
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to what action to take, you should consult your licensed securities dealer, 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 to the purchaser or the transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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 BUSINESS RESTRUCTURING, INVOLVING
(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO
DISPOSAL OF ENTIRE ISSUED SHARE CAPITAL OF ZHEN AN CAYMAN
AND ENTIRE EQUITY INTEREST IN WUHAN ZALL CITY
AND
(2) CONNECTED TRANSACTION IN RELATION TO
ACQUISITION OF ENTIRE EQUITY INTEREST IN
WUHAN IP CENTER, WUHAN GUARANTEE INVESTMENT
AND WUHAN FINANCIAL INVESTMENT

Financial Adviser to the Company



ASIAN CAPITAL
(CORPORATE FINANCE) LIMITED

卓亞(企業融資)有限公司

Independent Financial Adviser

to the Independent Board Committee and the Independent Shareholders



大有融資有限公司
MESSIS CAPITAL LIMITED

A letter from the Board is set out on pages 9 to 48 of this circular. A letter from the Independent Board Committee containing its advice and recommendations to the Independent Shareholders is set out on pages 49 to 50 of this circular. A letter from Messis Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 51 to 87 of this circular.

A notice convening the EGM of the Company to be held at Suite 1606, 16/F, Two Exchange Square, Central, Hong Kong on Friday, 16 January 2015 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 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 meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's 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 later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you wish.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	9
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	49
LETTER FROM MESSIS CAPITAL	51
APPENDIX I — FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX IIA — PROPERTY VALUATION REPORT OF THE GROUP	IIA-1
APPENDIX IIB — PROPERTY VALUATION REPORT OF THE TARGET COMPANIES	IIB-1
APPENDIX III — GENERAL INFORMATION	III-1
NOTICE OF EGM	EGM-1

DEFINITIONS

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

“Acquisitions”	the acquisitions of the entire equity interest in the Target Companies by Zall Investment Group pursuant to the terms under the Equity Swap Agreement
“Adjusted NAV”	being the NAV after making the adjustment of the properties of relevant companies from book value as at 30 September 2014 to appraised value based on the valuation report prepared by a Hong Kong independent appraiser as at 30 September 2014
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day on which banks in Hong Kong are open for business (except Saturday)
“BVI”	the British Virgin Islands
“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 meanings ascribed to it under the Listing Rules
“Controlling Shareholders”	Mr. Yan and Zall Investment BVI
“Cooperation Agreement”	a cooperation agreement dated 18 November 2014 entered into between the Company and an independent third party in relation to the intention of disposal of certain subsidiaries of the Company, details of which are set out in the Company’s announcement dated 18 November 2014
“Director(s)”	the director(s) of the Company
“Disposals”	(i) the disposal of the Sale Shares and the transfer of the Remaining Equity Interest pursuant to the Disposal Agreement; and (ii) the disposal of the entire equity interest in Wuhan Zall City pursuant to the Equity Swap Agreement

DEFINITIONS

“Disposal Agreement”	the sale and purchase agreement dated 22 October 2014 entered into among Zall Hong Kong, Zall Commerce and Mr. Yan in relation to the disposal of the Sale Shares and the transfer of the Remaining Equity Interest
“Disposed Companies”	Zhen An Cayman, Zhen An Wuhan and Wuhan Zall City
“Disposed Non-core Projects”	the projects under Wuhan Zall City and Zhen An Wuhan, namely “Wuhan Salon” and “Zall International Finance Center” respectively
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, among other things, (i) the Disposal Agreement and the transactions contemplated thereunder; (ii) the Equity Swap Agreement and the transactions contemplated thereunder; (iii) the Side Letter and the Revised Deed; and (iv) the distribution of the Special Dividend
“Equity Swap”	the transfer of the entire equity interest in the Target Companies held by Zall Holdings to Zall Investment Group and the transfer of the entire equity interest in Wuhan Zall City held by Zall Investment Group to Zall Holdings pursuant to the terms under the Equity Swap Agreement
“Equity Swap Agreement”	the equity restructuring and swap agreement dated 22 October 2014 entered into between Zall Investment Group and Zall Holdings in relation to the Equity Swap
“Group”	the Company and its subsidiaries
“Guarantee”	the guarantee provided by Zall Investment Group on the repayment obligation of Wuhan Zall City in relation to PRC bank loans in the amount of RMB1 billion as at 30 September 2014
“Guarantor”	the guarantor to Zall Commerce under the Disposal Agreement, Mr. Yan
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hubei Interim Measures”	Interim Measures for Administration of Financial Guarantee Companies in Hubei (湖北省融資性擔保公司管理暫行辦法) promulgated by People’s Government of the Hubei Province on 7 June 2012

DEFINITIONS

“IFRS”	the International Financial Reporting Standards
“Independent Board Committee”	a Board committee comprising all independent non-executive Directors established to make recommendations to the Independent Shareholders in relation to the Disposal Agreement, the Equity Swap Agreement and the transactions contemplated thereunder, the Revised Deed, and the distribution of the Special Dividend
“Independent Financial Adviser ” or “Messis Capital”	Messis Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), which has been appointed as the independent financial adviser to give advice and make recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Disposal Agreement, the Equity Swap Agreement and the transactions contemplated thereunder, the Revised Deed, and the distribution of the Special Dividend
“Independent Shareholders”	the Shareholders excluding Mr. Yan and his associates
“independent third party(ies)”	third parties independent of the Company and its connected persons (as defined under the Listing Rules)
“Interim Measures”	Interim Measures for the Administration of Financial Guarantee Companies (融資性擔保公司管理暫行辦法) promulgated by the China Banking Regulatory Commission, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Commerce, the People’s Bank of China and the State Administration for Industry and Commerce on 8 March 2010
“Latest Practicable Date”	24 December 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loans (1)”	amounts owed by Wuhan Zall City to some other members of the Group, which in aggregate amounted to approximately RMB596,081,377 as at 30 September 2014

DEFINITIONS

“Loans (2)”	the amounts owed by Wuhan IP Center and Wuhan Guarantee Investment to Zall Holdings and its associate companies, being approximately RMB82,334,000, and the amounts owed by Zall Holdings and its associate companies to Wuhan Financial Investment, being approximately RMB141,570,000, as at 30 September 2014
“Mr. Yan”	Mr. Yan Zhi, a director and the chairman of the Company, who is interested in approximately 85% issued share capital of the Company
“Ms. Chen”	Ms. Chen Lifan, the spouse of Mr. Yan
“NAV”	net assets value
“PRC”	The People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this circular
“PRC GAAP”	the Enterprise Accounting System (企業會計制度) and Enterprise Accounting Principles (企業會計準則) promulgated by Ministry of Finance of the PRC, as amended from time to time
“Proposed Restructuring”	the proposed restructuring of the Company involving the Disposals and Acquisitions pursuant to the terms of the Disposal Agreement and the Equity Swap Agreement
“Remaining Equity Interest”	the 3% equity interest in Zhen An Wuhan, which was owned by Zall Wuhan as at Latest Practicable Date
“Remaining Core Projects”	mean the projects, namely: (i) the North Hankou Project; (ii) the Jingzhou Zall City; (iii) Tianjin Zall E-commerce Mall; (iv) Zall No.1 Enterprise Community • Changsha; (v) No.1 Enterprise Community • Wuhan; and (vi) Zall Asia Expo City, as detailed in the table under the paragraphs headed “Information on the Group” under the section of the “Letter from the Board” in this circular
“Remaining Office Projects”	mean the projects, namely: (i) Zall No. 1 Enterprise Community • Changsha; and (ii) No. 1 Enterprise Community • Wuhan

DEFINITIONS

“Remaining Non-core Projects”	mean the projects, namely: (i) North Hankou • Zall Life City–phase I & II (Zall Hupan Haoting Residences); (ii) North Hankou • Zall Life City–Phase III (Zall Zhujinyuan Residences); (iii) Shenyang Salon; and (iv) Zui Jiang Nan Town; and (v) Taohuayi Town, as detailed in the table under the paragraphs headed “Information on the Group” under the section of the “Letter from the Board” in this circular
“Restructuring Agreements”	the Disposal Agreement and the Equity Swap Agreement
“Revised Deed”	a deed of non-competition to be entered into by the Controlling Shareholders in favour of the Group upon completion of the Disposal Agreement and/or Equity Swap Agreement
“Sale Shares”	being 8,010,000 ordinary shares with par value of US\$1.00 each in the share capital of Zhen An Cayman, representing the entire share capital of Zhen An Cayman
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Side Letter”	a side letter dated 24 December 2014 entered into between the Company and the Controlling Shareholders in relation to the Revised Deed
“Special Dividend”	the distribution of a special cash dividend in the total amount of HK\$739,414,800 after completion of the Disposal Agreement by the Company
“Special Dividend Conditions”	(i) the Independent Shareholders’ approval at the EGM regarding the distribution of the Special Dividend having been obtained; and (ii) completion of the Disposal Agreement having taken place
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company(ies)”	Wuhan Financial Investment, Wuhan Guarantee Investment and Wuhan IP Center

DEFINITIONS

“Wuhan Guarantee Investment”	Wuhan North Hankou Guarantee Investment Company Limited* (武漢漢口北擔保投資有限公司), a company incorporated in the PRC with limited liability, which was a wholly-owned subsidiary of Zall Holdings as at the Latest Practicable Date
“Wuhan IP Center”	Wuhan Zall Inland Port Center Investment Company Limited* (武漢卓爾陸港中心投資有限公司), a company incorporated in the PRC with limited liability, which was a wholly-owned subsidiary of Zall Holdings as at the Latest Practicable Date
“Wuhan Zall City”	Wuhan Zall City Investment and Development Company Limited* (武漢卓爾城投資發展有限公司), a company incorporated in the PRC with limited liability, the entire equity interest of which was owned by Zall Investment Group as at the Latest Practicable Date
“Wuhan Financial Investment”	Wuhan Zhong Bang Financial Investment Company Limited* (武漢眾邦金控投資有限公司), a company incorporated in the PRC with limited liability, which was a wholly-owned subsidiary of Zall Holdings as at the Latest Practicable Date
“Zall BVI”	Zall Development (BVI) Holding Company Limited (卓爾發展(BVI) 控股有限公司), a company incorporated in the BVI with limited liability which is wholly-owned by the Company
“Zall Commerce”	Zall Commerce Investment Company Limited (卓爾商業投資有限公司), a company incorporated in the BVI with limited liability, which is wholly-owned by Zall Holdings BVI
“Zall Holdings”	Zall Holdings Company Limited* (卓爾控股有限公司), a domestic company incorporated in the PRC with limited liability, which is owned as to 80% by Mr. Yan and as to 20% by Ms. Chen and holds the entire equity interest in the Target Companies
“Zall Holdings BVI”	Zall Holdings Company Limited (卓爾控股有限公司), a company incorporated in the BVI with limited liability, which is wholly-owned by Mr. Yan and owns the entire issued share capital of Zall Commerce

DEFINITIONS

“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, which is an immediate holding company of Zall Wuhan and owned the entire issued share capital of Zhen An Cayman as at the Latest Practicable Date
“Zall Investment BVI”	Zall Development Investment Company Limited (卓爾發展投資有限公司), a company incorporated in BVI with limited liability which is wholly-owned by Mr. Yan
“Zall Investment Group”	Zall Investment Group Company Limited* (卓爾投資集團有限公司), a company incorporated in the PRC with limited liability and a directly wholly-owned subsidiary of the Company, which held the entire equity interest in Wuhan Zall City as at the Latest Practicable Date
“Zall Wuhan”	Zall Development (Wuhan) Company Limited* (卓爾發展(武漢)有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, which is a holding company of Zall Investment Group and held the Remaining Equity Interest as at the Latest Practicable Date
“Zhen An Cayman”	Zhen An Properties Limited (正安資產(開曼)實業股份有限公司*), a company incorporated in Cayman Islands with limited liability, which is an indirectly wholly-owned subsidiary of the Company and held 48% equity interest in Zhen An Wuhan as at the Latest Practicable Date
“Zhen An Wuhan”	Zhen An (Wuhan) Company Limited* (正安實業(武漢)有限公司), a company incorporated in the PRC with limited liability, which was owned as to 48% by Zhen An Cayman and as to 3% by Zall Wuhan respectively as at the Latest Practicable Date
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“US\$” the United States dollars, the lawful currency of the United States of America

“mu” Chinese Acre, one mu equals approximately 666.7 square metres

“%” per cent.

* *For identification purpose only*

LETTER FROM THE BOARD

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 (*Chairman and Chief Executive Office*)
Mr. Cui Jinfeng
Mr. Fang Li
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, 16/F
Two Exchange Square
Central
Hong Kong

31 December 2014

To the Shareholders

Dear Sirs,

**PROPOSED BUSINESS RESTRUCTURING, INVOLVING
(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO
DISPOSAL OF ENTIRE ISSUED SHARE CAPITAL OF ZHEN AN CAYMAN
AND ENTIRE EQUITY INTEREST IN WUHAN ZALL CITY
AND
(2) CONNECTED TRANSACTION IN RELATION TO
ACQUISITION OF ENTIRE EQUITY INTEREST IN
WUHAN IP CENTER, WUHAN GUARANTEE INVESTMENT
AND WUHAN FINANCIAL INVESTMENT**

INTRODUCTION

Reference is made to the announcement of the Company dated 22 October 2014 in relation to, among other things, the Proposed Restructuring.

LETTER FROM THE BOARD

On 22 October 2014 (after trading hours), Zall Hong Kong (an indirect wholly-owned subsidiary of the Company), Zall Commerce and Mr. Yan entered into the Disposal Agreement, pursuant to which: (i) Zall Hong Kong conditionally agreed to sell and Zall Commerce conditionally agreed to acquire the Sale Shares at a cash consideration of RMB586,000,000 (or HK\$739,414,800); and (ii) Zall Hong Kong conditionally agreed to procure Zall Wuhan (an indirect wholly-owned subsidiary of the Company) to transfer the Remaining Equity Interest to Zall Commerce or its nominee.

In addition, on 22 October 2014, Zall Investment Group (an indirect wholly-owned subsidiary of the Company) and Zall Holdings entered into the Equity Swap Agreement, pursuant to which, Zall Investment Group conditionally agreed to transfer the entire equity interest in Wuhan Zall City to Zall Holdings, and as a consideration, Zall Holdings conditionally agreed to (i) transfer the entire equity interest in Wuhan Financial Investment, Wuhan Guarantee Investment and Wuhan IP Center and (ii) pay RMB15,200,000, to Zall Investment Group.

The main purpose of this circular is to provide you with, among other things, (i) details of the Disposal Agreement and the Equity Swap Agreement; (ii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; (iv) the property valuation reports prepared by the independent valuers; (v) the notice of the EGM, to enable you to make a decision on whether to vote for or against the relevant resolutions at the forthcoming EGM.

THE DISPOSAL AGREEMENT

Date: 22 October 2014

Parties: (1) Zall Hong Kong as the vendor;
(2) Zall Commerce as the purchaser; and
(3) Mr. Yan as the Guarantor.

Zall Commerce is wholly-owned by Zall Holdings BVI which in turn is wholly-owned by Mr. Yan. Mr. Yan is a director and the chairman of the Company and is interested in approximately 85% issued share capital of the Company. Therefore, Zall Commerce is regarded as a connected person of the Company under Chapter 14A of the Listing Rules.

Assets to be disposed of

Pursuant to the Disposal Agreement, Zall Hong Kong agreed to sell the Sale Shares, representing the entire issued capital of Zhen An Cayman, to Zall Commerce. Zhen An Cayman holds 48% equity interest in Zhen An Wuhan.

