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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 A SUBSIDIARY**

THE DISPOSAL

On 14 December 2015, the Vendor entered into the Agreement with the Purchaser, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Equity Interest in Zall Football Club free from all encumbrances together with all rights now or thereafter attaching thereto at a consideration of RMB20,630,000 (i.e. the Consideration).

IMPLICATIONS UNDER THE LISTING RULES

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

Reference is made to the Previous Announcement in relation to the Previous Transfers. Pursuant to Rule 14A.81 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 each of the Disposal and the Previous Transfers is entered into by the Group with a company wholly and beneficially owned by Mr. Yan, the Disposal and the Previous Transfers are required to be aggregated under Rules 14A.81 and 14A.82 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 Disposal, when aggregated with the Previous Transfers in accordance with the Listing Rules, is less than 5%, the Disposal is subject to reporting and announcement requirements but are exempted from the circular and independent shareholders' approval requirement under the Listing Rules.

THE DISPOSAL

On 14 December 2015, the Vendor entered into the Agreement with the Purchaser, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Equity Interest in Zall Football Club free from all encumbrances together with all rights now or thereafter attaching thereto at a consideration of RMB20,630,000 (i.e. the Consideration).

Consideration

The Consideration of RMB20,630,000 shall be settled in cash within 90 days after the date of the Agreement.

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser and based on the valuation report prepared by an independent valuer.

FINANCIAL EFFECT OF THE DISPOSAL

Upon completion of the Disposal, Zall Football Club will cease to be a subsidiary of the Company.

Subject to audit by the auditor of the Group, the Group expects to recognise a gain of approximately RMB30,474,000 from the Disposal, which is calculated with reference to the Consideration and the unaudited carrying amount of net asset value of the Equity Interest.

REASONS FOR THE DISPOSAL 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.

Since the principal business activity of Zall Football Club is operation of a professional football club, which is not in line with the Group's core business segment and future direction, the Directors consider that it is a good opportunity to conduct the Disposal in order to enable the Group to focus on its core business segment.

The Directors, including the independent non-executive Directors, consider that the terms of the Agreement and the Disposal 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 proceeds from the Disposal in the total sum of RMB20,630,000 will be used as general working capital of the Group.

INFORMATION RELATING TO THE COMPANY, THE VENDOR AND THE PURCHASER

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 commercial space provider, in the PRC.

The Vendor

The Vendor is an indirect wholly-owned subsidiary of the Company which as at the date of this announcement directly wholly-owns the entire equity interest in Zall Football Club. Its principal business is investment holding.

The Purchaser

The Purchaser is a company incorporated in the British Virgin Islands 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 the Purchaser is investment holding.

INFORMATION RELATING TO ZALL FOOTBALL CLUB

As at the date of this announcement, Zall Football Club is a wholly-owned subsidiary of the Vendor and is principally engaged in operation of a professional football club which participates in the China League One of the Chinese Football Association.

The net asset value of Zall Football Club as at 31 December 2014 based on the audited financial statements were approximately RMB2,686,000.

Set out below is the unaudited financial information of Zall Football Club prepared in accordance with International Financial Reporting Standards for the two financial years ended 31 December 2013 and 31 December 2014:

	For the year ended 31 December 2013 <i>(RMB'000)</i>	For the year ended 31 December 2014 <i>(RMB'000)</i>
Net loss before tax	53,989	9,228
Net loss after tax	53,989	9,228

IMPLICATIONS UNDER THE LISTING RULES

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Reference is made to the Previous Announcement in relation to the Previous Transfers. Pursuant to Rule 14A.81 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 each of the Disposal and the Previous Transfers is entered into by the Group with a company wholly and beneficially owned by Mr. Yan, the Disposal and the Previous Transfers are required to be aggregated under Rules 14A.81 and 14A.82 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 Disposal, when aggregated with the Previous Transfers in accordance with the Listing Rules, is less than 5%, the Disposal is 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 75.52% of the issued share capital of the Company and wholly and beneficially owns the Purchaser, he is interested in the Disposal 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:

“Agreement”	the sale and purchase agreement dated 14 December 2015 entered into between the Vendor and the Purchaser in relation to the Disposal
“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
“Consideration”	RMB20,630,000, being the consideration for the Disposal
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Disposal”	the transfer of the Equity Interest from the Vendor to the Purchaser

“Equity Interest”	the entire equity interest in Zall Football Club
“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 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 23 November 2015 made by the Company in relation to, among others, the Previous Transfers
“Previous Transfers”	the disposals of 10% of the equity interest in (i) Zall Development (Xiaogan) Co., Ltd.* (卓爾發展(孝感)有限公司) and (ii) Zall Development (Shenyang) Co., Ltd.* (卓爾發展(瀋陽)有限公司) by the Group to Zall Property Investment Limited* (卓爾地產投資有限公司), the particulars of which are disclosed in the Previous Announcement
“Purchaser”	Zall Holdings Company Limited (卓爾控股有限公司), 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
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Vendor”	Zall Development (Wuhan) Co., Ltd.* (卓爾發展(武漢)有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Zall Football Club”	Wuhan Zall Professional Football Club Co., Ltd.* (武漢卓爾職業足球俱樂部有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent

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

Hong Kong, 14 December 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*