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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 TRANSACTION

JPL AGREEMENT

On 6 April 2016, Zall BVI, an indirect wholly-owned subsidiary of the Company, entered into the JPL Agreement with Vendor A, pursuant to which Vendor A agreed to sell and Zall BVI agreed to purchase 55% of the entire issued shares of JPL Investment free from all encumbrances together with all rights now and thereafter attaching thereto. The consideration for the sale and purchase under JPL Agreement is HK\$59,409,736, which will be satisfied by way of allotment and issuance of Consideration Shares. The Consideration Shares shall be allotted and issued under the General Mandate.

JPL Investment indirectly holds 48.07% equity interest in Sinocan Tech as at the date of this announcement and will indirectly hold 36.42% equity interest in Sinocan Tech following the completion of the subscription of shares in Sinocan Tech under the Subscription Agreement.

SINOCAN AGREEMENT

On 6 April 2016, Zall Tech, an indirect wholly-owned subsidiary of the Company, entered into the Sinocan Agreement with Vendor B, pursuant to which Vendor B agreed to sell and Zall Tech agreed to purchase 3,335,200 shares in Sinocan Tech free from all encumbrances at a consideration of RMB16,676,000 (equivalent to approximately HK\$19,974,128).

SUBSCRIPTION AGREEMENT

On 6 April 2016, Zall Tech entered into the Subscription Agreement with Sinocan Tech, pursuant to which Zall Tech agreed to subscribe for 12,000,000 shares in Sinocan Tech and Sinocan Tech conditionally agreed to allot and issue 12,000,000 shares at RMB60,000,000 (equivalent to approximately HK\$71,866,616).

Following the completion of the transactions contemplated under the JPL Agreement, the Sinocan Agreement and the Subscription Agreement, Sinocan Tech shall become a subsidiary of the Company.

LISTING RULES IMPLICATIONS

As the Transactions for the JPL Agreement, the Sinocan Agreement and the Subscription Agreement are related to the acquisition of interest in Sinocan Tech, they are required to be aggregated under Rules 14.22 and 14.23 of the Listing Rules. The Transactions, on an aggregated basis, constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules on the basis that the relevant percentage ratios exceed 5% but is below 25%, and are therefore subject to reporting and announcement requirements.

PRINCIPAL TERMS OF THE JPL AGREEMENT

The principal terms of the JPL Agreement are set out below:

Date

6 April 2016

Parties

Vendor: Vendor A

Purchaser: Zall BVI, a limited liability company incorporated under the laws of British Virgin Islands and an indirect wholly-owned subsidiary of the Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Vendor A is a third party independent of the Company and its connected persons.

Assets to be acquired

Vendor A agreed to sell and Zall BVI agreed to purchase 55% of the entire issued shares of JPL Investment free from all encumbrances together with all rights now and thereafter attaching thereto. As at the date of this announcement, JPL Investment holds the entire issued shares of JPL Tech HK and in turn, JPL Tech HK holds the entire equity interest in JPL Tech SZ. JPL Tech SZ holds 48.07% equity interest in Sinocan Tech as at the date of this announcement and will hold 36.42% equity interest in Sinocan Tech following the completion of the subscription of shares in Sinocan Tech under the Subscription Agreement.

Conditions precedent

The JPL Completion shall be conditional upon the following matters:—

- (i) the amendments of the constitutional documents of JPL Investment, JPL Tech HK, JPL Tech SZ and Sinocan Tech having been approved by their respective shareholders and regulators (if required) and such amendments having been completed;
- (ii) Vendor A's warranties remaining true, accurate and not misleading in all material respects as at the date of the JPL Agreement and the date of JPL Completion;
- (iii) Vendor A having performed and complied all of its obligations and undertakings prior to or upon JPL Completion;
- (iv) the approvals and consents to the transactions contemplated under JPL Agreement by relevant regulatory authorities and organisations (including banks or regulators (if necessary)) having been obtained;
- (v) the shareholders' approval by Zall BVI in respect of the transactions contemplated under the JPL Agreement having been obtained (if necessary);
- (vi) there has been no objection from the Stock Exchange on the JPL Agreement and the transactions contemplated thereunder;
- (vii) there has been no order from any courts or tribunal of any relevant jurisdictions which restrict, prohibit, prevent (or seek to prevent) or impose conditions to the transactions contemplated under the JPL Agreement at JPL Completion;
- (viii) there has been no laws restricting, prohibiting, or imposing an effect to restrict or prohibit under reasonable expectation upon the transactions contemplated under the JPL Agreement; and
- (ix) there has been no notice received from the Stock Exchange and/or the SFC and/or other regulatory authorities that the Company shall or could possibly be delisted from the Stock Exchange or the listing of which shall be subject to additional conditions.