In addition, Zall Hong Kong conditionally agreed to procure Zall Wuhan (an indirectly wholly-owned subsidiary of the Company) to transfer the Remaining Equity Interest, representing 3% equity interest in Zhen An Wuhan, to Zall Commerce or its nominee.

LETTER FROM THE BOARD

Consideration

The total consideration for the Sale Shares and the Remaining Equity Interest is RMB586,000,000 (or equal to HK\$739,414,800 at the exchange rate of RMB1 = HK1.2618 on 30 September 2014) which will be satisfied by cash payable by Zall Commerce upon completion of the Disposal Agreement.

The consideration was agreed among the parties after arm's length negotiations with reference to: among others, (i) the Adjusted NAV of Zhen An Wuhan attributable to Zhen An Cayman and Zall Wuhan being RMB586,000,000 as at 30 September 2014 (details of calculation are set out below); (ii) the financial performance of Zhen An Wuhan; and (iii) the prospect of the commercial property market in the PRC.

As at 30 September 2014, the NAV of Zhen An Wuhan was approximately RMB595 million. The market value (including the prepayment for construction) of 51% of the investment properties of Zhen An Wuhan attributable to the Group as appraised by the independent valuer was approximately RMB882 million (as set out in Appendix IIA to this circular). The difference of approximately RMB9 million between the market value (including the prepayment for construction) of the properties attributable to the Group and the book value of the investment properties and prepayment for construction attributable to the Group as at 30 September 2014 constitute a downward adjustment to NAV. Accordingly, the 51% of Adjusted NAV attributable to the Group was approximately RMB586 million as at 30 September 2014.

Conditions precedent

Completion of the Disposal Agreement shall be subject to and conditional upon the fulfillment of the following conditions precedent:

- (a) the warranties given by Zall Hong Kong having remained true and accurate and not misleading in any material respect as at the completion of the Disposal Agreement and at all times throughout the period from the date of the Disposal Agreement to the completion of the Disposal Agreement;
- (b) the warranties given by Zall Commerce having remained true and accurate and not misleading in any material respect as at the completion of the Disposal Agreement and at all times throughout the period from the date of the Disposal Agreement to the completion of the Disposal Agreement;
- (c) Zall Commerce and Guarantor having duly performed and observed all of the obligations, undertakings and covenants required to be performed and observed by each of them under the Disposal Agreement on or prior to completion of the Disposal Agreement;
- (d) the security interest over the Sale Shares having been discharged;

LETTER FROM THE BOARD

- (e) all authorisation for implementing the transactions contemplated under the Disposal Agreement (including the authorisation in relation to the transfer of the Remaining Equity Interest) from all relevant governmental or regulatory authorities, agencies or units (including banks and/or related jurisdictions regulatory authorities (if required)) having been obtained;
- (f) the approval of the Board for the distribution of the Special Dividend;
- (g) the approval of the Independent Shareholders at the EGM for (i) the Disposal Agreement and the transactions contemplated thereunder, including but not limited to, matters relating to the disposal of the Sale Shares and the transfer of the Remaining Equity Interest; and (ii) the distribution of the Special Dividend;
- (h) the Disposal Agreement and the transactions contemplated thereunder having not objected by the Stock Exchange in any form;
- (i) there being no bona fide proceedings in effect, pending or genuinely threatened as of completion of the Disposal Agreement by any court, tribunal or arbitrator of a competent jurisdiction or by any governmental authority which seek to prohibit, restrict, impose condition or limitation on or otherwise challenge any of the transactions contemplated under the Disposal Agreement;
- (j) there being no applicable law which prohibits or restricts or is reasonably expected to operate to prohibit or restrict the consummation of any of the transactions contemplated under the Disposal Agreement; and
- (k) no indication being received on or prior to completion of the Disposal Agreement from the SFC and/or the Stock Exchange, or any other authority (if applicable) to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn, cancelled or objected (or is or is likely to be imposed condition), whatsoever resulting from the transactions contemplated under the Disposal Agreement.

Except for conditions (a) and (d) above which can be waived by Zall Commerce and conditions (b) and (c) above which can be waived by Zall Hong Kong, all other conditions set out above cannot be waived by any party.

As at the Latest Practicable Date, condition precedent (f) set out above has been fulfilled.

If any conditions precedent above have not been satisfied (or waived as the case may be) by 31 March 2015 (or such later date as agreed between Zall Hong Kong and Zall Commerce), no party to the Disposal Agreement is obliged to proceed with the completion of the Disposal Agreement.

The Disposal Agreement and the Equity Swap Agreement (details of which are set out in paragraphs headed “The Equity Swap Agreement” below) are not inter-conditional.

LETTER FROM THE BOARD

Completion

Completion of the Disposal Agreement shall take place on the tenth Business Day after the date on which all conditions precedent are satisfied or waived, as the case may be, or such later date as the parties may agree in writing.

Upon completion of the Disposal Agreement, Zhen An Cayman and Zhen An Wuhan will cease to be subsidiaries of the Company, and their accounts will be deconsolidated from the accounts of the Company.

THE EQUITY SWAP AGREEMENT

Date: 22 October 2014

Parties: (1) Zall Investment Group
(2) Zall Holdings

Zall Holdings is owned as to 80% by Mr. Yan and as to 20% by Ms. Chen. Ms. Chen is the spouse of Mr. Yan who is a director and the chairman of the Company and is interested in approximately 85% issued share capital of the Company. Therefore, Zall Holdings is regarded as a connected person of the Company under Chapter 14A of the Listing Rules.

Assets to be disposed of/acquired and the consideration

Pursuant to the Equity Swap Agreement, Zall Investment Group conditionally agreed to transfer the entire equity interest in Wuhan Zall City to Zall Holdings, and as a consideration, Zall Holdings conditionally agreed to (i) transfer the entire equity interest in Wuhan Financial Investment, Wuhan Guarantee Investment and Wuhan IP Center; and (ii) pay RMB15,200,000 to Zall Investment Group.

The consideration was agreed between the parties after arm's length negotiations with reference to: among others, (i) the Adjusted NAV of Wuhan Zall City being RMB357,000,000 as at 30 September 2014 (details of calculation are set out below); (ii) the Adjusted NAV of Wuhan IP Center being RMB135,000,000 as at 30 September 2014 (details of calculation are set out below); (iii) the NAV of Wuhan Financial Investment being RMB103,220,909 as at 30 September 2014; (iv) the NAV of Wuhan Guarantee Investment being RMB103,560,765 as at 30 September 2014; (v) the financial performance of the relevant companies; and (vi) the prospect of the commercial property market in the PRC.

As at 30 September 2014, the NAV of Wuhan Zall City was approximately RMB129 million. The market value of the properties (including the prepayment for construction) of Wuhan Zall City as appraised by the independent valuer was RMB2,890 million as at 30 September 2014 (as set out in Appendix IIA to this circular). The difference between the market value of the properties (including the prepayment for construction) and the book value of the properties and prepayment

LETTER FROM THE BOARD

for construction as at 30 September 2014 would lead to an upward adjustment to NAV of approximately RMB228 million. Accordingly, the Adjusted NAV of Wuhan Zall City was approximately RMB357 million as at 30 September 2014.

As at 30 September 2014, the NAV of Wuhan IP Center was approximately RMB87 million. The market value of the construction work-in-process of Wuhan IP Center as appraised by the independent valuer was approximately RMB220 million (as set out in Appendix IIB to this circular), which is approximately RMB48 million higher than the total book value of the construction work-in-process and land, as at 30 September 2014, leading to an upward adjustment to NAV of approximately RMB48 million. Accordingly, the Adjusted NAV of Wuhan IP Center was approximately RMB135 million as at 30 September 2014.

Others

As at 30 September 2014, (i) Wuhan Zall City owed some other members of the Group an amount of approximately RMB596,081,377 (i.e. the Loans (1)); and (ii) Zall Investment Group has provided a guarantee in favour of PRC banks, guaranteeing the repayment obligations of Wuhan Zall City in relation to bank loans in the total amount of RMB1 billion (i.e. the Guarantee). The Loans (1) are payables without any fixed repayment date and bear no interest.

In addition, as at 30 September 2014, Wuhan IP Center and Wuhan Guarantee Investment owed Zall Holdings and its associate companies the total amount of approximately RMB82,334,000, and Zall Holdings and its associate companies owed Wuhan Financial Investment the total amount of RMB141,570,000 (i.e. the Loans (2)). The Loans (2) are payables without any fixed repayment date and bear no interest.

Pursuant to the Equity Swap Agreement, Zall Investment Group and Zall Holdings will fully repay or procure Wuhan Zall City and the Target Companies to fully repay, as the case maybe, the Loans (1) and the Loans (2) respectively before completion of the Equity Swap Agreement. It is currently intended that Mr. Yan or his associate(s) will lend an interest-free unsecured loan in the amount equivalent to the outstanding amount of the Loans (1) to Wuhan Zall City for the repayment of the Loans (1) before completion of the Equity Swap Agreement. Further, Zall Investment Group will also procure the release of the Guarantee before completion of the Equity Swap Agreement. Based on existing plan and discussions with the relevant PRC bank(s), it is intended that Mr. Yan and/or his associate(s) will replace Zall Investment Group to provide the guarantee in favour of the PRC banks, guaranteeing the repayment obligation of Wuhan Zall City in relation to the relevant bank loans before completion of the Equity Swap Agreement.

In the event that the Loans (1) and/or the Loans (2) are/is unable to be fully repaid, and/or the Guarantee is unable to be released before completion of the Equity Swap Agreement, the continuing of provision of the Loans (1), and/or the Loans (2) and/or the Guarantee would constitute financial assistance to/from connected person(s) of the Company as defined under Chapter 14A of the Listing Rules. The Company will enter into supplemental agreement(s) with relevant parties, make further announcement(s) and obtain the approval of the Independent Shareholders (if necessary) in accordance with the requirements of the Listing Rules.

LETTER FROM THE BOARD

Conditions precedent

Completion of the Equity Swap Agreement shall be subject to and conditional upon the fulfillment of the following conditions precedent:

- (a) there being no material breach of any representations, warranties and undertakings as set out in the Equity Swap Agreement (and all the warranties being repeated at the completion date of the Equity Swap Agreement);
- (b) there being no material breach of any terms of the Equity Swap Agreement by Zall Holdings;
- (c) there being no material adverse changes in business operations of the Target Companies since the date of the Equity Swap Agreement;
- (d) the approval of the Independent Shareholders and the Board for the Equity Swap Agreement and the transactions contemplated thereunder having been obtained;
- (e) the shareholders and/or the board of directors of Zall Holdings having approved the transactions contemplated under the Equity Swap Agreement, the signing and implementation of the Equity Swap Agreement, the resignation of the existing directors of, and the amendments to the articles of associations of, each of the Target Companies;
- (f) shareholders and/or the board of directors of Zall Investment Group having approved the transactions contemplated under the Equity Swap Agreement, the signing and implementation of the Equity Swap Agreement, the resignation of the existing directors of, and the amendment to the articles of association of, Wuhan Zall City;
- (g) Wuhan Zall City, the Target Companies and Zall Holdings having fully repaid the Loans (1) and the Loans (2) respectively, and the Guarantee having been released. In the event that the Loans (1) and/or the Loans (2) are/is unable to be fully repaid, and/or Guarantee is unable to be released before completion of the Equity Swap Agreement, the Company having complied with the relevant Listing Rules by making further announcement(s) and obtained approval of Independent Shareholders in this regard (if necessary);
- (h) approvals and authorisations from the relevant PRC government authorities on the transactions contemplated under the Equity Swap Agreement having been obtained (if applicable); and
- (i) the legal and financial due diligence on the Target Companies having completed to the satisfaction of Zall Investment Group.

Zall Investment Group may waive the conditions set out above, save for conditions (d), (e), (f), (g) and (h) above which cannot be waived by any party.

LETTER FROM THE BOARD

As at the Latest Practicable Date, none of conditions precedent set out above has been fulfilled.

Zall Investment Group may, by way of notice to Zall Holdings, postpone the completion of or terminate the Equity Swap Agreement in the event that (i) any of the conditions precedent under the Equity Swap Agreement has neither been satisfied nor waived; or (ii) the completion of the Equity Swap Agreement has not taken place due to Zall Holdings fails to fulfill any of its obligations under the Equity Swap Agreement.

The Equity Swap Agreement and the Disposal Agreement (details of which are set out in paragraphs headed “The Disposal Agreement” above) are not inter-conditional.

Completion

Completion of the Equity Swap Agreement shall take place on the tenth Business Day after the date on which all conditions precedent are satisfied or waived, as the case may be, or such later date as the parties may agree in writing.

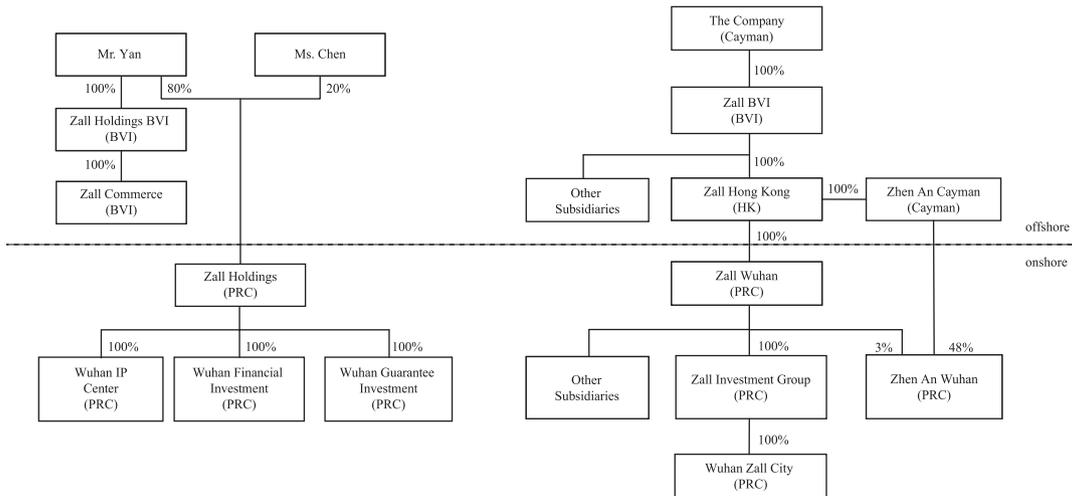
Upon completion of the Equity Swap Agreement, Wuhan Zall City will cease to be a subsidiary of the Company, and its accounts will be deconsolidated from the accounts of the Company, whilst Wuhan Financial Investment, Wuhan Guarantee Investment and Wuhan IP Center will become indirect wholly-owned subsidiaries of the Company and their accounts will be consolidated into the accounts of the Company.

