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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)**

**DISCLOSEABLE AND CONNECTED TRANSACTION**

**DISPOSAL OF EQUITY INTEREST IN  
ZALL SHENYANG AND ZALL TRADING XIAOGAN**

**THE ZALL SHENYANG EQUITY TRANSFER**

On 23 November 2015, Zall Hong Kong and Zall Property entered into the Zall Shenyang Equity Transfer Agreement, pursuant to which Zall Hong Kong has agreed to sell and Zall Property has agreed to purchase the Zall Shenyang Equity Interest at a consideration of RMB65,222,000.

**THE ZALL XIAOGAN EQUITY TRANSFER**

On 23 November 2015, Zall Hong Kong and Zall Property entered into the Zall Xiaogan Equity Transfer Agreement, pursuant to which Zall Hong Kong has agreed to sell and Zall Property has agreed to purchase the Zall Xiaogan Equity Interest at a consideration of RMB16,556,000.

**IMPLICATIONS UNDER THE LISTING RULES**

Reference is made to the Previous Announcement in relation to the Previous Transfers. Pursuant to Rule 14.22 of the Listing Rules, transactions completed within a 12 month period or otherwise related are required to be aggregated in determining the percentage ratio(s). As (i) each of the Equity Transfers is entered into by the Group with the same party; and (ii) both the Equity Transfers and the Previous Transfers involve the disposal of the Group's interest in the Target Companies, the Equity Transfers and the Previous Transfers are required to be aggregated under Rules 14.22 and 14.23 of the Listing Rules.

The Equity Transfers, when aggregated with the Previous Transfers in accordance with the Listing Rules, constitute a discloseable transaction for the Company on the basis that the relevant percentage ratio(s) exceeds 5% but is below 25%, and are therefore subject to reporting and announcement requirements under the Listing Rules.

As at the date of this announcement, Zall Property is wholly and beneficially owned by Mr. Yan, being the Controlling Shareholder, the co-chairman and an executive Director of the Company. Zall Property is therefore an associate of Mr. Yan and hence a connected person of the Company under Chapter 14A of the Listing Rules.

As each of the relevant applicable percentage ratios (other than the profits ratio) set out in Rule 14.07 of the Listing Rules in respect of the Equity Transfers, when aggregated together in accordance with the Listing Rules, is less than 5%, the Equity Transfers are subject to reporting and announcement requirements but are exempted from the circular and independent shareholders' approval requirement under the Listing Rules.

## **THE ZALL SHENYANG EQUITY TRANSFER**

On 23 November 2015, Zall Hong Kong and Zall Property entered into the Zall Shenyang Equity Transfer Agreement, the principal terms of which are set out below:

### **Date**

23 November 2015

### **Parties**

- (1) Zall Hong Kong as the seller; and
- (2) Zall Property as the purchaser

### **Asset to be disposed of**

Zall Hong Kong agreed to sell and Zall Property agreed to purchase the Zall Shenyang Equity Interest (being 10% of the equity interest in Zall Development Shenyang) free from all encumbrances together with all rights now or thereafter attaching thereto.

### **Consideration**

The Zall Shenyang Equity Transfer Consideration is RMB65,222,000, which shall be settled by way of the partial discharge of the Shareholder's Loan within 7 days after the date of the Zall Shenyang Equity Transfer Agreement.

The Zall Shenyang Equity Transfer Consideration was determined after arm's length negotiation among the parties and based on 10% premium on the proportionate audited net asset value of 10% equity interests of Zall Development Shenyang as at 31 December 2014, having taken into account of the financial performance and business prospect of Zall Development Shenyang. The proportional net asset value of 10% equity interest of Zall Development Shenyang as at 31 December 2014 based on the audited financial statements was approximately RMB59,383,000.

## **THE ZALL XIAOGAN EQUITY TRANSFER**

On 23 November 2015, Zall Hong Kong and Zall Property entered into the Zall Xiaogan Equity Transfer Agreement, the principal terms of which are set out below:

### **Date**

23 November 2015

### **Parties**

- (1) Zall Hong Kong as the seller; and
- (2) Zall Property as the purchaser

### **Asset to be disposed of**

Zall Hong Kong agreed to sell and Zall Property agreed to purchase the Zall Xiaogan Equity Interest (being 10% of the equity interest in Zall Trading Xiaogan) free from all encumbrances together with all rights now or thereafter attaching thereto.