Save as the above conditions precedent (iv) to (ix) which cannot be waived, Zall BVI may waive, by written notice to Vendor A, any or all of the above conditions precedent. As at the date of this announcement, the above conditions precedent (vii) to (ix) have been fulfilled.

For the avoidance of doubt, the completions of the transactions under the JPL Agreement, the Sinocan Agreement and the Subscription Agreement are not interconditional.

Consideration Shares

The consideration for the sale and purchase under JPL Agreement is HK\$59,409,736, which will be satisfied by Zall BVI procuring the Company to allot and issue the Consideration Shares credited as fully paid to Vendor A within 20 trading days following JPL Completion. Such consideration was determined after arm's length negotiations between Vendor A and Zall BVI after taking into consideration of (i) the net asset value of Sinocan Tech; and (ii) the prospects of Sinocan Tech's business and the possible cooperation between the Group and Sinocan Tech.

The Consideration Shares will be allotted and issued at the issue price of approximately HK\$2.315 each, which represents:

- (i) a discount of approximately 9.92% to the closing price of HK\$2.57 per Share as quoted on the Stock Exchange on the date of the JPL Agreement; and
- (ii) a discount of approximately 5.05% to the average closing price of HK\$2.438 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the JPL Agreement.

The issue price of approximately HK\$2.315 was determined with reference to the recent market price of the Shares. The Directors consider that such issue price is fair and reasonable.

The Consideration Shares represent approximately 0.24% of the issued share capital of the Company as at the date of this announcement and represent approximately 0.24% of the issued share capital of the Company as enlarged by the allotment and issuance of Consideration Shares.

The Consideration Shares shall be allotted and issued under the General Mandate. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares will rank pari passu in all respects with the existing Shares in issue.

Pursuant to the JPL Agreement, Vendor A has provided a non-disposal undertaking on the Consideration Shares such that (i) 70% of the Consideration Shares (i.e. 17,967,600 Shares) shall be retained by him and shall not be disposed, pledged or otherwise dealt with during the period of one year from the date of allotment of Consideration Shares; and (ii) 40% of the Consideration Shares (i.e. 10,267,000 Shares) shall be retained by him and shall not be disposed, pledged or otherwise dealt with during the period of one year from the first anniversary of the date of allotment of Consideration Shares.

Completion

The JPL Completion shall take place on the third business day following the fulfilment of the all conditions precedent under the JPL Agreement.

Profit Guarantee

Pursuant to the JPL Agreement, Vendor A guarantees to Zall BVI that the Profit generated by Sinocan Tech for the three financial years ended 31 December 2018 shall not be less than RMB52,218,740.25. Vendor A shall pay for the shortfall to Sinocan Tech in the event that the total Profit generated by Sinocan Tech for the three financial years ended 31 December 2018 is less than RMB52,218,740.25.

Board Composition

Pursuant to the JPL Agreement, Zall BVI shall be entitled to appoint two members and Vendor A shall be entitled to appoint one member to the board of directors of JPL Investment. In addition, Zall BVI shall be entitled to appoint such number of members to the board of directors of JPL Tech HK and JPL Tech SZ such that the members appointed by Zall BVI shall form the majority of board composition.

Undertakings

Pursuant to the JPL Agreement, Vendor A has undertaken that (i) he will continue his employment with Sinocan Tech for a period of 3 years from the date of the JPL Agreement; and (ii) he will not participate in the same types of business as carried on by the Group.

If Vendor A becomes aware of any business opportunity which is related to the business carried on by the Group or such business opportunity is made available to him, he shall direct such business opportunity to Zall BVI in writing no later than 10 days from the date of becoming aware or receipt of knowledge of such business opportunity.

PRINCIPAL TERMS OF THE SINO CAN AGREEMENT

Date

6 April 2016

Parties

Vendor: Vendor B

Purchaser: Zall Tech, a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Vendor B and its ultimate beneficial owner(s) are third party independent of the Company and its connected persons.

Assets to be acquired and Consideration

Vendor B agreed to sell and Zall Tech agreed to purchase 3,335,200 shares in Sinocan Tech (being 8.89% of the entire equity interest in Sinocan Tech) free from all encumbrances at a consideration of RMB16,676,000 (equivalent to approximately HK\$19,974,128).

The consideration for the sale and purchase under the Sinocan Agreement will be satisfied in cash within 5 business days following the date of the Sinocan Agreement. Such consideration was determined after arm's length negotiations between Vendor B and Zall Tech after taking into consideration of (i) the net asset value of Sinocan Tech; and (ii) the prospects of Sinocan Tech's business and the possible cooperation between the Group and Sinocan Tech.