LETTER FROM THE BOARD

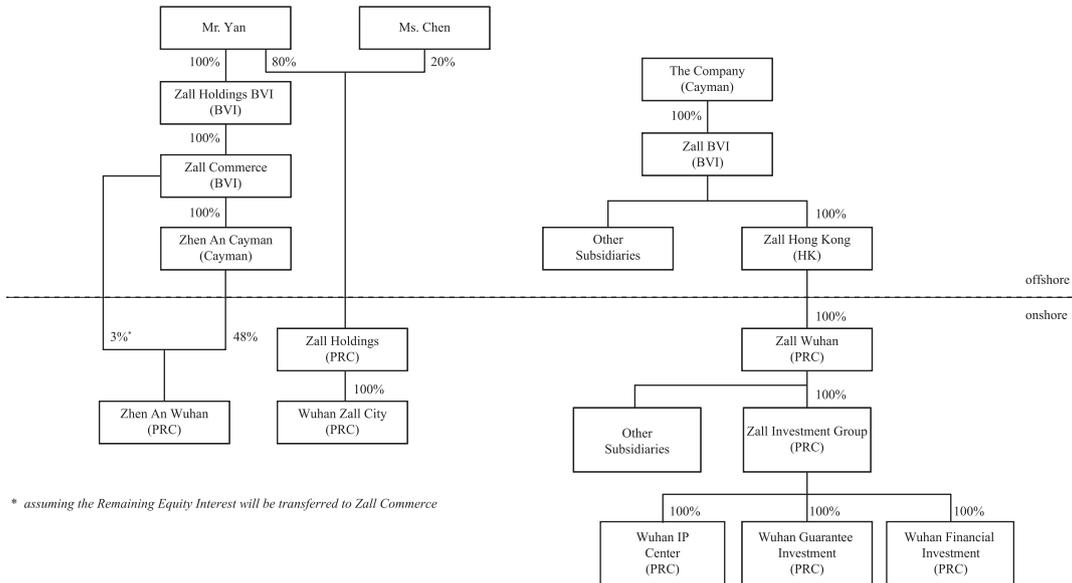
EFFECT OF THE PROPOSED RESTRUCTURING

Set out below is the simplified organisation chart before and after completion the Proposed Restructuring:

Before completion of the Proposed Restructuring



After completion of the Proposed Restructuring



* assuming the Remaining Equity Interest will be transferred to Zall Commerce

LETTER FROM THE BOARD

INFORMATION ON THE DISPOSED COMPANIES

Wuhan Zall City

Wuhan Zall City is a limited liability company incorporated in the PRC on 8 April 2010 with total registered capital of RMB50 million, which has been fully paid up as at the Latest Practicable Date.

Wuhan Zall City is principally engaged in property development and investment and management of exhibition, hotel, commerce, logistics and culture creative industry in the PRC.

The main property project under Wuhan Zall City is called “Wuhan Salon (武漢客廳)”, which is a multi-structural and multi-functional commercial complex, comprising exhibition center, cultural and art trading market, Chinese collection museum, apartments (SOHO), and hotel, etc. Wuhan Salon project will be developed in phases with total estimated investment amount of approximately RMB10 billion.

In January 2011 and December 2012, Wuhan Zall City obtained the State-owned Land Use Rights Certificates for the land use rights of a parcel land with total site area of approximately 284,568 square metres for commercial, financial services and residential use. In July 2012, commodity apartments (Small office and Home office (SOHO)) of Phase I with a total gross floor area of approximately 220,896 square metres obtained a pre-sale permit, and the relevant construction works were completed between January and April 2014. The construction works for the main body of the Retail Outlets I & II and the Chinese Culture Exhibition Center with a total gross floor area of approximately 313,155 square metres were also completed in September 2013.

Set out below is the unaudited financial information of Wuhan Zall City for each of the two years ended 31 December 2012 and 2013 and the period of nine months ended 30 September 2014, prepared in accordance with the IFRS, respectively:

	For the year		For the period of
	ended 31 December		9 months ended
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	–	422,030	267,444
(Loss)/profit before taxation	(22,006)	109,965	99,839
(Loss)/profit after taxation	(15,681)	61,562	44,267

LETTER FROM THE BOARD

	As at 30 September 2014 <i>RMB'000</i> (Unaudited)
Total assets	2,678,672
Total liabilities	2,549,442
NAV	129,230

Wuhan Zall City recorded a turnover of approximately RMB422 million and RMB267 million for the year ended 31 December 2013 and nine months ended 30 September 2014 respectively, which was mainly generated from the sale of properties commenced from July of 2013.

As at 30 September 2014, Wuhan Zall City had total assets of RMB2,679 million mainly comprising inventory of approximately RMB2,328 million (of which approximately RMB1,935 million and RMB392 million were properties under construction and properties completed respectively) and prepayment for construction of approximately RMB335 million.

Wuhan Zall City had total liabilities of approximately RMB2,549 million as at 30 September 2014, among which the short-term and long-term loans were approximately RMB567 million and approximately RMB583 million respectively, and the other payables were approximately RMB527 million.

Zhen An Cayman

Zhen An Cayman is a company incorporated in the Cayman Islands on 21 November 1997 with limited liability. Zhen An Cayman is an investment holding company, and other than its holding of 48% equity interest in Zhen An Wuhan, it has not conducted any other business activities. Based on the unaudited management accounts of Zhen An Cayman, which were prepared in accordance with IFRS, the NAV of Zhen An Cayman was approximately RMB560 million as at 30 September 2014, which was the investment in Zhen An Wuhan. Zhen An Cayman had no turnover and recorded gain from investment in Zhen An Wuhan of approximately RMB18 million and RMB45 million respectively for each of the two years ended 31 December 2012 and 2013.

Zhen An Wuhan

Zhen An Wuhan is a limited liability company established in the PRC on 18 October 1996 with total registered capital of US\$17.5 million, which has been fully paid up as at the Latest Practicable Date.

As set out in the Company's announcement dated 21 August 2011, the Group acquired 51% of equity interest in Zhen An Wuhan from an independent third party at a total consideration of RMB523,680,000.

LETTER FROM THE BOARD

Zhen An Wuhan is principally engaged in development and management of commercial real estate in the PRC.

The major property project under Zhen An Wuhan is called “Zall International Finance Center (卓爾國際金融中心)”, which a high-end office building equipped with shopping center.

In March 1997, Zhen An Wuhan obtained the State-owned Land Use Rights Certificates for the land use rights of a parcel land with site area of approximately 9,977 square metres for composite use. It is estimated that the total construction costs of this project will be approximately RMB532 million. At present, the main construction work of Zall International Finance Center has been completed and it is expected that all relevant construction works will be completed in second quarter of 2015.

Set out below is the unaudited financial information (after multiplied by 51% attributable to the Group) of Zhen An Wuhan for each of the two years ended 31 December 2012 and 2013 and the period of nine months ended 30 September 2014, prepared in accordance with IFRS, respectively:

	For the year		For the period of
	ended 31 December		9 months ended
	2012	2013	30 September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	427	430	390
Profit before taxation	25,521	63,370	18,351
Profit after taxation	19,103	47,487	13,719
			As at
			30 September
			2014
			<i>RMB'000</i>
			(Unaudited)
Total assets			932,384
Total liabilities			337,457
NAV			594,927

Zhen An Wuhan recorded a turnover of approximately RMB0.84 million and RMB0.84 million, which is mainly generated from rental income for the two years ended 31 December 2012 and 2013 respectively, of which 51% is attributable to the Group.

LETTER FROM THE BOARD

As at 30 September 2014, Zhen An Wuhan had total assets of approximately RMB1,828 million, mainly comprising of investment properties of approximately RMB1,710 million and prepayment for construction of approximately RMB36 million, of which 51% is attributable to the Group.

Zhen An Wuhan had total liabilities of approximately RMB662 million as at 30 September 2014, among which approximately RMB614 million was long-term bank loans, of which 51% is attributable to the Group.

INFORMATION ON THE TARGET COMPANIES

Wuhan IP Center

Wuhan IP Center, a limited liability company incorporated in the PRC on 4 July 2012, has total registered capital of RMB135 million, which has been fully paid up at the Latest Practicable Date.

Wuhan IP Center is principally engaged in property investment and development in the transportation industry, cargo warehouse services, import and export of goods.

In January 2014, Wuhan IP Center obtained State-owned Land Use Rights Certificates for the land use rights of two parcels of land with a site area of approximately 235,971 square metres for logistics warehousing use. The parcels of land are situated at an exit of Hurong Expressway (滬蓉高速) and Jingzhu Expressway (京珠高速), and are 5 km away from Yangluo Port (陽邏港), around 20 minutes' drive from the center of Hankou and around 45 minutes' drive from the Wuhan Tianhe International Airport. By capturing the location advantage, it is intended that Wuhan IP Center will be developed as a comprehensive logistics center, namely "Wuhan Inland Port Center".

Wuhan Inland Port Center will be developed as a modern distribution and logistics warehousing center. Based on existing plan, Wuhan Inland Port Center will be developed in two phases during the period from September 2014 to June 2016 with a total land area of approximately 1,380 mu, among which approximately 650 mu for Phase I and approximately 730 mu for Phase II. After completion, Wuhan Inland Port Center will include warehouses with total gross floor area of approximately 400,000 square metres, a distribution center with total gross floor area of approximately 100,000 square metres, container yards with total gross floor area of approximately 200,000 square metres and other ancillary facilities with total gross floor area of approximately 100,000 square metres. It is estimated that the total investment for Wuhan Inland Port Center will be approximately RMB1.5 billion, with approximately RMB750 million for each of Phase I and Phase II. Apart from the paid-up registered capital of RMB135 million, at present, Wuhan IP Center has obtained a PRC bank loan in the amount of RMB200 million for Phase I development. Wuhan IP Center intends to apply for additional RMB300 million bank loan(s) from the bank(s) or other financial institution(s) in 2015 for the further development of Phase I.

LETTER FROM THE BOARD

The distribution center, warehouses and other supporting facilities under Wuhan Inland Port Center will be operated through combination of self-operation, leasing and sale (i.e. part of the warehouses will be leased but operated and managed by Wuhan IP Center, part of warehouses will be leased and operated and managed by the clients and, the distribution center and other supporting facilities will be either sold or leased to its clients). It is currently planned that Phase I of Wuhan Inland Port Center will include warehouses with gross floor area of approximately 180,000 square metres (among which approximately 100,000 square metres will be leased but under self-operation and approximately 80,000 square metres will be leased and operated by the clients), a distribution center with gross floor area of approximately 100,000 square metres (among which approximately 80,000 square metres will be sold and approximately 20,000 square metres will be leased) and ancillary facilities with gross floor area of approximately 100,000 square metres (among which 50,000 square metres will be sold and approximately 50,000 square metres will be leased). At present, the distribution center, part of the warehouses and other supporting facilities of Phase I are under construction, and it is expected that such construction work will be completed in the second half of 2015 and Wuhan Inland Port Center will commence its operation before the end of 2015.

Set out below is the audited financial information of Wuhan IP Center for the two years ended 31 December 2012 and 2013 and unaudited financial information for the period of nine months ended 30 September 2014, prepared in accordance with the PRC GAAP, respectively:

	For the year		For the period of
	ended 31 December		9 months ended
	2012	2013	30 September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)	(Unaudited)
Turnover	–	–	–
Loss before taxation	104	1,134	1,583
Loss after taxation	104	1,134	1,583
			As at
			30 September
			2014
			<i>RMB'000</i>
			(Unaudited)
Total assets			370,974
Total liabilities			283,795
NAV			87,179

As Wuhan Inland Port Center project is still under development, Wuhan IP Center did not record any turnover for the two years ended 31 December 2012 and 2013, and nine months ended 30 September 2014. As at 30 September 2014, Wuhan IP Center had total assets of approximately

LETTER FROM THE BOARD

RMB371 million (among which approximately RMB87 million was construction work-in-process, approximately RMB86 million was land, approximately RMB140 million was cash and approximately RMB45 million was other receivables). Wuhan IP Center had total liabilities of approximately RMB284 million as at 30 September 2014, which mainly comprises long-term bank loans of RMB200 million and payables/other payables of RMB83 million.

Wuhan Guarantee Investment

Wuhan Guarantee Investment is a limited liability company incorporated in the PRC on 23 June 2008 with total registered capital of RMB100 million, which has been fully paid up as at the Latest Practicable Date.

Wuhan Guarantee Investment is principally engaged in provision of loan guarantee services for enterprises, and provision of business start-up loan guarantee and personal loan guarantee for entrepreneurs in the PRC.

On 28 June 2011, Wuhan Guarantee Investment obtained a permit as a financing guarantee institution from Hubei Economy and Information Technology Commission (湖北省經濟和信息化委員會) which is the competent authority to grant the permit according to the Hubei Interim Measures. The permit will expire on 28 June 2016 and can be renewed by an application made 90 days before the expiry in accordance with the Guidance for Business Permit Management of Financial Guarantee Institutions (融資性擔保機構經營授權管理指引). The permitted business activities of Wuhan Guarantee Investment include loan guarantee, promissory notes guarantee, trade financing guarantee, project financing guarantee, letter of credit guarantee and other financing guarantee, litigation preservation guarantee, performance guarantee, financial consulting and advisory services in relation to guarantee and investment by its own funds.

Wuhan Guarantee Investment mainly provides working capital loan guarantee services by acting as the guarantor to corporates or individuals to enable them to secure credit facilities from banks and other financial institutions, through which Wuhan Guarantee Investment can charge certain percentage of guarantee fee based on the guaranteed amount. At present, all the clients of Wuhan Guarantee Investment are the Group's wholesale clients in the shopping mall or the enterprises in No. 1 Enterprise Community • Wuhan. Wuhan Guarantee Investment would normally require the borrowers to provide collateral (such as store unit, inventories, receivables, leasing rights) or third parties guarantee, etc. as a counter-guarantee for the guarantee provided by Wuhan Guarantee Investment. Wuhan Guarantee Investment also provides other financial services by entering into financial consultancy services agreements with its clients. The financial services mainly include provision of financial consultancy services by advising and proposing different financing methods or products to the clients and assisting them to apply and obtain financing. The service fees to be charged for this service are determined on a case by case basis with reference to the financing amount, difficulty level for obtaining finance and financing method, etc..

At present, business operation of Wuhan Guarantee Investment is mainly supported by the paid-up registered capital. Since its establishment, Wuhan Guarantee Investment has been cooperating with a number of commercial banks in the PRC. At present, Wuhan Guarantee

LETTER FROM THE BOARD

Investment has entered into cooperation agreements with four local banks, pursuant to which Wuhan Guarantee Investment can provide maximum guarantee amount of RMB350 million to the credit facilities granted by the relevant banks to the corporate or individual borrowers. Pursuant to the cooperation agreements, Wuhan Guarantee Investment is required to maintain a minimum cash deposit in an amount of approximately 10% of the total guarantee amount guaranteed by Wuhan Guarantee Investment in the deposit account of the relevant banks. The valid period of those cooperation agreements lasts for one year and, subject to further negotiations, can be renewed every year.

Set out below is the audited financial information for the year ended 31 December 2012 and unaudited financial information for the year ended 31 December 2013 and the period of nine months ended 30 September 2014, of Wuhan Guarantee Investment, prepared in accordance with the PRC GAAP, respectively:

	For the year		For the period of
	ended 31 December		9 months ended
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Unaudited)	(Unaudited)
Turnover	918	1,302	6,740
(Loss)/profit before taxation	(519)	230	4,904
(Loss)/profit after taxation	(519)	230	4,904
			As at
			30 September
			2014
			<i>RMB'000</i>
			(Unaudited)
Total assets			119,810
Total liabilities			16,249
NAV			103,561

LETTER FROM THE BOARD

During the past two years, as Wuhan Guarantee Investment provided the guarantee and other financial services for its wholesale clients on a trial run basis, it only recorded a turnover of approximately RMB1 million and RMB1.3 million for the two years ended 31 December 2012 and 2013 respectively, which is mainly generated from its loan guarantee services. The turnover of Wuhan Guarantee Investment for the nine months ended 30 September 2014 was approximately RMB6.7 million, which was mainly generated from the provision of financial advisory service.

As at 30 September 2014, Wuhan Guarantee Investment had total assets of approximately RMB120 million, mainly comprising other receivables of approximately RMB86 million and cash and cash equivalent of approximately RMB28 million. Wuhan Guarantee Investment had total liabilities of approximately RMB16 million as at 30 September 2014, among which approximately RMB14 million was other payables.

