel trading in the Shares and Subdivided Shares
(in the form of Existing Share Certificates and
New Share Certificates) commences..... 9:00 a.m. on Tuesday,
3 November

EXPECTED TIMETABLE

Temporary counter for trading in Subdivided Shares
in board lot size of 3,000 Subdivided Shares
(in the form of Existing Share Certificates) closes 4:00 p.m. on Monday,
23 November

Parallel trading in the Shares and Subdivided Shares
(in the form of Existing Share Certificates and
New Share Certificates) ends 4:00 p.m. on Monday,
23 November

Free exchange of the Existing Share Certificates for
the New Share Certificates for the Subdivided Shares ends 4:30 p.m. on Wednesday,
25 November

All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

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)

Executive Directors:

Mr. Yan Zhi *(Co-chairman and Chief Executive Officer)*

Dr. Gang Yu *(Co-chairman)*

Mr. Cui Jinfeng

Ms. Wang Danli

Non-Executive Director:

Mr. Fu Gaochao

Independent Non-Executive Directors:

Ms. Yang Qiongzhen

Mr. Cheung Ka Fai

Mr. Peng Chi

Registered office:

Cricket Square

Hutchins Drive

P. O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

Principal Place of

Business in Hong Kong:

Suite 1606, 16th Floor

Two Exchange Square

Central

Hong Kong

29 September 2015

To the Shareholders

Dear Sir or Madam,

**PROPOSED SHARE SUBDIVISION,
PROPOSED CHANGE IN BOARD LOT SIZE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

On 14 September 2015, the Board announced the proposal to effect the Share Subdivision whereby every one (1) existing issued and unissued Share of par value of HK\$0.01 each in the share capital of the Company will be subdivided into three (3) Subdivided Shares of par value of HK\$0.00333 each.

The purpose of this circular is to provide you with further information regarding the Share Subdivision and the Change in Board Lot Size and to give you the notice of the EGM to be convened for the purpose of considering and, if thought fit, approving the Share Subdivision.

LETTER FROM THE BOARD

PROPOSED SHARE SUBDIVISION

The Board proposes to that every one (1) existing issued and unissued Share of par value of HK\$0.01 each in the share capital of the Company be subdivided into three (3) Subdivided Shares of par value of HK\$0.00333 each.

Effect of the Share Subdivision

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$80,000,000 divided into 8,000,000,000 Shares of par value of HK\$0.01 each, of which 3,553,448,000 Shares have been issued and are fully paid or credited as fully paid. Assuming that no further Shares are issued or repurchased between the Latest Practicable Date and the date of the EGM, immediately after the Share Subdivision becoming effective, the authorised share capital of the Company will become HK\$80,000,000 divided into 24,000,000,000 Subdivided Shares of par value of HK\$0.00333 each, of which 10,660,344,000 Subdivided Shares of par value of HK\$0.00333 each will be in issue which are fully paid or credited as fully paid following the Share Subdivision becoming effective.

Upon the Share Subdivision becoming effective, all Subdivided Shares will rank *pari passu* with each other in all respects with the Shares in issue prior to the Shares Subdivision and the Share Subdivision will not be expected to result in any change in the relevant rights of the Shareholders.

Conditions of the Share Subdivision

The Share Subdivision is conditional upon:

- (i) the passing of the ordinary resolution to approve the Share Subdivision by the Shareholders at the EGM; and
- (ii) the Listing Committee of the Stock Exchange granting approval to the listing of, and permission to deal in, the Subdivided Shares and any new Subdivided Shares which may fall to be issued pursuant to the exercise of the Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme or Share Options to be granted under the Share Option Scheme.

Assuming all the conditions are fulfilled, the Share Subdivision will become effective on the Business Day following the passing of the ordinary resolution at the EGM, which is expected to be held on 16 October 2015.

LETTER FROM THE BOARD

Free exchange of share certificates and trading arrangement

Subject to the Share Subdivision becoming effective, which is expected to be on Monday, 19 October 2015, Shareholders may, during the period from Monday, 19 October 2015 to Wednesday, 25 November 2015 (both days inclusive) between 9:00 a.m. and 4:30 p.m. on any Business Day, submit the Existing Share Certificates to the Company's Hong Kong branch share registrar and transfer office in Hong Kong, Tricor Investor Services Ltd at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, to exchange, at the expense of the Company, for the New Share Certificates of the Subdivided Shares. Thereafter, each Existing Share Certificate will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each New Share Certificate for cancellation, whichever the number of certificates issued or cancelled is higher. Nevertheless, the Existing Share Certificates will continue to be good evidence of legal title and may be exchanged for the New Share Certificates for the Subdivided Shares at any time after Wednesday, 25 November 2015 but are not accepted for trading, settlement and registration upon completion of the Share Subdivision.

Adjustments to the Pre-IPO Share Options

As at the Latest Practicable Date, 28,857,500 Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme are outstanding. Under the relevant terms and conditions thereof, the Share Subdivision may lead to adjustments to the exercise price and/or the number of Shares falling to be issued upon the exercise of the Pre-IPO Share Options pursuant to the terms thereof. The Company will inform the holders of the Pre-IPO Share Options of such adjustments as and when appropriate. The Company will arrange an independent financial advisor or its auditor to certify such adjustment pursuant to the terms of the Pre-IPO Share Option Scheme.