Completion

The Sinocan Completion shall take place immediately after the payment of consideration by Zall Tech to Vendor B pursuant to the Sinocan Agreement.

PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT

Date

6 April 2016

Parties

Issuer: Sinocan Tech

Subscriber: Zall Tech

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save as the indirect shareholding interest in Sinocan Tech held by the Group following the JPL Completion and Sinocan Completion, Sinocan Tech and its ultimate beneficial owner(s) are third party independent of the Company and its connected persons.

Subscription of shares

Zall Tech, conditional upon the shareholders' approval of Sinocan Tech having been obtained, agreed to subscribe for 12,000,000 shares in Sinocan Tech and Sinocan Tech conditionally agreed to allot to Zall Tech and issue 12,000,000 shares at RMB60,000,000 (equivalent to approximately HK\$71,866,616).

Subscription price

The subscription price of RMB60,000,000 for the subscription of 12,000,000 shares was determined after arm's length negotiations between Sinocan Tech and Zall Tech after taking into consideration of (i) the net asset value of Sinocan Tech; and (ii) the prospects of Sinocan Tech's business and the possible cooperation between the Group and Sinocan Tech.

Completion

The completion of the subscription of 12,000,000 shares in Sinocan Tech shall take place after the shareholders' approval of Sinocan Tech having been obtained. The subscription price of RMB60,000,000 shall be payable by Zall Tech to Sinocan Tech on the date as directed by Sinocan Tech.

Following the completion of the transactions contemplated under the JPL Agreement, the Sinocan Agreement and the Subscription Agreement, Sinocan Tech shall become a subsidiary of the Company.

REASONS AND BENEFITS OF ENTERING INTO OF THE JPL AGREEMENT, THE SINOCHAN AGREEMENT AND THE SUBSCRIPTION AGREEMENT

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 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 e-commerce, financial services, warehousing and logistics.

Following the completion of the transactions contemplated under the JPL Agreement, the Sinocan Agreement and the Subscription Agreement, Sinocan Tech shall become a subsidiary of the Group and the board of directors of which shall be under the control of the Group. Among the five non-independent director members in the composition of the board of directors of Sinocan Tech, the Group shall be entitled to appoint three personnel as the directors and one personnel as the chief financial officer of Sinocan Tech. Given the background of Sinocan Tech's principal business activities in mobile payment system, touchscreen display system and intelligent POS terminal solution, the Board is of the view that the Transactions can enhance the Group's existing value-added business, in particular the areas of e-commerce and financial services. In addition, the Board considers that Sinocan Tech's business can enlarge the Group's client base and increase the Group's revenue in the long run.

The Directors, including the independent non-executive Directors, consider that the terms of the JPL Agreement, the Sinocan Agreement and the Subscription Agreement 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.

INFORMATION RELATING TO VENDOR A, VENDOR B, ZALL TECH AND ZALL BVI

Vendor A

Vendor A is an individual.

As at the date of this announcement, Vendor A owns the entire issued shares of JPL Investment. Following the JPL Completion, Vendor A will be the owner of 45% of the issued shares of JPL Investment.

Vendor B

Vendor B is a limited liability company established in the PRC. Its principal business is investment holding.

As at the date of this announcement, Vendor B owns 9,712,500 shares in Sinocan Tech (being 25.89% of the entire equity interest in Sinocan Tech).

Zall BVI

Zall BVI is a limited liability company incorporated under the laws of British Virgin Islands and an indirect wholly-owned subsidiary of the Company. Its principal business is investment holding.

Zall Tech

Zall Tech is a limited liability company established under in the PRC and an indirect wholly-owned subsidiary of the Company. Its principal business is investment holding.

INFORMATION RELATING TO SINO CAN TECH

Sinocan Tech is a company established under the laws of the PRC and the shares of which are listed on the National Equities Exchange and Quotations Co., Ltd. since 1 April 2015. The principal business activities of Sinocan Tech and its subsidiaries are mobile payment system, touchscreen display system and intelligent POS terminal solution.

As at the date of this announcement, the equity interest of Sinocan Tech is held by JPL Tech SZ as to 48.07% and by Vendor B as to 25.89%.

The net asset value of Sinocan Tech based on the audited financial statements as at 31 December 2015 were approximately RMB49,134,900 (equivalent to HK\$58,852,650).