Wuhan Financial Investment

Wuhan Financial Investment is a limited liability company incorporated in the PRC on 11 November 2009 with total registered capital of RMB100 million, which has been fully paid up as at the Latest Practicable Date.

Wuhan Financial Investment is principally engaged in provision of consulting and financial advisory services to the Group's wholesale occupants in the PRC.

Wuhan Financial Investment has established cooperation relationship with local commercial banks and bill collection platform and system providers (the "System Providers").

Pursuant to the agreements entered into between Wuhan Financial Investment and the commercial banks, Wuhan Financial Investment is commissioned by the commercial banks to assist the System Providers which provide bill collection service mainly by installation and maintenance of the POS system for the collection of transaction bill, through which Wuhan Financial Investment can charge handling fee being certain percentage of the transaction amount handled through the bill collection system.

Pursuant to the cooperation agreements entered into between Wuhan Financial Investment and the System Providers, Wuhan Financial Investment is mainly responsible for customers development and provision of services in relation to installation and maintenance of POS system and related consultancy services, whilst System Providers are mainly responsible for provisions of collection platform and system, data recording, machine testing, fund settlement, data monitoring and other technical support. Both Wuhan Financial Investment and the System Provider will share the handling fee charged for each of the transaction handled through the bill collection system. In addition, Wuhan Financial Investment also charges the clients certain amounts of annual commission fee for installation and maintenance of POS System and related consultancy services fee from its clients.

LETTER FROM THE BOARD

At present, business operation of Wuhan Financial Investment is mainly supported by the paid-up registered capital. As at September 2014, Wuhan Financial Investment has assisted around 1,000 merchants in the North Hankou Project to set up POS system and the total amount of transaction flow reached over RMB2 billion for the year ended 31 December 2013.

Set out below is the audited financial information of Wuhan Financial Investment for the year ended 31 December 2012 and unaudited financial information for the year ended 31 December 2013 and the period of nine months ended 30 September 2014, prepared in accordance with the PRC GAAP, respectively:

	For the year		For the period of
	ended 31 December		9 months ended
	2012	2013	30 September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Unaudited)	(Unaudited)
Turnover	567	540	2,961
(Loss)/profit before taxation	(46)	1,195	2,501
(Loss)/profit after taxation	(48)	1,195	2,501
			As at
			30 September
			2014
			<i>RMB'000</i>
			(Unaudited)
Total assets			160,880
Total liabilities			57,659
NAV			103,221

During the past two years, as Wuhan Guarantee Investment provided the financial services for its wholesale clients on a trial run basis, it only recorded a turnover of approximately RMB0.57 million and RMB0.54 million for the years ended 31 December 2012 and 2013 respectively, which was generated from annual commission fee, handling fees and consulting services. Wuhan Financial Investment recorded a turnover of approximately RMB3 million for the nine months ended 30 September 2014, of which approximately 99% was from the provision of consulting services. Given the POS related business of Wuhan Financial Investment was still at development stage and the sharing percentage of the relevant handling fees was relatively low, the Company considers that the relative low turnover from the POS related business is in line with the normal market practice.

LETTER FROM THE BOARD

As at 30 September 2014, Wuhan Financial Investment had total assets of approximately RMB161 million, mainly comprising of other receivables of approximately RMB157 million, account receivables of approximately RMB3 million and cash and cash equivalent of approximately RMB0.9 million. Wuhan Financial Investment had total liabilities of approximately RMB58 million as at 30 September 2014, among which approximately RMB57 million was other payables.

INFORMATION ON ZALL COMMERCE, ZALL HOLDINGS BVI AND ZALL HOLDINGS

Zall Commerce is a company incorporated in the BVI with limited liability. It is an investment holding company which is wholly-owned by Zall Holdings BVI.

Zall Holdings BVI is a company incorporated in the BVI with limited liability. It is an investment holding company which is wholly-owned by Mr. Yan.

Zall Holdings is a company incorporated in the PRC with limited liability, which is owned as to 80% by Mr. Yan and as to 20% by Ms. Chen. Zall Holdings is an investment and management holding company.

INFORMATION ON THE GROUP

The Company through its subsidiaries, at present, is mainly engaged in the development and operation of large-scale consumer product-focused wholesale shopping malls, and the development of commercial, residential and mixed-use property projects in the PRC. The Group also provides warehouse leasing, and via third parties arranges logistics and transportation services for the tenants in its shopping malls. The development and operation of wholesale shopping malls and provision of related facilities and valued-added services are considered as the Group's core business, and the development of commercial, residential and mixed-use property projects is a complementary business of the Group.

LETTER FROM THE BOARD

As set out in table below, the Group, at present, has total 13 property projects which are either in operation or under development or to be developed (including projects under Wuhan Zall City and Zhen An Wuhan).

No	Name of subsidiaries of the Company	Project name	Project description	Development status	Location
Remaining Core Projects					
1.	Wuhan North Hankou Trade Market Investment Co., Ltd	North Hankou International Trade Center (漢口北國際商品交易中心) (the “North Hankou Project”)	It is a large-scale integrated wholesale trading center equipped with logistics warehousing, finance, e-commerce and payment system for suppliers, manufactures, distributors and small and medium enterprises (“SME”) for domestic consumer products.	The total planning gross floor area is 8,000,000m ² , of which 1,840,000m ² has been completed and 1,430,000m ² is under development. Phase III of 2,000,000m ² is to be developed.	Wuhan, Hubei Province
2.	Zall Development (Jingzhou) Co., Ltd	Jingzhou Zall City (荊州卓爾城)	It is a comprehensive, multi-functional and consumer products trading center equipped with an international trade center and logistics warehousing facilities, etc..	The total planned gross floor area is 3,390,000m ² . Phase I of 310,000m ² is under development and part of which is on pre-sale.	Jinzhou, Hubei Province
3.	Zall Development (Tianjin) Co., Ltd	Tianjin Zall E-commerce Mall (天津卓爾電商城)	It is a large-scale wholesale trading center which is equipped with modern logistics, e-commerce, financial support and information technology.	The total planned gross floor area is 3,000,000 m ² . The construction area of Phase I of 612,000m ² is under development and part of which is on pre-sale.	Tianjin
4.	Zall Development (Changsha) Co., Ltd	Zall No. 1 Enterprise Community • Changsha (卓爾第一企業社區 • 長沙總部基地)	It is an office building complex mainly comprising low-density office blocks intended for the headquarters for the SMEs in Changsha.	The total planned gross floor area is 350,000 m ² . Phase I with total gross floor area of 72,000 m ² is on sale and Phase II is to be developed.	Changsha, Hunan Province
5.	Zall Investment Group Co., Ltd	No. 1 Enterprise Community • Wuhan (第一企業社區 • 武漢)	It is an office building complex mainly comprising low-density office blocks, which intended to mainly provide offices to the SMEs and occupants of the North Hankou Project.	The total planned gross floor area is 1,144,000 m ² . Phase I, Phase II and Phase III with total gross floor area of 525,000 m ² have been completed. Phase IV is to be developed.	Wuhan, Hubei Province
6.	Zall Development (Kunming) Co., Ltd (to be established)	Zall Asia Expo City (卓爾亞洲博覽城)	It is intended to be a large-scale integrated logistics and trade center in Dabanqiao Town, Kunming, Yunnan Province.	It is still under planning stage and in the process of acquiring the land for Phase I.	Kunming, Yunnan Province
Remaining Non-core Projects					
7.	Hubei Hu Pan Hao Ting Real Estate Development Co., Ltd	North Hankou • Zall Life City — Phase I & II (Zall Hupan Haoting Residences) (漢口北 • 卓爾生活城 第一期及第二期—卓爾湖畔豪庭)	It is a residential property development project which is intended for merchants within the North Hankou Project and residents in north Hankou region.	The total planned gross floor area is 367,600 m ² . Phase I with gross floor area of 119,400 m ² is on sale and Phase II is under the process of obtaining relevant planning approvals.	Wuhan, Hubei Province

LETTER FROM THE BOARD

No	Name of subsidiaries of the Company	Project name	Project description	Development status	Location
8.	Wuhan Panlong Zall Properties Co., Ltd	North Hankou • Zall Life City — Phase III (Zall Zhujinyuan Residences) (漢口北 • 卓爾生活城第三期—卓爾築錦苑)	It is a residential project which is intended for merchants within the North Hankou Project and residents in North Hankou region.	It is in the process of obtaining relevant approvals for construction.	Wuhan, Hubei Province
9.	Zall Development (Shenyang) Co., Ltd	Shenyang Salon (瀋陽客廳)	It is an residential project with auxiliary commercial facilities.	The total planned gross floor area is 370,000 m ² . Phase 1 of garden houses with gross floor area of 82,700 m ² are on sale.	Shenyang, Liaoning Province
10.	Wuhan Zall Yuecheng Investment Co., Ltd	Zui Jiang Nan Town (最江南小鎮)	It is intended to develop a low-rise and low-density (plot ratio 1:1) commercial property mainly comprising business clubhouses (商務會館).	It is in the process of obtaining relevant planning approvals.	Wuhan, Hubei Province
11.	Zall Development (Xiaogan) Co., Ltd, Zall Trade Development (Xiaogan) Co., Ltd	Taohuayi Town (桃花驛小鎮)	It is intended to develop a residential and commercial property complex integrating the elements of ecology, culture and tourism.	It is in the process of obtaining relevant planning approvals.	Xiaogan, Hubei Province
Disposed Non-core Projects					
12.	Zhen An Wuhan	Zall International Finance Center (卓爾國際金融中心)	It is a high-end office building equipped with commercial shopping center.	The total planned gross floor area is 97,204 m ² . The gross floor work for the main structure has been completed.	Wuhan, Hubei Province
13.	Wuhan Zall City	Wuhan Salon (武漢客廳)	It is a multi-structural and multi-functional commercial complex comprising Chinese culture exhibition center, cultural and art trading market, Chinese collection museum, apartments (SOHO) and hotel, etc..	The total planned gross floor area is 1,149,000 m ² . Phase I with total gross floor area of 261,500 m ² is under development. The gross floor work for the main body of the Chinese culture exhibition center and the Retail Outlets I & II been completed and part of SOHO is on sale.	Wuhan, Hubei Province

REASONS AND BENEFITS OF THE PROPOSED RESTRUCTURING

The growth of property market in the PRC has experienced a slowdown since the beginning of 2014. According to the data announced by National Bureau of Statistics, the overall sales of residential units for the first six months of 2014 had slipped approximately 7.8% in sales gross floor area and decreased by approximately 9.2% in sales revenue amount compared to the same period of 2013. Confronted with the strict tightening measures and amid tight liquidity, property developers with increasing inventory and deteriorating financial position were forced to cut prices in order to boost sales. Although the Central Government has loosen some of the regulatory measures recently, operation environment for medium to small property developers is still tough due to higher financing cost and weaker capability to hold inventory compared with large and state-owned property developers.

LETTER FROM THE BOARD

According to the data announced by Wuhan Bureau of Statistics, compared to the total area of lands purchased by property developers last year, the land area purchased in Wuhan in 2014 has fallen dramatically. During the first nine months of 2014, the land area purchased by property developers was 1,791,700 square metres, decreased year-on-year by approximately 37.5%. At the same time, the gross floor area of properties on sale was 8,751,100 square metres with a year-on-year growth of approximately 34.6%, which implied that there was over-supply of properties. Influenced by over-supply in the real estate market, in August 2014, the sales price index of newly built commercial and residential buildings in Wuhan fell for the first time since December 2012. According to the latest data from the Wuhan Statistical Bureau, the sales price index of newly built commercial and residential buildings in Wuhan decreased approximately 1.6% in September 2014 on year-on-year basis.

Having considered the market trend, the relatively long development cycle, the fierce competition for acquisition of land and high financing cost for small and medium property developers, the Directors believe it is in the interests of the Shareholders and the Company to seek a strategic transformation to gradually phase out the Group's participation in the residential and commercial property development industry.

Since being listed in 2011, the Group has developed several commercial and residential property projects and expanded the Group's projects portfolio. Although these projects have contributed certain turnover/profit to the Group in the past few years, given the nature of the property development industry and the structure of these acquisitions together with the additional costs incurred in the development of these projects, the Group has raised debts to finance their financial needs, which resulted in the relatively high level of interest-bearing liabilities. As at 30 September 2014, Wuhan Zall City as one of the Disposed Companies had total liabilities of approximately RMB2,549 million with NAV being approximately RMB129 million, whilst Zhen An Wuhan as another one of the Disposed Companies had total liabilities of approximately RMB662 million with NAV being approximately RMB1,167 million, of which 51% is attributable to the Group. Most of SOHO of Phase I of the Wuhan Salon under Wuhan Zall City has been completed and sold as at the Latest Practicable Date. It is estimated that an investment of approximately RMB800 million and RMB6.5 billion are required to complete the Phase I and construction of Phase II of Wuhan Salon respectively. Although the main construction work of Zall International Finance Center under Zhen An Wuhan has been completed, it is estimated that approximately RMB117 million is required for completion of this project before it will start to generate rental income. If the Group continues to hold these two projects, it will have to commit further financial resources and raise additional financing, that may not be strategically beneficial to the Company and its Shareholders in view of the recent sentiment of the residential and commercial property industry.

As mentioned above, the Group's core business is the development and operation of wholesale shopping malls and provision of related facilities and value-added services. In view of the trend and growth of provision of logistics and warehousing, E-commerce and finance services in retail and wholesale industries, along with the aforesaid changes of microeconomic environment of the property development industry in the PRC, as set out in the Company's interim report for the six

LETTER FROM THE BOARD

months ended 30 June 2014, the Company considers that the Group should focus on its core business segment by directing its resources to develop further its presence in the wholesale shopping malls industry.

The entering into the Restructuring Agreements is one of the Company's strategic moves to adjust its principal business activities. The disposals of the non-core business of the Group not only can spare resources of the Group for the development and enhancement of the Group's core business, but can also reduce the Group's debt level and improve the Group's overall financial liquidity, and hence reduce the Group's business risk from the industry cycle.

By leveraging its competitive advantages and leading position achieved through its traditional wholesale trading malls in central China, the Group intends to develop and operate integrated wholesale trading platforms supported with logistics and warehousing, E-commerce and finance services to capture the current market trend and meet customer demands with a view to maintaining its leading market position in the wholesale industry. In the long term, the Group intends to develop a nationwide trading and distribution network, which will include wholesale shopping centers developed in first-tier cities as the core centers and second-tier cities as the supporting centers and be supported by related warehouses, distribution centers, via third parties arranging for transportation services and other facilities.

As aforesaid, the Group in the long term intends to develop a nationwide trading and distribution network. Wuhan Inland Port Center as a warehousing and distribution center can provide logistics support to the Group's wholesale shopping centers business with the main functions of warehousing, distribution, displaying and trading. Accordingly, the Directors believe that, the acquisition of Wuhan IP Center is in line with the Group's business strategy to establish a national trading and distribution network in the long run.

As Wuhan Guarantee Investment has obtained a permit for conducting guarantee business, Wuhan Guarantee Investment and Wuhan Financial Investment have established business relationship with local commercial banks and clients and accumulated relevant industry experience, the acquisitions of Wuhan Guarantee Investment and Wuhan Financial Investment can further enhance the Group's financial value-added services to the Group's wholesale clients.