Save as disclosed above, as at the Latest Practicable Date, the Company has no other outstanding options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any Shares or Subdivided Shares, as the case may be.

Listing application

An application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Subdivided Shares and any new Subdivided Shares which may fall to be issued pursuant to the exercise of the Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme or Share Options to be granted under the Share Option Scheme.

Subject to the granting of the listing of, and permission to deal in, the Subdivided Shares on the Stock Exchange, the Subdivided Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Subdivided Shares on the Stock Exchange or, under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on

LETTER FROM THE BOARD

any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No part of the securities of the Company is listed or dealt in on which listing or permission to deal in is being or is proposed to be sought on other stock exchanges.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Shares are traded in board lots of 1,000 Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 1,000 Shares to 3,000 Subdivided Shares after and conditional upon the Share Subdivision becoming effective.

Based on the closing price of HK\$5.23 per Share (equivalent to approximately HK\$1.743 per Subdivided Share) as at the Latest Practicable Date, the value of each board lot of 3,000 Subdivided Shares, assuming the Share Subdivision and the Change in Board Lot Size had already become effective, would be HK\$5,230. The proposed new board lot of 3,000 Subdivided Shares, together with the Share Subdivision, will effectively maintain the current board lot value of HK\$5,230 (based on the closing price of the Shares on the Latest Practicable Date and adjusted for the effect of Share Subdivision).

The proposed Change in Board Lot Size is conditional upon the Share Subdivision becoming effective. In the event that the ordinary resolution to approve the Share Subdivision is not passed by the Shareholders at the EGM, the Board will not proceed with the proposed Change in Board Lot Size.

Arrangement on odd lot trading

As it is expected that no odd lot of the Shares will be created as a result of the Share Subdivision and the Change in Board Lot Size, no odd lot arrangement to match the sales and purchase of odd lots will be made.

REASONS FOR THE SHARE SUBDIVISION AND THE CHANGE IN BOARD LOT SIZE

The Share Subdivision will decrease the nominal value per Share and increase the total number of shares of the Company in issue. The Share Subdivision will also result in a downward adjustment to the trading price of each Share. The Board believes that a smaller trading price per Share will allow the Company to attract retail investors more effectively, thereby improving the liquidity in trading of Shares and widening the base of Shareholders. Accordingly, the Board considers that the proposed Share Subdivision is in the interests of the Company and the Shareholders as a whole.

Other than the relevant expenses, including but not limited to professional fees and printing charges incurred, the implementation of the Share Subdivision and the Change in Board Lot Size will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying

LETTER FROM THE BOARD

assets, business, operations, management or financial position of the Company or the interests of the Shareholders. The Directors believe that the Share Subdivision will not have any material adverse effect on the financial position of the Group.

THE EGM

The Company will convene the EGM at Suite 1606, 16/F, Two Exchange Square, Central, Hong Kong on Friday, 16 October 2015 at 11:00 a.m. to consider and if thought fit, approve an ordinary resolution in relation to the Share Subdivision as set out in the notice of the EGM as set out on pages 10 to 11 of this circular.

A form of proxy for use in connection with the EGM is enclosed herewith. Whether or not you intend to be present and vote at the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. The completion and delivery of a form of proxy will not preclude you from attending and voting at the EGM in person should you so wish. If you attend and vote at the EGM, the authority of your proxy will be revoked. Pursuant to Rule 13.39(4) of the Listing Rules, voting by the Shareholders at the general meeting will be by poll. After the conclusion of the EGM, the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

STATEMENT OF RESPONSIBILITY

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purposes of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the proposed Share Subdivision is in the best interest of the Company and the Shareholders as a whole and so recommend all Shareholders to vote in favour of the resolution to be proposed at the EGM.

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

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)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “EGM”) of Zall Development Group Ltd. (the “**Company**”) will be held at Suite 1606, 16/F, Two Exchange Square, Central, Hong Kong on Friday, 16 October 2015 at 11:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution:

ORDINARY RESOLUTION

“**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in, the Subdivided Shares (as hereafter defined), each of the issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company be and is hereby subdivided into three (3) ordinary shares of HK\$0.00333 each (the “**Subdivided Shares**”), with effect from the Business Day which is a settlement day for the trading of shares of the Company on the Stock Exchange immediately following the date on which this resolution is passed (the “**Share Subdivision**”) and that any director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by the Director in his/her absolute discretion to be incidental to, ancillary to or in connection with the matters contemplated in, for completion of the Share Subdivision including but not limited to, cancelling any existing share certificates and issuing new share certificates in respect of the Subdivided Shares to holders of the existing shares of the Company pursuant to the Share Subdivision.”

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

Hong Kong, 29 September 2015

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the above EGM may appoint one, or if he holds two or more shares, more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. Where there are joint holders of any share, any one of such joint holder may vote, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
3. In order to be valid, a form of proxy together with the power of attorney (if any) or other authority (if any) under which it is signed, or a certified copy thereof, must be deposited at the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Ltd at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof. The proxy form will be published on the website of the Stock Exchange. The completion and return of the form of proxy shall not preclude a member from attending and voting in person at the EGM or any adjournment thereof if they so wish.

As at the date of this notice, the Board comprises Mr. Yan Zhi, Dr. Gang Yu, Mr. Cui Jinfeng 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.