### **Consideration**

The Zall Xiaogan Equity Transfer Consideration is RMB16,556,000, which shall be settled by way of the partial discharge of the Shareholder's Loan within 7 days after the date of the Zall Xiaogan Equity Transfer Agreement.

The Zall Xiaogan Equity Transfer Consideration was determined after arm's length negotiation among the parties and based on 10% premium on the proportionate audited net asset value of 10% equity interests of Zall Trading Xiaogan and Zall Development Xiaogan as at 31 December 2014, having taken into account of the financial performance and business prospect of Zall Trading Xiaogan and Zall Development Xiaogan.

The aggregated sum of the proportional net asset values of 10% equity interest of Zall Trading Xiaogan and Zall Development Xiaogan as at 31 December 2014 based on the respective audited financial statements was approximately RMB15,084,000. The financial statements of Zall Development Xiaogan for the year ended 31 December 2014 was not consolidated into the financial statements of Zall Trading Xiaogan for the year ended 31 December 2014 as Zall Development Xiaogan only became a subsidiary of Zall Trading Xiaogan since 8 June 2015.

## **FINANCIAL EFFECT OF THE EQUITY TRANSFERS**

The Group expects to recognise a gain of approximately RMB3,079,000 from the Zall Shenyang Equity Transfers, subject to audit by the auditor of the Group, which is calculated with reference to the Zall Shenyang Equity Transfer Consideration and the unaudited carrying amount of net asset value of Zall Shenyang Equity Interest.

The Group expects to recognise a gain of approximately RMB934,000 from the Zall Xiaogan Equity Transfers, subject to audit by the auditor of the Group, which is calculated with reference to the Zall Xiaogan Equity Transfer Consideration and the unaudited carrying amount of net asset value of Zall Xiaogan Equity Interest.

## **REASONS FOR THE EQUITY TRANSFERS AND USE OF PROCEEDS**

The Group has been adjusting its principal business activities and will concentrate its resources on the core business segment, i.e. the development and operating of large-scale consumer product-focused wholesale shopping malls and the related value-added business, such as warehousing, logistics, e-commerce and financial services. The Target Companies are being disposed of because their principal business activities, being residential and commercial property development, are not in line with the Group's core business segment and future direction. In addition, since (i) the Zall Shenyang Equity Interest and the Zall Xiaogan Equity Interest will be sold at a premium and (ii) the partial discharge of the Shareholder's Loan will reduce the overall borrowing level and will strengthen the financial position of the Group, the Directors consider that it is a good opportunity to conduct the Equity Transfers.

The Directors, including the independent non-executive Directors, consider that the terms of the Equity Transfer Agreements and the Equity Transfers were entered into on normal commercial terms following arm's length negotiations between the parties and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The considerations for the Equity Transfers in the total sum of RMB81,778,000 will be settled by way of the partial discharge of the Shareholder's Loan and will not generate any net cash proceeds.

## **INFORMATION RELATING TO THE COMPANY AND ZALL PROPERTY**

### **The Company**

The Company is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange.

The Company is an investment holding company and the Group is a leading developer and operator of large-scale, consumer product-focused wholesale shopping malls, as well as and commercial space provider, in the PRC.

## Zall Property

Zall Property is a company incorporated in Hong Kong with limited liability and as at the date of this announcement, it is wholly and beneficially owned by Mr. Yan. The principal business activity of Zall Property is investment holding.

## INFORMATION RELATING TO THE TARGET COMPANIES

### Zall Development Shenyang

As at the date of this announcement, Zall Development Shenyang is owned as to 10% by Zall Hong Kong and is principally engaged in residential and commercial property development in the PRC.

The total asset values and net asset values of Zall Development Shenyang as at 31 December 2014 based on the audited financial statements were approximately RMB1,096,605,000 and RMB593,825,000 respectively.