The Directors consider that the provision of such value-added financial services to the Group's wholesale clients will increase the clients' reliance on the Group and attract more wholesale clients to purchase or rent the properties in the Group's wholesale trading centers. The Group does not expect significant contribution of revenue directly from these financial value-added services in short run, but focuses on the long-term contribution of these value-added services to its core businesses, and believes that provision of these financial value-added services can differentiate the Group's wholesale trading malls from other traditional trading malls.

The Proposed Restructuring is just one of the Company's strategic moves to allow the Group to spare more resources to focus on its core business segment. The Company is also exploring other possibilities which include, among others, disposal of Remaining Non-core Projects. As set out in the Company's announcement dated 18 November 2014, the Company has entered into the

LETTER FROM THE BOARD

Cooperation Agreement with an independent third party in relation to disposal of certain Remaining Non-core Projects. Further announcement(s) will be made by the Company pursuant to the requirements of the Listing Rules as and when appropriate.

The Directors believe that these strategic initiatives will enhance the Group's overall competitiveness.

Having considered all the above, the Directors are of the view that the terms of the Disposal Agreement and the Equity Swap Agreement (including the relevant consideration) have been negotiated on an arm's length basis, are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

GUARANTEE BUSINESS AND OTHER FINANCIAL BUSINESS OF THE GROUP AFTER COMPLETION OF THE ACQUISITIONS

After completion of the acquisition of Wuhan Guarantee Investment and Wuhan Financial Investment, the Group will be engaged in provision of guarantee services and financial value-added services through Wuhan Guarantee Investment and Wuhan Financial Investment.

Wuhan Guarantee Investment

Wuhan Guarantee Investment will continue to assist the Group's wholesale clients to obtain loan facilities from lending banks and other business institutions by way of providing guarantee to those lenders guaranteeing the repayment obligation of the Group's wholesale clients.

After incorporated into the Group, Wuhan Guarantee Investment's bargaining power of negotiation with the commercial banks and other financial institutions will be enhanced and therefore the costs of the services will be lowered. In addition, after other receivables of approximately RMB56 million being collected pursuant to the Equity Swap Agreement, Wuhan Guarantee Investment will be able to increase its maximum guarantee amount by at least RMB560 million assuming the required deposit rate remains the same as current.

In addition to the provision of guarantee services, Wuhan Guarantee Investment will also enter into separate financial consultancy services agreements with its wholesale clients by advising and proposing different financing methods or products to the clients to assist them to apply and obtain financing, from which Wuhan Guarantee Investment can charge the clients service fees.

Furthermore, after completion of the Acquisitions, the Group intends to through Wuhan Guarantee Investment provide guarantee service to those wholesale clients which intend to open "on-line shops" and obtain "on-line credit" from commercial banks particularly. Wuhan Guarantee Investment will not provide any direct financing or funding to the borrowers, but will only provide guarantee service and charge the clients the guarantee fees based on the guarantee amount it provides, which is within the permitted business scope of Wuhan Guarantee Investment.

LETTER FROM THE BOARD

Wuhan Financial Investment

At present, through cooperating with the commercial banks and the System Providers, Wuhan Financial Investment's financial services are mainly engaged in assisting the Group's wholesale clients in installation and maintenance of the POS system and provision of related consultancy services. Wuhan Financial Investment and the System Providers share the handling fees, being certain percentage of the transaction amount handled through the bill collection system. In addition, Wuhan Financial Investment also charges its clients certain amounts of annual commission fee for installation and maintenance of the POS system and related consultancy services.

The Group will continue to develop the POS related business by taking advantage of existing client base established through the Group's wholesale shopping malls. Nevertheless, the Company does not expect that the POS system related services will make significant direct contribution to the profit of Wuhan Financial Investment in the near future. The Company plans to waive the handling fee in the near future in order to promote the POS business which can facilitate the Group to acquire the transaction data of the Group's wholesale clients. Through collecting and analyzing these transaction data, the Group can have a better understanding of the clients' business operation status, transaction volume, transaction amount, transaction frequency, business cycle, etc, so that based on such information, the Group can determine the maximum amount which Wuhan Guarantee Investment can provide guarantee to each client and advise its clients on the financing methods and financial products with regard to their business needs and operation status.

Apart from the existing financial services, the Group intends to through Wuhan Financial Investment develop the provision of other value-added financial services to the Group's wholesale clients, such as: (i) establishing the "North Hankou Finance Club" (the "Club"). It is intended that the Company will select the Group's core and quality wholesale clients to be the members of the Club, where the Group will periodically collect and centralise the Club members' financing needs, and then negotiate with the commercial bank(s) for and on behalf of the members for a credit line as a whole, to which the Group may provide relevant guarantee service and charge guarantee fees and relating consultancy service fees; and (ii) setting up a P2P (Peer-to-Peer) financial intermediary platform (the "Platform") to facilitate the Group' wholesale clients to match their investing or financing needs. The Group will not provide any financing or funding to the Group's wholesale clients, but only provide a financing matching platform, from which the Group will charge the clients a platform service fee and consultancy service fees.

It is the Group's plan to provide the aforesaid other value-added services. As at the Latest Practicable Date, no agreements have been entered into among the Group, the Group's wholesale clients or the commercial banks in this regard. After completion of the Acquisitions, the Group will further discuss and negotiate with the Group's clients, the commercial banks and other relevant parties, and further evaluate feasibilities of the formation of the Club and the conduct of the Platform and then formulate a detailed business development plan.

LETTER FROM THE BOARD

The Group currently has no intention to provide the guarantee services and other value-added financial services to clients outside of the Group in the near term; instead, the Group intends to continue to focus on provision of such financial services to the Group's wholesale clients in the shopping malls.

As the existing business operations of Wuhan Guarantee Investment and Wuhan Financial Investment mainly are provision of guarantee services and financial consultancy services, the Company considers that the existing working capital of Wuhan Guarantee Investment and Wuhan Financial Investment, which comes mainly from the paid-up registered capital, is sufficient to support their existing operation at their present scale in the near term. After completion of the Acquisitions and formulating a detailed development plan, the Group will consider increasing the investment in Wuhan Guarantee Investment and Wuhan Financial Investment along with their business expansion as and when necessary.

MANAGEMENT OF WUHAN GUARANTEE INVESTMENT AND WUHAN FINANCIAL INVESTMENT

Wuhan Financial Investment and Wuhan Guarantee Investment at present have total nineteen formal employees who possess relevant financial industry experiences. The Company intends to retain all the existing employees and recruit five additional staff for system maintenance and relationship development. It is planned that after completion of the Acquisitions, Ms. Wang Danli ("Ms. Wang"), Ms. Min Xueqin ("Ms. Min") and Mr. Wang Tao ("Mr. Wang") will be mainly responsible for the management of the business operations of Wuhan Financial Investment and Wuhan Guarantee Investment.

Ms. Wang is an executive Director who has over 13 years of experience in equity financing, financial management, merger and acquisition and asset management. Prior to joining the Group, Ms. Wang was an assistant general manager in the investment banking department of Changjiang Financing Services Co., Ltd. since July 1999, focusing on corporate finance transactions and other financial and compliance advisory matters. Ms. Min is the general manager of Wuhan Guarantee Investment and Wuhan Financial Investment and she participated in the development, marketing and operation activities for the North Hankou International Trade Center. Ms. Min has built a good relationship with merchants of Group's shopping mall and has good knowledge of the merchants' financial needs. Mr. Wong is the vice general manager of Wuhan Guarantee Investment and is mainly responsible for the daily operation of Wuhan Guarantee Investment. Before joining Wuhan Guarantee Investment, Mr. Wong worked for a local guarantee company as marketing director for around 4 years.

RISK MANAGEMENT SYSTEM OF WUHAN GUARANTEE INVESTMENT

Wuhan Guarantee Investment has implemented a set of internal guidelines and operation procedures to manage its risks in the guarantee business, which include guidelines and procedures for client management, pre-transaction assessment, on-going risk evaluation, product design, counter-guarantee requirement and post-transaction monitoring.

LETTER FROM THE BOARD

After identifying potential clients who have financial guarantee needs, the business development manager will conduct initial meetings with the clients to screen out potential clients which meet the basic requirements set by Wuhan Guarantee Investment (such as client who owns an operation entity with good condition in Hubei Province and/or owns shop unit(s) or other property(ies) sold by the Group).

The potential clients who meet the basic requirements are requested to complete an application form detailing the identity of the clients, the amount of guarantee, duration of guarantee, proposed use of funding under the guarantee, proposed means of repayment, the type, size and location of available collateral(s), the provision of counter-guarantee, etc. with supporting documents. Business development manager will also require the applicant to provide a set of its corporate documents, such as valid business licence, relevant approval certificate(s), taxation certificate, audited financial statements and capital verification report, etc.

After receipt of all necessary documents from the potential clients, the business development manager will conduct a preliminary screening and reject the applicants who do not meet the basic requirements. The business development manager will have further discussion with the clients who meet the basic requirements regarding the preliminary guarantee amount that Wuhan Guarantee Investment can provide, which is normally around 70% of the total value of the collateral(s)/property(ies) owned by the client. Based on the documents and information received and the clients' guarantee needs, the business development manager will prepare a client analysis report which will be submitted to the risk management department for consideration. After reviewing the report prepared by the business development staff, the risk management department will give its assessment and feedback.

Then the risk control manager and the relationship manager of the lending banks will conduct due diligence investigation and assessment, which mainly include (i) arranging an on-site visit to the potential clients' places of operation and an interview with the key personnel and employee(s) of the clients to understand their business operations and financial performance; (ii) examining the condition of the proposed collateral(s) or property(ies); and (iii) verifying and checking the original documents or information provided by the clients.

After the due diligence and assessment process, the cases for the applicants who meet the qualifying requirements will be put forward to an assessment meeting of Wuhan Guarantee Investment for further review and approval. Business development manager, business operation director, risk control manager, legal manager, general manager will participate in such meeting. During the meeting, the business development manager will present the cases, and legal manager and risk control manager will give their advice and assessment. All participants of the meeting will review the applications, examine the due diligence report, and if the application meets the requirements, approve or if not disapprove each application. For some applications, additional collateral(s) or property(ies) from the clients or third party(ies) guarantee may be required for the guarantee services to be provided by Wuhan Guarantee Investment.

LETTER FROM THE BOARD

For applications which are unanimously approved at the assessment meeting, the risk management department will communicate with and seek assistance from the Group's relationship department regarding the counter-guarantee measures such as applying for the registration of Wuhan Guarantee Investment's interests in the collateral(s) or property(ies). Wuhan Guarantee Investment will forward all necessary guarantee related documents to the lending bank(s). After obtaining the approval from the lending bank(s) regarding the loan application, the relevant guarantee contract and counter-guarantee contract between Wuhan Guarantee Investment and the clients will be prepared.

Wuhan Guarantee Investment will require the clients to execute the counter-guarantee contract, then Wuhan Guarantee Investment will implement the counter-guarantee measures. At the same time, the clients are required to pay the relevant guarantee fee according to relevant contracts. After obtaining the relevant guarantee fee, entering into relevant counter-guarantee contract, and completion of the counter-guarantee measures, Wuhan Guarantee Investment will execute the guarantee contract and issue a guarantee letter to the lending bank. Based on the internal guideline, all the relevant contracts will be reviewed by legal staff of Wuhan Guarantee Investment and the legal staff must verify the identity of the signatories prior to the execution.

In order to identify as early as possible any problems that would affect the clients' ability to repay a guaranteed obligation, Wuhan Guarantee Investment monitors the performance of the clients after the issue of guarantee letters. During the guarantee period, staff of Wuhan Guarantee Investment will regularly visit the clients to understand, assess and monitor the clients' financial condition, business operation, use of funds, material changes in management, counter-guarantee condition and performance of obligations under the guarantee contract, and will conduct regular assessment of the customer's business operation and/or assets and liabilities.

According to the information provided by Wuhan Guarantee Investment, the Company understands that as at the Latest Practicable Date, there was no default on the loan guaranteed by Wuhan Guarantee Investment since its establishment. Based on the preliminary assessment, the Company considers that the existing risk management system of Wuhan Guarantee Investment is commensurate with the scale of the existing guarantee business operation.

RISKS IN RELATION TO GUARANTEE BUSINESS

Engaging in guarantee business, to the best knowledge of the Directors, may bring the following risks to the Group: (i) the customers may default on a loan or fail to perform their contractual obligations, which would shift the repayment obligation to Wuhan Guarantee Investment as the guarantor; (ii) the current risk management system may not be adequate to protect Wuhan Guarantee Investment against credit risk, liquidity risk, financial market risk or other risks when guarantee business expands; (iii) the banks as the loan facility providers may reduce the maximum guarantee amount which Wuhan Guarantee Investment can provide for the borrowers or require higher minimum amount of cash deposit maintained by Wuhan Guarantee Investment in the banks, which may affect the business scale and relevant guarantee fees of Wuhan Guarantee Investment; (iv) operation of the relevant businesses may be materially and adversely affected if any of the experienced members of management team departs and no suitable candidates could be

LETTER FROM THE BOARD

identified and recruited due to intense competition for key personnel in this industry; (v) the Group may be exposed to fraud or other misconduct committed by its employees, customers or other third parties that could subject the Group to financial losses and sanctions imposed by governmental authorities as well as seriously harm its reputation.

As (i) Wuhan Guarantee Investment would normally require the borrowers to provide collateral or third parties guarantee, etc. as a counter-guarantee for the guarantee provided by Wuhan Guarantee Investment; (ii) the Group will regularly update and review the existing risk management system to satisfy the needs of the expanding business; (iii) the customers of the guarantee business are the Group's existing merchants in the wholesale trading malls or the enterprise in No.1 Enterprise Community • Wuhan, whose credit status are known to the Group and they are, rated and reviewed by the Group regularly; (iv) the Company will retain the existing management and staff of the Target Companies who have possessed the relevant industry expertise and experience; (v) the Group will strengthen the talent pool by recruitment and training additional qualified staff for the financial business as and when necessary along with the business development; and (vi) the Group will consider increasing the capital of Wuhan Guarantee Investment as and when appropriate depending upon the operation scale of the guarantee business, the Directors consider the aforesaid business risks can be substantially reduced.

RISKS IN RELATION TO CONDUCTING A PEER TO PEER FINANCING PLATFORM

As Wuhan Financial Investment has limited experience in relation to the operation of the Platform, it will face increased risks, uncertainties, expenses and difficulties.

As Wuhan Financial Investment has limited experience in relation to the operation of the Platform, it will encounter risks, uncertainties, expenses and difficulties, including (i) navigating evolving regulatory and competitive environments; (ii) increasing the number of clients and enders utilizing the Platform; (iii) increasing the volume of loans facilitated through the Platform and Platform service fees received for matching borrowers and lenders through the Platform; (iv) entering into new markets and introducing new products; (v) continuing to develop, maintain and scale the Platform; (vi) effectively maintaining and scaling its financial and risk management controls and procedures; (vii) maintaining the security of the Platform and the confidentiality of the information provided and utilized across the Platform and (viii) attracting, integrating and retaining an appropriate number of qualified employees.

If Wuhan Financial Investment is not able to timely and effectively address these requirements, its P2P financial intermediary business (“the P2P business”) and results of operations may be harmed.

LETTER FROM THE BOARD

If new laws and regulations are promulgated to regulate the Platform or to impose licensing requirements, the P2P business to be conducted may be harmed or affected if Wuhan Financial Investment is unable to comply with such requirements or fail to obtain the relevant license.

To the knowledge of the Directors, as at the Latest Practicable Date, the conduct of P2P business did not attract licensing requirements from CSRC under the laws of the PRC.