Set out below is the financial information of Sinocan Tech for each of the two financial years ended 31 December 2014 and 2015. The audited figures shown are extracted from the audited financial statements prepared in accordance with China Accounting Standards:

	For the year ended 31 December 2015 (audited) (RMB '000)	For the year ended 31 December 2014 (audited) (RMB '000)
Net profit before tax	9,131	3,940
Net profit after tax	8,032	3,582

LISTING RULES IMPLICATIONS

As the Transactions for the JPL Agreement, the Sinocan Agreement and the Subscription Agreement are related to the acquisition of interest in Sinocan Tech, they are required to be aggregated under Rules 14.22 and 14.23 of the Listing Rules. The Transactions, on an aggregated basis, constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules on the basis that the relevant percentage ratios exceed 5% but is below 25%, and are therefore subject to reporting and announcement requirements.

FUND RAISING ACTIVITIES DURING THE PAST TWELVE MONTHS

As disclosed in the announcement of the Company dated 6 August 2015, the Company entered into a share subscription agreement with Dr. Gang Yu, pursuant to which Dr. Gang Yu agreed to subscribe and the Company agreed to allot and issue 53,448,000 Shares under the General Mandate. The net aggregate proceeds of such share subscription was approximately HK\$155 million. The Company intended to apply all the net proceeds for the development of the Company's E-commerce business and other general corporate purposes. As at the date of this announcement, all of the proceeds had been utilized as intended.

Save as disclosed above, the Company has not carried out any fund raising exercises during the 12 months immediately preceding the date of this announcement.

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
“Consideration Shares”	a maximum of 25,668,000 Shares to be allotted and issued by the Company to Vendor A, being the consideration for the sale and purchase under JPL Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“General Mandate”	the general mandate granted by the Shareholders at the annual general meeting held on 29 May 2015 authorising the Directors to allot, issue or otherwise deal with up to 700,000,000 Shares (being the total number of Shares in issue as at that date)
“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 PRC
“JPL Agreement”	the agreement entered into between Vendor A and Zall BVI dated 6 April 2016 in relation to the sale and purchase of 55% of the entire issued shares of JPL Investment
“JPL Completion”	completion of transactions contemplated under JPL Agreement
“JPL Investment”	JPL Investment Co., Limited, a company established in the British Virgin Islands with limited liability and whose entire issued shares are held by Vendor A as at the date of this announcement
“JPL Tech HK”	JPL Tech Co., Limited (香港匯昌達科技有限公司), a limited liability company incorporated under the laws of Hong Kong and whose entire issued shares are held by JPL Investment as at the date of this announcement

“JPL Tech SZ”	JPL Tech SZ Co., Limited* (深圳市匯昌達信息諮詢有限公司), a wholly foreign owned enterprise established under the laws of the PRC and whose entire equity interest is held by JPL Tech HK
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Profit”	the profit generated by Sinocan Tech arising out of the operation of its principal business as shown in its audited accounts
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“Shares”	ordinary shares of HK\$0.00333 each in the share capital of the Company
“Shareholders”	the shareholders of the Company
“Sinocan Agreement”	the agreement entered into between Vendor B and Zall Tech dated 6 April 2016 in relation to the sale and purchase of 3,335,200 shares in Sinocan Tech
“Sinocan Completion”	completion of transactions contemplated under Sinocan Agreement
“Sinocan Tech”	Sinocan International Technologies Co., Ltd (深圳市匯茂科技股份有限公司) (a company established under the laws of the PRC and the shares of which are listed on the National Equities Exchange and Quotations Co., Ltd. since 1 April 2015
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement entered into between Sinocan Tech and Zall Tech dated 6 April 2016 in relation to the subscription of 12,000,000 shares in Sinocan Tech by Zall Tech
“Transactions”	the transactions contemplated under the JPL Agreement, the Sinocan Agreement and the Subscription Agreement
“Vendor A”	Mr. Jiang Yong
“Vendor B”	Shenzhen Huixin Trading Limited* (深圳市匯欣貿易有限公司), is a limited liability company established in the PRC whose principal business is investment holding

“Zall BVI”	Zall Interconnection (BVI) Limited (卓爾互聯(BVI)有限公司), a limited liability company incorporated under the laws of British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“Zall Tech”	Shenzhen Qianhai Zall Tech Limited* (深圳市前海卓爾互聯科技有限公司), a limited liability company established in the PRC 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, 6 April 2016

As at the date of this announcement, the Board comprises Mr. Yan Zhi, Dr. Gang Yu, Mr. Cui Jinfeng and Mr. Wang Chuang, as executive directors of the Company; Mr. Fu Gaochao, as non-executive director of the Company; Mr. Cheung Ka Fai, Mr. Peng Chi and Mr. Wu Ying, as independent non-executive directors of the Company.

* *for identification purposes only*