Set out below is the financial information of Zall Development Shenyang for the two financial years ended 31 December 2013 and 2014. The unaudited figures for the year ended 31 December 2013 have been prepared in accordance with HKFRS and the audited figures for the year ended 31 December 2014 have been extracted from the audited financial statements prepared in accordance with HKFRS:

	<b>For the year ended 31 December 2013</b>	<b>For the year ended 31 December 2014</b>
	unaudited	audited
	(RMB'000)	(RMB'000)
Net loss before tax	15,779	16,257
Net loss after tax	13,259	12,319

### Zall Trading Xiaogan

As at the date of this announcement, Zall Trading Xiaogan is owned as to 10% by Zall Hong Kong and Zall Development Xiaogan is directly and wholly-owned by Zall Trading Xiaogan. Zall Trading Xiaogan is principally engaged in residential and commercial property development in the PRC. The financial statements of Zall Development Xiaogan for the year ended 31 December 2014 was not consolidated into the financial statements of Zall Trading Xiaogan for the year ended 31 December 2014 as Zall Development Xiaogan only became a subsidiary of Zall Trading Xiaogan since 8 June 2015.

Zall Trading Xiaogan and Zall Development Xiaogan hold the interest in a tourism real estate project in the PRC.

The total asset values and net asset values of Zall Trading Xiaogan as at 31 December 2014 based on the audited financial statements were approximately RMB94,783,000 and RMB93,597,000 respectively.

Set out below is the financial information of Zall Trading Xiaogan for the period from date of incorporation on 26 September 2013 to 31 December 2013 and the financial year ended 31 December 2014. The unaudited figures for the period from date of incorporation to 31 December 2014 have been extracted from the audited financial statements prepared in accordance with HKFRS:

	<b>For the period from date of incorporation to 31 December 2013</b>	<b>For the year ended 31 December 2014</b>
	unaudited (RMB'000)	audited (RMB'000)
Net loss before tax	6	6,396
Net loss after tax	6	6,396

The total asset values and net asset values of Zall Development Xiaogan as at 31 December 2014 based on the audited financial statements were approximately RMB106,405,000 and RMB57,239,000 respectively.

Set out below is the financial information of Zall Development Xiaogan for the period from date of incorporation on 21 February 2014 to 31 December 2014. The audited figures for the period from date of incorporation on 21 February 2014 to 31 December 2014 have been extracted from the audited financial statements prepared in accordance with HKFRS:

	<b>For the period from date of incorporation to 31 December 2014</b>
	audited (RMB'000)
Net loss before tax	3,682
Net loss after tax	2,761

## **IMPLICATIONS UNDER THE LISTING RULES**

Reference is made to the Previous Announcement in relation to the Previous Transfers. Pursuant to Rule 14.22 of the Listing Rules, transactions completed within a 12 month period or otherwise related are required to be aggregated in determining the percentage ratio(s). As (i) each of the Equity Transfers is entered into by the Group with the same party; and (ii) both the Equity Transfers and the Previous Transfers involve the disposals of the Group's interest in the Target Companies, the Equity Transfers and the Previous Transfers are required to be aggregated under Rules 14.22 and 14.23 of the Listing Rules.

The Equity Transfers, when aggregated with the Previous Transfers in accordance with the Listing Rules, constitute a discloseable transaction for the Company on the basis that the relevant percentage ratio(s) exceeds 5% but is below 25%, and are therefore subject to reporting and announcement requirements under the Listing Rules.

As at the date of this announcement, Zall Property is wholly and beneficially owned by Mr. Yan, being the Controlling Shareholder, the co-chairman and an executive Director of the Company. Zall Property is therefore an associate of Mr. Yan and hence a connected person of the Company under Chapter 14A of the Listing Rules.

As each of the relevant applicable percentage ratios (other than the profits ratio) set out in Rule 14.07 of the Listing Rules in respect of the Equity Transfers, when aggregated together in accordance with the Listing Rules, is less than 5%, the Equity Transfers are subject to reporting and announcement requirements but are exempted from the circular and independent shareholders' approval requirement under the Listing Rules.