It is possible that relevant governmental authorities in the PRC will promulgate new laws and regulations specifically governing and regulating the P2P business and/or impose licensing requirements for the operation of the P2P business.

In the event that new laws and regulations are promulgated to regulate the P2P business which the Group intends to conduct through Wuhan Financial Investment after completion of the Acquisition and/or to impose licensing requirement on Wuhan Financial Investment, the P2P business to be conducted by the Group as disclosed in the circular may not be in compliance with the requirements under the new laws and regulations. In addition, the P2P business may be required to cease operation until the obtaining of the relevant license.

If Wuhan Financial Investment is not able to timely and effectively address the new regulatory changes, its P2P business may be jeopardized.

If Wuhan Financial Investment is unable to maintain or increase loan originations to be facilitated through the Platform or if its wholesale clients or investors or lenders do not participate in the Platform, the P2P business will be adversely affected.

To develop the P2P business, Wuhan Financial Investment needs to attract clients who will participate in the Platform and lenders interested in providing financing to the clients. If there are not sufficient loan requests, lenders or investors may not be able to deploy their capital in a timely or efficient manner and may seek other investment opportunities. If there are not sufficient investor/lenders commitments, the clients may not be able to obtain investment capital for their loans and stop using the Platform for their borrowing needs. Additionally, clients and lenders must also continue to participate in the Platform. As at the Latest Practicable Date, Wuhan Financial Investment has not secured any relationship with any lenders and/or clients. If Wuhan Financial Investment is unable to attract clients and sufficient lenders/investors commitments or there are no clients and lenders/investors to participate in the Platform, it may not be able to successfully develop the P2P business or its revenue may not be able to grow at all.

Negative publicity could adversely affect the P2P business.

Negative publicity about the industry, including the quality and reliability of P2P financial intermediary platform, effectiveness of the platform's credit decisioning and scoring models privacy and security practices, regulatory activity and the experience of borrowers and investors/lenders

LETTER FROM THE BOARD

with platform similar to the Platform, even if inaccurate, could adversely affect the reputation and the confidence in the use of the Platform, which could harm the development of the P2P business and operating results.

If the default rate on loans facilitated through the Platform is high, the return on investment for lenders/investments in those loans would be adversely affected and investors/lenders may not find investing in the Platform desirable.

Although Wuhan Financial Investment will not provide any financing or funding through the Platform, there remains a risk that the borrower which obtains financing through the Platform is unwilling or unable to repay the loan. If a borrower defaults in repaying the loan obtained through the Platform, the lender/investor may become dissatisfied with the Platform if a loan underlying its investment is not repaid and it does not receive full payment. As a result, reputation of the Platform may suffer and the investor confidence may be lost, which could adversely affect investor/lender participation in the Platform.

The Group's wholesale clients may obtain finance from other sources.

The personal and small business lending market is competitive and evolving. The Platform competes with other P2P financial intermediaries, traditional financial institutions, such as banks credit unions, and other consumer finance companies. Since the Group's wholesale clients will not be restricted from obtaining financing from other sources, in the event that the products offered through the Platform cannot compete with other competitors or the terms to be provided by other institutions are better than the Platform, the Group's wholesale clients may obtain finance from them instead of the Platform and the P2P business may not be able to sustain or develop as expected.

REGULATIONS RELATING TO GUARANTEE INDUSTRY IN THE PRC

As present, the guarantee company in the PRC are regulated to comply with the national guarantee law and related rules and regulations, as well as the guarantee business regulations made by the local government. Wuhan Guarantee Investment has followed the related laws and regulations to carry out its business.

The major laws and regulations applicable to financial guarantee companies include, among others, the Interim Measures and the Hubei Interim Measures. Pursuant to the Interim Measures and the Hubei Interim Measures: (i) the outstanding financial guarantee amount provided by a financial guarantee company for a single customer shall not exceed 10% of its net assets; (ii) the aggregate outstanding financial guarantee amount provided by a financial guarantee company shall not exceed 10 times of its net assets; and (iii) financial guarantee companies shall establish unearned premium reserve equal to 50% of guarantee premium recognised during the year, and indemnification reserve of no less than 1% of the outstanding guarantee balances undertaken by the entities established in the PRC; (iv) a financial guarantee company shall not provide financial guarantees for its parent and subsidiaries; (v) a financial guarantee company shall not conduct any of the following activities: (a) taking deposits; (b) granting loans; (c) granting entrusted loans; and (d) entrusted

LETTER FROM THE BOARD

investments; (vi) the investment made by a financial guarantee company with its own funds shall be limited to the financial products with fixed income and high credit rating, such as treasury bonds, financial bonds, and debt financing instruments of large-size enterprises; a financial guarantee company can make other investments which have no conflict of interests and whose total amount does not exceed 20% of its net assets.

In addition to the above, pursuant to the Hubei Interim Measures, the minimum paid-up capital for a financial guarantee company established in Wuhan City shall be at least RMB 100 million. If a financial guarantee company intends to establish branches in multiple cities within Hubei province, it shall obtain the consent letter from the local authority where the financial guarantee company is located; the application shall be made to the local authority where the branch is located and be approved by the competent authority at the provincial level. If a financial guarantee company intends to conduct business in multiple cities, it shall register with, and comply with the regulations of, local municipal authority. The operational capital of a financial guarantee company shall be centrally entrusted; the financial guarantee company can choose the trustee bank and file it with the local regulator. The trustee bank shall monitor the flow of the operational capital of the financial guarantee company and report to the local regulator on a periodic and non-periodic basis.

REGULATIONS RELATING TO P2P FINANCING PLATFORM IN THE PRC

As at the Latest Practicable Date, the operation of the Platform is not subject to any licensing requirements from the China Banking Regulatory Commission (“CBRC”). On 23 October 2011, the General office of CBRC issues a Notice regarding Warning of Risks Associated with peer-to-peer financing (“Warning Notice”). According to the Warning Notice, the General office of CBRC warns that there are seven major concerns and risks associated with peer-to-peer financing, including (i) affecting the macroeconomic control results; (ii) vulnerability of being illegal financial institutions, (iii) difficulty on controlling commercial risk; (iv) false or ambiguous publicity and information, (v) uncertainty regarding responsibility for regulating peer-to-peer financing and uncertainty regarding the legal status of peer-to-peer financing; (vi) comparatively high credit risk, and (vii) risks associated with peer-to-peer financing companies of second mortgage of real estate. In the Warning Notice, the General office of CBRC stated that, due to the unreadiness of the current laws and regulations in China, the regulations on how to implement the administration is unclear, and there are no explicit laws and regulations to define the legal nature and status of the P2P financing. Furthermore, the General office of CBRC provides recommendations to the banks and financial institutions on taking precautionary measures, including setting up the firewall between the P2P financing companies, strengthening the monitoring on bank officers, and enhancing the liaising with other regulatory authorities. Save as the above recommendations, CBRC has not issued any laws and regulations which specifically regulate and govern the operation of the Platform as currently disclosed in this circular. To the Directors’ knowledge, there are publications in the media that CBRC is considering the implementation of laws and regulations to specifically govern the operation of P2P financing platform; therefore it is possible that relevant governmental

LETTER FROM THE BOARD

authorities in the PRC will promulgate new laws and regulations specifically governing and regulating the P2P financial intermediary business and/or impose licensing requirements for the operation of the P2P financial intermediary business.

DELINEATION OF BUSINESS

Upon completion of the Disposals and the Acquisitions, the Group will be principally engaged in development and operation of large-scale consumer product-focused wholesale shopping malls and provision of related logistics and warehousing (such as provision of warehouses, distribution centers via third parties arranging logistics and transportation services), E-commerce and financial value-added services. The Group will continue to hold the Remaining Non-core Projects of development of commercial, residential and mix-use property projects in the PRC. On the other hand, the Controlling Shareholders and their respective associates will be engaged in development of commercial, residential and mix-use property projects in the PRC and operating other businesses such as automobile logistics, cold chain logistics, operating and management of container ports and other business segments.

After completion of the Acquisitions, in terms of logistics business, the Group will be engaged in provision of warehousing facilities, distribution center and via third parties arranging logistics and transportation services mainly for tenants in its shopping malls, whilst the Controlling Shareholders and their associates will be engaged in automobile logistics, cold chain logistics, operating and management of container ports. Wuhan IP Center's logistics business mainly focuses on the provision of the supporting services to facilitate the wholesale clients to store, display, distribute and trade the consumer goods and other products between wholesalers, distributors and traders. Wuhan IP Center does not have its own transportation vehicles (such as trucks or shipping vessels). Revenue is expected to be generated from sales, leasing and operation of logistics facilities. On the other hand, the automobile logistics business of the Controlling Shareholders mainly focuses on provision of automobile logistics solution and services including, loading and unloading, stacking, forwarding and transportation services, to automobile manufacturers and distributors. The cold chain logistics business is mainly to provide logistics services for refrigerated food products for food suppliers or buyers. Both automobile and cold chain logistics businesses require special logistics vehicles, equipment and other special auxiliary facilities. The revenue generated from the logistics business of the Controlling Shareholders is mainly from charging its customers a services fee with reference to, among others, quantities, distance of forwarding, time and human resources required though special transportation vehicles. Given the difference in nature of logistics services, the Company considers that the Group's existing logistics services business and the Wuhan IP Center's business will not compete with the logistics business of the Controlling Shareholders and their associates.

After completion of the Disposals, in terms of property development business, the Controlling Shareholders will own the Disposed Non-core Projects (i.e. Wuhan Salon and Zall International Finance Center), whilst the Group, apart from the Remaining Non-core Projects, will own the Remaining Core Projects including the Remaining Office Projects (i.e. Zall No. 1 Enterprise Community • Changsha and No. 1 Enterprise Community • Wuhan).

LETTER FROM THE BOARD

As set out in table under paragraphs headed “Information on the Group” above, Wuhan Salon is a multi-structural and multi-functional commercial complex comprising Chinese culture exhibition center, cultural and art trading market, Chinese collection museum, SOHO, hotel and other facilities. It is located at a transportation hub of Wuhan with total planned construction area of approximately 1,149,000 square metres. The office building properties contained in Wuhan Salon mainly target at the high net worth individuals. Zall International Finance Center is a high-end office building equipped with commercial shopping center. It is located at the centre in the downtown area of Wuhan with total planned construction area of approximately 97,204 square metres.

The Remaining Office Projects are office building complexes with each of them mainly comprising low-density office blocks located at urban area, which are intended to provide supporting office facilities to existing clients of the Group and other small and medium enterprises for setting up their offices or local headquarters. Comparably, the SOHO unit with gross floor area of ranging from approximately 50 to 100 square metres in Wuhan Salon, which can be used as a small office, is sold at the average price around RMB6,200 per square metres mainly to individual clients, and the office unit of Zall International Finance Center intends to be leased to high-end corporate clients. Whilst, the single building unit of the Remaining Office Projects with gross floor area of ranging approximately 500 to 2,000 square metres normally sold as a whole at an average price of around RMB3,300 per square metre to the small and medium enterprises. No. 1 Enterprise Community • Wuhan is in proximity to the Group’s wholesale shopping mall (i.e. the North Hankou International Trade Center), and quite a few of the occupants are clients of the Group’s North Hankou International Trade Center. The target customers are either the existing clients or potential clients of the Group for the business of the development and operation of wholesale shopping mall and provision of related valued-added services. The Company considers the Remaining Office Projects are related to the Group’s core business and shall be treated as the Remaining Core Projects. Therefore, the Company believes that the Remaining Office Projects can be clearly differentiated from the Disposed Non-Core Projects which will be owned by the Controlling Shareholders upon completion of the Disposals.

During the period commencing from completion of the Disposals and until the Group having disposed of or realised all the Remaining Non-core Projects, the business owned/controlled by the Controlling Shareholders (i.e. the Disposed Non-core Projects) may overlap with the business of the Group in terms of business nature but not necessary in direct competition.

In order to prevent any potential competition, on 24 December 2014, the Controlling Shareholders entered into the Side Letter with the Company, agreeing that upon completion of either or both of the Disposal Agreement and the Equity Swap Agreement, the Controlling Shareholders shall enter into the Revised Deed in favour of the Company, pursuant to which, the Controlling Shareholders (together, the “**Covenantors**” and each a “**Covenantor**”) agree, with effect from the date of the Revised Deed and ending, in respect of each Covenantor on the earlier of (i) the date on which such Covenantor ceases to be a controlling shareholder of the Company and (ii) the date on which the Shares ceased to be listed on the Stock Exchange (the “**Non-Compete Period**”), that:

LETTER FROM THE BOARD

- (a) during the period from the date of the Revised Deed to the date that the Group having completed the business restructuring by disposing all the Remaining Non-core Projects (the “**Disposal Date**”), save for the Disposed Non-core Projects and for the purpose of facilitating the disposal of the Remaining Non-core Projects, it/he will not, and will procure its/his associates (other than members of the Group) not to directly or indirectly be involved in or undertake or owned any commercial, residential and/or mix-used property development projects in the PRC which have similar nature, target customers, location and/or style to, or otherwise may compete with, the properties held or to be held by the Group;
- (b) during the period from the Disposal Date to the end of the Non-Compete Period, it/he will not, and will procure its/his associates (other than members of the Group) not to directly or indirectly be involved in or undertake any business that directly or indirectly competes with our business or undertaking, or holds shares or other interest in any companies or businesses that compete directly or indirectly with our business; and
- (c) throughout the Non-Compete Period, if any of the Covenantors or his/its associates become aware of any business opportunity that relates to the provisions of logistics services which nonetheless is available to and can be taken up by the Group, he/it shall exert his/its best efforts to procure such business opportunity be diverted or first offered to the Group; and the Covenantors shall not take up such business opportunity unless (i) the Group decides not to engage in taking up such business opportunity; and (ii) the independent non-executive Directors consider that the undertaking of such business opportunity by the Covenantors will be in compliance with the Revised Deed.

The Revised Deed also provides that:

- (i) the independent non-executive Directors shall review, at least on an annual basis, the compliance with the Revised Deed by the Covenantors;
- (ii) each of the Covenantors has undertaken to us that it/he will provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the Revised Deed;
- (iii) the Company will disclose the review by the independent non-executive Directors on the compliance with, and the enforcement of, the Revised Deed in the annual report of the Company or by way of announcement to the public in compliance with the requirements of the Listing Rules;
- (iv) each of the Covenantors will make an annual declaration in our annual report on the compliance with the Revised Deed in accordance with the principle of voluntary disclosure in the corporate governance report; and
- (v) the deed of non-competition entered between the Covenantors and the Company on 20 June 2011 shall cease to have effect from the date of the Revised Deed.

LETTER FROM THE BOARD

The Revised Deed will become effective upon completion either or both of the Disposal Agreement and Equity Swap Agreement. The resolution in relation to the Side Letter and Revised Deed will be put forward at the EGM for the Independent Shareholders' approval.

Further, as set out in the paragraphs headed "Reasons and benefits of the Proposed Restructuring" above, it is the Group business strategy to concentrate its resources on its core business segment, and apart from the Remaining Non-core Projects, the Group does not intend to seek other opportunities in residential and/or commercial and/or mixed-use property development project in the future. The Group also intends to dispose or realise the Remaining Non-core Projects within 24 months after the effective date of the Revised Deed. As set out in the Company's announcement dated 18 November 2014, the Company has entered into the Cooperation Agreement with an independent third party in relation to disposal of certain Remaining Non-core Projects. In the event that the Group is unable to fully dispose and/or realise the Remaining Non-core Projects within 24 months after the effective date of the Revised Deed, the Group will seek the possibility to dispose these unrealised Remaining Non-core Projects to the Controlling Shareholders. In the event that the Group disposes any unrealised Remaining Non-core Projects to the Controlling Shareholders, the Company will make further announcement(s) and/or obtain the approval of the Shareholders (if necessary) in accordance with the requirements of the Listing Rules.

Having considered the aforesaid, the Directors are of the view that the business to be principally engaged by the Group will be distinguishable with the business owned or controlled by our Controlling Shareholders.

FINANCIAL EFFECTS OF THE PROPOSED RESTRUCTURING

Upon completion of the Disposal Agreement and the Equity Swap Agreement, Zhen An Cayman, Zhen An Wuhan and Wuhan Zall City will cease to be subsidiaries of the Company and their accounts will cease to be consolidated into the accounts of the Company, the Company will no longer have interest in Zhen An Cayman and the Remaining Equity Interest in Zhen An Wuhan, whilst the Target Companies will become indirectly wholly-owned subsidiaries of the Company and their accounts will be consolidated into the accounts of the Company.

Financial effect on assets and liabilities

It is estimated that the total assets of the Group would be decrease by approximately RMB2,531 million, being the difference of (i) the aggregated total assets of the Target Companies, which will be consolidated into the Group and cash consideration, of approximately RMB1,380 million based on the unaudited management accounts of each of the Target Companies as at 30 September 2014 and (ii) the aggregated total assets of Zhen An Wuhan and Wuhan Zall City, which will be deconsolidated from the Group, of approximately RMB3,911 million based on the unaudited management accounts of Zhen An Wuhan and Wuhan Zall City as at 30 September 2014. The total liabilities of the Group would be decrease by approximately RMB2,774 million, being the difference of (i) the aggregated total liabilities of the Target Companies, which will be consolidated into the Group, of approximately RMB437 million based on the unaudited management accounts of each of the Target Companies as at 30 September 2014 and (ii) the aggregated total liabilities of

LETTER FROM THE BOARD

Zhen An Wuhan and Wuhan Zall City, which will be deconsolidated from the Group, of approximately RMB3,211 million based on the unaudited management accounts of Zhen An Wuhan and Wuhan Zall City as at 30 September 2014.

Financial effect on earnings

Based on the unaudited management account of Zhen An Cayman, Zhen An Wuhan and Wuhan Zall City as at 30 September 2014, as a result of the Disposals, it is estimated that the Company will recognise an unaudited gain of approximately RMB219 million, being the sum of: (i) the unaudited loss of approximately RMB9 million recognised as the consideration for the disposal of Zhen An Cayman of approximately RMB586 million less 51% of the NAV of Zhen An Wuhan of approximately RMB595 million as at 30 September 2014; and (ii) the unaudited gain of RMB228 million recognised as the Adjusted NAV of Wuhan Zall City of approximately RMB357 million less the NAV of Wuhan Zall City of approximately RMB129 million as at 30 September 2014.

The estimation above is for illustration purpose only and the actual gain or loss as a result of the Proposed Restructuring to be recorded by the Group is subject to the audit by the auditors of the Company.

USE OF PROCEEDS FROM THE PROPOSED RESTRUCTURING

The gross proceeds from (i) the disposal of the Sale Shares and the transfer of the Remaining Equity Interest pursuant to the Disposal Agreement; and (ii) the disposal of the entire interest in Wuhan Zall City pursuant to the Equity Swap Agreement will be RMB586,000,000 (or HK\$739,414,800) and RMB15,200,000 respectively.

As set out in the announcement of the Company dated 3 November 2014, at the Board meeting held on Monday, 3 November 2014, the Board resolved, conditional upon (i) obtaining the Independent Shareholders' approval at the EGM regarding the distribution of the Special Dividend; and (ii) completion of the Disposal Agreement, to declare the Special Dividend in the total amount of HK\$739,414,800 being the gross proceeds from the Disposal Agreement (equivalent to an amount of HK\$0.2112 per Share based on 3,500,000,000 Shares in issue as at the Latest Practicable Date). The rest of the gross proceeds in the amount of RMB15,200,000 from the Equity Swap Agreement will be used as the general working capital of the Group.

For the avoidance of doubt, if the Special Dividend Conditions are not fulfilled, the Special Dividend will not be payable to Shareholders. If the Special Dividend Conditions are fulfilled, the Special Dividend will be paid to Shareholders whose names appear on the register of members of the Company at the close of business on a date after the Special Dividend Conditions are fulfilled.

LETTER FROM THE BOARD

Further announcement(s) will be made by the Company after the EGM to confirm as to whether the Conditions have been fulfilled, and, if applicable, to advise the Shareholders details of the distribution of the Special Dividend, including but not limited to, the record date, the payment date and the closure of register of members for determining the Shareholders' entitlements to the Special Dividend.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Disposals and the transactions contemplated thereunder, when aggregated, is more than 25% but less than 75%, the Disposals constitute a major transaction for the Company and are subject to the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As all the applicable percentage ratios in respect of the Acquisitions and the transactions contemplated, when aggregated, are less than 5%, the Acquisitions, on a stand-alone basis, do not constitute a notifiable transaction for the Company and are not subject to the notification or announcement or Shareholders' approval requirements under Chapter 14 of the Listing Rules. Nevertheless, the Equity Swap involves the Acquisitions and the disposal of the entire equity interest in Wuhan Zall City, which in turn forms part of the Disposals. Therefore, the Acquisitions are also subject to the notification, announcement and Shareholder's approval requirements under Chapter 14 of the Listing Rules.

Zall Commerce is wholly-owned by Zall Holdings BVI which is wholly-owned by Mr. Yan. Zall Holdings is owned as to 80% by Mr. Yan and as to 20% by Ms. Chen. Mr. Chen is the spouse of Mr. Yan. Mr. Yan is a director and the chairman of the Company and is interested in approximately 85% issued share capital of the Company. Therefore, Zall Commerce and Zall Holdings are regarded as connected persons of the Company under Chapter 14A of the Listing Rules and both the Disposals and the Acquisitions constitute connected transactions for the Company and, as a whole, are subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Yan is considered to have a material interest in the Disposals, the Acquisitions and the transactions contemplated thereunder and the distribution of the Special Dividend to be proposed, Mr. Yan and his associates shall abstain from voting on the relevant resolutions to be proposed at the EGM for the considering, and if thought fit, approving the Disposals, the Acquisitions and the transactions contemplated thereunder and the distribution of the Special Dividend.

EGM

The EGM will be convened by the Company to consider and, if thought fit, approve resolutions in relation to the Disposal Agreement, the Equity Swap Agreement, the Side Letter and the transactions contemplated thereunder, the Revised Deed and the distribution of the Special Dividend. A notice convening the EGM to be held at Suite 1606, 16/F, Two Exchange Square, Central, Hong Kong on Friday, 16 January 2015 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's 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 later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you wish.

RECOMMENDATIONS

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Yang Qiongzhen, Mr. Cheung Ka Fai and Mr. Peng Chi, has been established to give recommendations to the Independent Shareholders in respect of the Disposal Agreement, the Equity Swap Agreement, the Side Letter and the transactions contemplated thereunder, the Revised Deed and the distribution of the Special Dividend. Messis Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Independent Board Committee, after taking into account the advice from the Independent Financial Adviser, considers that the terms of the Disposal Agreement, the Equity Swap Agreement, the Side Letter and the Revised Deed are fair and reasonable and the entering into of the Disposal Agreement, the Equity Swap Agreement, the Side Letter, the Revised Deed and the transactions contemplated thereunder, and the distribution of the Special Dividend are in the interests of the Company and its Shareholders as a whole. The Independent Board Committee accordingly recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Disposal Agreement, the Equity Swap Agreement, the Side Letter, the Revised Deed and the distribution of the Special Dividend.

The executive Directors consider that the terms of the Disposal Agreement, the Equity Swap Agreement, the Side Letter and the Revised Deed have been negotiated on an arm's length basis and are fair and reasonable and the entering into of the Disposal Agreement, the Equity Swap Agreement, the Side Letter, the Revised Deed and the distribution of the Special Dividend are in the interests of the Company and its Shareholders as a whole.

Accordingly, the Board (including the members of the Independent Board Committee) would recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Disposal Agreement, the Equity Swap Agreement, the Side Letter, the Revised Deed and the distribution of the Special Dividend.

The text of the letter from the Independent Board Committee is set out on pages 49 to 50 of this circular. The text of the letter from Messis Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders and the principal factors and reasons which it has taken into account in arriving at its advice, is set out on pages 51 to 87 of this circular.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

The Disposals, the Acquisitions and the transaction contemplated under the Restructuring Agreements, the Side Letter, the entering into of the Revised Deed, and the distribution of the Special Dividend are subject to fulfilment of a number of conditions precedent and may or may not materialise. Shareholders and investors are therefore advised to exercise caution when dealing in the Shares.

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

31 December 2014

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED BUSINESS RESTRUCTURING, INVOLVING
(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO
DISPOSAL OF ENTIRE ISSUED SHARE CAPITAL OF ZHEN AN CAYMAN
AND ENTIRE EQUITY INTEREST IN WUHAN ZALL CITY
AND
(2) CONNECTED TRANSACTION IN RELATION TO
ACQUISITION OF ENTIRE EQUITY INTEREST IN
WUHAN IP CENTER, WUHAN GUARANTEE INVESTMENT
AND WUHAN FINANCIAL INVESTMENT

We refer to the circular dated 31 December 2014 issued by the Company (the “Circular”) of which this letter forms part. Unless otherwise defined herein, terms used in this letter shall have the same meanings as those defined in the Circular.

We have been appointed to constitute the Independent Board Committee to consider the Disposal Agreement, the Equity Swap Agreement and the transactions contemplated thereunder, the Revised Deed and the distribution of the Special Dividend and to advise the Independent Shareholders as to whether the terms of the Disposal Agreement, the Equity Swap Agreement and the Revised Deed are fair and reasonable and the transactions contemplated thereunder, together with the distribution of the Special Dividend, are in the interests of the Company and its Shareholders as a whole and to recommend whether the Independent Shareholders should vote in favour of the resolutions to be proposed at the EGM in respect of the Disposal Agreement, the Equity Swap Agreement, the Revised Deed and the distribution of the Special Dividend.

Messis Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard.

Having taken into account the principal factors and reasons considered by, and the opinion of Messis Capital Limited, we are of the view that the terms of the Disposal Agreement, the Equity Swap Agreement, the Side Letter and the Revised Deed are fair and reasonable and the entering into of the Disposal Agreement, the Side Letter, the Equity Swap Agreement, the Revised Deed and the distribution of the Special Dividend are in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We, therefore, recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM in respect of the Disposal Agreement, the Equity Swap Agreement, the Revised Deed, the Side Letter and the distribution of the Special Dividend.

Yours faithfully,
For and on behalf of the
Independent Board Committee
of
Zall Development Group Ltd.

Ms. Yang Qiongzhen
*Independent non-executive
Director*

Mr. Cheung Ka Fai
*Independent non-executive
Director*

Mr. Peng Chi
*Independent non-executive
Director*

LETTER FROM MESSIS CAPITAL

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.



大有融資有限公司
MESSIS CAPITAL LIMITED

31 December 2014

To: The Independent Board Committee and the Independent Shareholders of Zall Development Group Ltd.

Dear Sir or Madam,

PROPOSED BUSINESS RESTRUCTURING, INVOLVING
(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO
DISPOSAL OF ENTIRE ISSUED SHARE CAPITAL OF ZHEN AN CAYMAN
AND ENTIRE EQUITY INTEREST IN WUHAN ZALL CITY
AND
(2) CONNECTED TRANSACTION IN RELATION TO
ACQUISITION OF ENTIRE EQUITY INTEREST IN
WUHAN IP CENTER, WUHAN GUARANTEE INVESTMENT
AND WUHAN FINANCIAL INVESTMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Proposed Restructuring, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 31 December 2014 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 22 October 2014 (after trading hours), Zall Hong Kong (an indirectly wholly-owned subsidiary of the Company), Zall Commerce and Mr. Yan entered into the Disposal Agreement, pursuant to which: (i) Zall Hong Kong conditionally agreed to sell and Zall Commerce conditionally agreed to acquire the Sale Shares at a cash consideration of RMB586,000,000 (or HK\$739,414,800); and (ii) Zall Hong Kong conditionally agreed to procure Zall Wuhan (an indirectly wholly-owned subsidiary of the Company) to transfer the Remaining Equity Interest to Zall Commerce or its nominee. Upon completion of the Disposal Agreement, Zhen An Cayman and Zhen An Wuhan will cease to be subsidiaries of the Company.

LETTER FROM MESSIS CAPITAL

On the same day, Zall Investment Group (an indirectly wholly-owned subsidiary of the Company) and Zall Holdings entered into the Equity Swap Agreement, pursuant to which, Zall Investment Group conditionally agreed to transfer the entire equity interest in Wuhan Zall City to Zall Holdings, and as a consideration, Zall Holdings conditionally agreed to (i) transfer the entire equity interest in Wuhan Financial Investment, Wuhan Guarantee Investment and Wuhan IP Center and (ii) pay RMB15,200,000, to Zall Investment Group. Upon completion of the Equity Swap Agreement, Wuhan Zall City will cease to be a subsidiary of the Company, whilst Wuhan Financial Investment, Wuhan Guarantee Investment and Wuhan IP Center will become indirectly wholly-owned subsidiaries of the Company.

The Disposal Agreement and the Equity Swap Agreement are not inter-conditional.

As one or more of the applicable percentage ratios in respect of the Disposals and the transactions contemplated thereunder, when aggregated, is more than 25% but less than 75%, the Disposals constitute a major transaction for the Company and is subject to the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. As all the applicable percentage ratios in respect of the Acquisitions and the transactions contemplated thereunder, when aggregated, are less than 5%, the Acquisitions, on a stand-alone basis, do not constitute a notifiable transaction for the Company and are not subject to the notification or announcement or Shareholders' approval requirements under Chapter 14 of the Listing Rules. Nevertheless, the Equity Swap involves the Acquisitions and the disposal of the entire equity interest in Wuhan Zall City, which in turn forms part of the Disposals. Therefore, the Acquisitions are also subject to the notification, announcement and Shareholder's approval requirements under Chapter 14 of the Listing Rules.

Zall Commerce is wholly-owned by Zall Holdings BVI which in turn is wholly-owned by Mr. Yan. Zall Holdings is owned as to 80% by Mr. Yan and as to 20% by Ms. Chen. Ms. Chen is the spouse of Mr. Yan. Mr. Yan is a director and the chairman of the Company and is interested in approximately 85% issued share capital of the Company. Therefore, Zall Commerce and Zall Holdings are regarded as connected persons of the Company under Chapter 14A of the Listing Rules and both the Disposals and the Acquisitions constitute connected transactions for the Company and, as a whole, are subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Yan is considered to have a material interest in the Disposals, the Acquisitions and the transactions contemplated thereunder and the distribution of the Special Dividend to be proposed, Mr. Yan and his associates shall abstain from voting on the relevant resolutions to be proposed at the EGM for the considering, and if thought fit, approving the Disposals, the Acquisitions and the transactions contemplated thereunder and the distribution of the Special Dividend to be proposed.

The Independent Board Committee comprising all independent non-executive Directors, namely, Ms. Yang Qiongzhen, Mr. Cheung Ka Fai and Mr. Peng Chi, has been established to give recommendations to the Independent Shareholders on the terms of the Disposal Agreement, the Equity Swap Agreement and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and in the

LETTER FROM MESSIS CAPITAL

interests of the Company and the Shareholders as a whole. We, Messis Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these regards and to give our opinion in relation to the Proposed Restructuring for the Independent Board Committee's consideration when making their recommendations to the Independent Shareholders.