Since Mr. Yan owns approximately 75.59% of the issued share capital of the Company and indirectly and wholly owns Zall Property, he is considered to be interested in the connected transactions in respect of the Equity Transfers and therefore, has abstained from voting on the relevant resolutions of the Board.

## **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

“Equity Interests”	the Zall Shenyang Equity Interest and the Zall Xiaogan Equity Interest
“Equity Transfers”	the Zall Shenyang Equity Transfer and the Zall Xiaogan Equity Transfer
“Equity Transfer Agreements”	the Zall Shenyang Equity Transfer Agreement and the Zall Xiaogan Equity Transfer Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKFRS”	Hong Kong Financial Reporting Standards
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Yan”	Mr. Yan Zhi, a Controlling Shareholder, the co-chairman and executive Director of the Company as at the date of this announcement
“PRC”	the People’s Republic of China
“Previous Announcement”	the announcement dated 24 June 2015 made by the Company in relation to the Previous Transfers
“Previous Transfers”	the disposals of 90% of the equity interest in Zall Development Shenyang and Zall Trading Xiaogan respectively by Zall Hong Kong and the particulars of which are disclosed in the Previous Announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder’s Loan”	the shareholder’s loan owed by the Company to Zall Development Investment
“Shareholders”	the shareholders of the Company
“Target Companies”	Zall Development Shenyang and Zall Trading Xiaogan
“Zall Development Investment”	Zall Development Investment Company Limited, a company incorporated in the British Virgin Islands with limited liability and is directly and wholly-owned by Mr. Yan, and is directly holding 75.59% of the issued share capital of the Company, as at the date of this announcement

“Zall Development Shenyang”	Zall Development (Shenyang) Co., Ltd.* (卓爾發展(瀋陽)有限公司), a company established in the PRC with limited liability and owned as to 10% by Zall Hong Kong as at the date of this announcement
“Zall Development Xiaogan”	Zall Development (Xiaogan) Co., Ltd.* (卓爾發展(孝感)有限公司), a company established in the PRC with limited liability, a direct wholly-owned subsidiary of Zall Trading Xiaogan as at the date of this announcement
“Zall 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 and an indirect wholly-owned subsidiary of the Company
“Zall Property”	Zall Property Investment Limited* (卓爾地產投資有限公司), a company established in the PRC with limited liability and is wholly and beneficially owned by Mr. Yan as at the date of this announcement
“Zall Shenyang Equity Interest”	10% of the equity interest in Zall Development Shenyang
“Zall Shenyang Equity Transfer”	the transfer of the Zall Shenyang Equity Interest from Zall Hong Kong to Zall Property
“Zall Shenyang Equity Transfer Agreement”	the sale and purchase agreement dated 23 November 2015 entered into between Zall Hong Kong and Zall Property in relation to the Zall Shenyang Equity Transfer
“Zall Shenyang Equity Transfer Consideration”	the total consideration payable by Zall Property for the Zall Shenyang Equity Transfer pursuant to the terms of the Zall Shenyang Equity Transfer Agreement
“Zall Trading Xiaogan”	Zall Trading Development (Xiaogan) Co., Ltd.* (卓爾商貿發展(孝感)有限公司), a company established in the PRC with limited liability and is owned as to 10% by Zall Hong Kong as at the date of this announcement
“Zall Xiaogan Equity Interest”	10% of the equity interest in Zall Trading Xiaogan
“Zall Xiaogan Equity Transfer”	the transfer of Zall Xiaogan Equity Interest from Zall Hong Kong to Zall Property
“Zall Xiaogan Equity Transfer Agreement”	the sale and purchase agreement dated 23 November 2015 entered into between Zall Hong Kong and Zall Property in relation to the Zall Xiaogan Equity Transfer

“Zall Xiaogan Equity  
Transfer Consideration”

the total consideration payable by Zall Property for the Zall Xiaogan  
Equity Transfer pursuant to the terms of the Zall Xiaogan Equity  
Transfer Agreement

“%”

per cent

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

Hong Kong, 23 November 2015

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

\* *for identification purposes only*