Other than this appointment as the Independent Financial Adviser in connection with the Proposed Restructuring, as at the Latest Practicable Date, we have no other relationships or interests with the Company and any other parties that could reasonably be regarded as relevant to our independence. We are hence independent from the Company pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION AND RECOMMENDATIONS

In arriving at our recommendations, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the management of the Company. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the management of the Company are true and accurate at the time they were made and will continue to be accurate as at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular; the omission of which would make any such statement made by them that contained in the Circular misleading in all material respects. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any material facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group and any parties to the Disposals and the Acquisitions.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Proposed Restructuring. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM MESSIS CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

1. Background Information of the Group

The Company, through its subsidiaries, is principally engaged in developing and operating of large-scale, consumer product-focused wholesale shopping malls and the development of commercial, residential and mixed-use property projects in the PRC. The business of the Group can be mainly categorised into two business segments namely (i) sales of properties; and (ii) lease of properties and property management services.

The following set out the financial information of the Group extracted from the annual report for the year ended 31 December 2013 (the “**2013 Annual Report**”) and the interim report for the six months ended 30 June 2014 (the “**2014 Interim Report**”) of the Company:

	For the six months ended		For the year ended	
	30 June		31 December	
	2014	2013	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	481,654	860,268	1,581,188	1,489,928
Gross profit	200,131	403,439	664,849	1,082,880
Profit for the period/year	746,640	374,489	1,629,020	1,168,965

	For the six months		For the year ended	
	ended 30 June		31 December	
	2014	2013	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	21,653,100	18,298,116	12,680,414	12,680,414
Total liabilities	13,991,767	11,408,962	7,261,501	7,261,501
Total equity	7,661,333	6,889,154	5,418,913	5,418,913

Sales of properties was the largest business segment of the Group accounted for approximately 98.1%, 96.4%, 97.5% and 89.1% of its total turnover for the year ended 31 December 2012 and 31 December 2013 and for the period ended 30 June 2013 and 30 June 2014, respectively.

LETTER FROM MESSIS CAPITAL

According to the 2013 Annual Report, turnover increased by 6.1% from approximately RMB1,489.9 million for the year ended 31 December 2012 to approximately RMB1,581.2 million for the year ended 31 December 2013. The increase was primarily due to an increase in the sales of properties. Turnover from sales of properties increased by 4.2% from approximately RMB1,462.0 million for the year ended 31 December 2012 to approximately RMB1,523.9 million for the year ended 31 December 2013. The sales of wholesale shopping mall units of the North Hankou Project contributed the largest portion of the Group's turnover which accounted for approximately 99.2% and 35.9% of its total turnover for the year ended 31 December 2012 and 2013 respectively. The decrease in contribution from the North Hankou Project in 2013 was mainly attributable to the decrease in the gross floor area ("GFA") delivered in 2013 as compared with the corresponding period in 2012 and the decrease in an average selling price of 11.4% which was mainly due to the different kinds of industries involved in the wholesale shopping malls and certain of the residential apartments ancillary to the wholesale shopping malls, which were of lower average selling prices, being sold during the year ended 31 December 2013. With the completion and delivery of various commercial and residential projects during 2013, the Group recorded an increase in revenue from the No. 1 Enterprise Community — Wuhan project, which is a business park in close proximity to the occupants of the North Hankou Project and the first time contributions from Wuhan Salon, a commercial complex project, and Zall Life City — Zall Hupan Haoting Residences, a residential project, with turnover of RMB422.2 million and RMB362.5 million respectively. The Group also recorded a significant increase in rental income by 122.1% from RMB19.9 million for the year ended 31 December 2012 to RMB44.1 million for the year ended 31 December 2013. The increase was primarily due to an increase in the number of wholesale shopping mall units in the North Hankou Project retained for leasing.

According to the 2014 Interim Report, turnover of the Group decreased by 44.0% from approximately RMB860.3 million for the six months ended 30 June 2013 to approximately RMB481.7 million for the six months ended 30 June 2014. The decrease was primarily due to the decrease in the sales of properties from RMB838.7 million for the six months ended 30 June 2013 to RMB429.4 million for the six months ended 30 June 2014. Such decrease was mainly due to the significant decrease in the total GFA delivered during the first half of 2014. The GFA sold in North Hankou Project was decreased by 79.9% from 35,462 square metres for the six months ended 30 June 2013 to 7,119 square metres for the six months ended 30 June 2014. The GFA sold in No. 1 Enterprise Community — Wuhan was decreased 83.2% from 39,707 sq.m. to 6,658 sq.m. for the six months ended 30 June 2014. The GFA sold in Zall Life City-Zall Hupan Haoting Residences decreased 83.1% from 68,654 sq.m. to 11,577 square metres for the six months ended 30 June 2014. Wuhan Salon started to contribute revenue to the Group in the second half of 2013. For the six months ended 30 June 2014, it contributed a turnover of approximately RMB267.2 million to the Group with a total GFA of 45,553 square metres sold. The Group's rental income increased significantly from approximately RMB15.9 million for the six months ended 30 June 2013 to approximately RMB41.8 million for the six months ended 30 June 2014, as the Group continued to retain an increasing number of wholesale shopping mall units in North Hankou Project for leasing.

LETTER FROM MESSIS CAPITAL

As stated in 2013 Annual Report and 2014 Interim Report, gross profit of the Group decreased by approximately 38.6% and 50.4% for the year ended 31 December 2013 and the six months ended 30 June 2014, respectively. The Group's gross profit margin was decreased from approximately 72.7% in 2012 to 42.0% in 2013 and from 46.9% in first half of 2013 to 41.5% in first half of 2014, mainly due to the changes in the combination of the properties delivered during the period. For the year ended 31 December 2012 and the six months ended 30 June 2013, over 99% and approximately 46.9% of the turnover from sales of properties were contributed by North Hankou Project, of which the gross profit margin of the wholesale shopping mall units are usually maintained at over 70%. However, for the year ended 31 December 2013 and the six months ended 30 June 2014, only approximately 35.9% and 19.1% of the revenue from sales of properties were contributed by North Hankou Project. The remaining 64.1% and 80.9% of the revenue from sales of properties were contributed by No. 1 Enterprise Community — Wuhan, Wuhan Salon and Zall Life City projects, of which the overall gross profit margins of these projects were lower as compared to the North Hankou Project. The Group recorded a net profit for the year of approximately RMB1,629.0 million for the year ended 31 December 2013, representing an increase of 39.4% over the corresponding period in 2012. During the six months ended 30 June 2014, the Group recorded a net profit of approximately RMB746.6 million, representing a significant increase of 99.4% over the amount of approximately RMB374.5 million for the corresponding period in 2013.

For each of the year ended 31 December 2012 and 2013 and the six months period ended 30 June 2014, the total assets of the Group amounted to approximately RMB12,680.4 million, RMB18,298.1 million and RMB21,653.1 million, respectively. Investment properties, properties under development and completed properties held for sale were the key assets of the Group accounted for approximately 79.5% of the Group total assets as at 30 June 2014. Amongst the total assets of the Group, the cash and cash equivalents of the Group amounted to approximately RMB1,009.8 million, RMB738.8 million and RMB998.1 million as at 30 June 2014, 31 December 2013 and 2012, respectively. The Group's cash and cash equivalents consisted primarily of cash on hand and bank balances which were primarily held in RMB denominated accounts with banks in the PRC.

Total liabilities of the Group mainly comprised of long and short term bank loans which were principally utilised on the Group's property development projects. The total liabilities increased from approximately RMB7,261.5 million as at 31 December 2012 to RMB11,409.0 million as at 31 December 2013 and further to RMB13,991.8 million as at 30 June 2014. With the increase in total liabilities as a result of the increase number of property development projects, the gearing ratio (calculated by dividing total borrowings, net of cash and cash equivalents, restricted cash and short term bank deposits, by total equity attributable to equity shareholders) of the Group increased significantly from approximately 37.6% as at 31 December 2012 to 69.8% as at 31 December 2013 and further to 74.6% as at 30 June 2014.

LETTER FROM MESSIS CAPITAL

2. Information on the Disposed Companies

(i) *Zhen An Cayman and Zhen An Wuhan*

Zhen An Cayman is a company incorporated in Cayman Islands on 21 November 1997 with limited liability. Zhen An Cayman is an investment holding company, and other than its holding of 48% equity interest in Zhen An Wuhan, it does not carry on any other business activities. The Company holds another 3% equity interest in Zhen Au Wuhan through Zall Wuhan, an indirect wholly-owned subsidiary of the Company. Pursuant to the Disposal Agreement, Zall Hong Kong agreed to sell the entire share capital of Zhen An Cayman and conditionally agreed to procure Zall Wuhan to transfer the 3% equity interest in Zhen Au Wuhan to Zall Commerce, being the purchaser.

Zhen An Wuhan is a limited liability company established in the PRC on 18 October 1996 with total registered capital of US\$17.5 million, which has been fully paid up as at the Latest Practicable Date. The 51% equity interest in Zhen Au Wuhan was acquired by the Group from an independent third party at a total consideration of RMB523,680,000 in 2011. Details of which were set out in the Company's announcement dated 21 August 2011.

In March 1997, Zhen An Wuhan obtained the State-owned Land Use Rights Certificates for the land use rights of a parcel land with site area of approximately 9,977 square metres for composite use. The total construction costs was estimated to be approximately RMB532 million. At present, the main construction works of Zall International Finance Center had been completed and it is expected that all relevant construction works will be completed in second quarter of 2015.

The following set out the financial information (after multiplied by 51% attributable to the Group) of Zhen An Wuhan for the two years ended 31 December 2012 and 2013 and for the nine months ended 30 September 2014, prepared in accordance with IFRS, respectively:

	For the year ended		For the
	31 December		9 months
	2012	2013	ended
	RMB'000	RMB'000	30 September
	(Unaudited)	(Unaudited)	2014
			RMB'000
			(Unaudited)
Turnover	427	430	390
Profit before taxation	25,521	63,370	18,351
Profit after taxation	19,103	47,487	13,719

LETTER FROM MESSIS CAPITAL

As advised by the Directors, Zhen An Wuhan did not record significant turnover for the two years ended 31 December 2013 and up to the Latest Practicable Date because Zall International Finance Center is still at development stage. The profit before and after taxation as recorded for the two years ended 31 December 2013 was principally derived from the increase in fair value of the Zall International Finance Center over the years.

Based on the management account of Zhen An Wuhan for the nine-month period ended 30 September 2014, the Adjusted NAV of Zhen An Wuhan was amounted to approximately RMB1,149 million. Accordingly, the 51% of Adjusted NAV attributable to the Group was approximately RMB586 million as at 30 September 2014. Amongst the total liabilities of Zhen An Wuhan as at 30 September 2014, approximately 92.8% (i.e. RMB614 million) of the total liabilities were bank borrowing with maturity more than 1 year.

(ii) *Wuhan Zall City*

Wuhan Zall City is a limited liability company incorporated in the PRC on 8 April 2010 with total registered capital of RMB50 million, which has been fully paid up as at the Latest Practicable Date. Pursuant to the Equity Swap Agreement, it is agreed that the entire equity interest in Wuhan Zall City to be transferred to Zall Holdings.

Wuhan Zall City is principally engaged in property development and investment and management of exhibition, hotel, commerce, logistics and culture creative industry in the PRC. While the approved scope of business activities stated in the business license of Wuhan Zall City includes “logistics” business, the Directors advised that Wuhan Zall City has never engaged in any logistics business.

As set out in the Letter from the Board, the main property project and the core assets of Wuhan Zall City is the “Wuhan Salon (武漢客廳)”, which is a multi-structural and multi-functional commercial complex, comprising exhibition center, cultural and art trading market, Chinese collection museum, commodity apartments (SOHO), and hotel, etc. Wuhan Salon will be developed in phases with total estimated investment amount of approximately RMB10 billion.

As set out in the Letter from the Board, in January 2011 and December 2012, Wuhan Zall City obtained the State-owned Land Use Rights Certificates for the land use rights of a parcel land with total site area of approximately 284,568 square metres for commercial, financial services and residential use. In July 2012, apartments (Small office and Home office (SOHO)) of Phase I with a total gross floor area of approximately 220,896 square metres obtained a pre-sale permit, and the relevant construction works were completed between January and April 2014. The construction works for the main body of the Retail Outlets I & II and the Chinese Culture Exhibition Center with a total gross floor area of approximately 313,155 square metres were also completed in September 2013. As at the Latest Practicable Date, the Completion Certificates are still under applications. The Directors expected that project will continue to be constructed as planned and will be gradually completed between the fourth quarter of 2015 and the fourth quarter of 2016.

LETTER FROM MESSIS CAPITAL

The following set out the financial information of Wuhan Zall City for the two years ended 31 December 2012 and 2013 and for the nine months ended 30 September 2014, prepared in accordance with the IFRS, respectively:

	For the year ended		For the
	31 December		9 months
	2012	2013	ended
	<i>RMB'000</i>	<i>RMB'000</i>	30 September
	(Unaudited)	(Unaudited)	2014
			<i>RMB'000</i>
			(Unaudited)
Turnover	—	422,030	267,444
(Loss)/profit before taxation	(22,006)	109,965	99,839
(Loss)/profit after taxation	(15,681)	61,562	44,267

As advised by the Directors, certain apartment blocks of Wuhan Salon was completed and started to deliver in 2013. It contributed a turnover of approximately RMB422.0 million to the Group for the year ended 31 December 2013 and as a result, Wuhan Zall City recorded a turnaround profit after taxation of approximately RMB61.6 million. According to the 2014 Interim Report, Wuhan Salon contributed a turnover of RMB267.2 million for the six months ended 30 June 2014. As advised by the Directors, most of these apartment blocks has been sold in 2013 and resulted in decreased in the contributions from Wuhan Salon during the first half of 2014.

Based on the unaudited management account of Wuhan Zall City for the nine-month period ended 30 September 2014 prepared in accordance with the IFRS, total assets of Wuhan Zall City amounted to approximately RMB2,678.7 million and its total liabilities amounted to approximately RMB2,549.4 million, resulting a NAV of Wuhan Zall City of approximately RMB129.2 million as at 30 September 2014. Its total assets mainly comprised of properties held by Wuhan Zall City of approximately RMB2,327.7 million and its total liabilities mainly comprised of bank borrowings of approximately RMB1,150.2 million (out of which approximately RMB567.2 million to be matured within one year and the remaining RMB583.0 million to be matured one year afterwards) and deferred recognition of government grants based on the actual sales area in respect to the project development of approximately RMB554.9 million. The Adjusted NAV of Wuhan Zall City was approximately RMB357 million after adjusting the value of its properties according to the market value as at 30 September 2014.

3. Information on the Target Companies

Pursuant to the Equity Swap Agreement, it is agreed that the entire equity interest in Wuhan IP Center, Wuhan Financial Investment and Wuhan Guarantee Investment to be transferred to the Group as a partial consideration for the transfer of the entire equity interest in Wuhan Zall City to Zall Holdings.

LETTER FROM MESSIS CAPITAL

(i) *Wuhan IP Center*

Wuhan IP Center is a limited liability company incorporated in the PRC on 4 July 2012 with total registered capital of RMB135 million, which has been fully paid up at the date of the Latest Practicable Date.

Wuhan IP Center is principally engaged in property investment and development in the transportation industry, cargo warehouse services, import and export of goods. The main project of Wuhan IP Center is known as the “Wuhan Inland Port Center”, which is advantageously situated at an exit of Hurong Expressway (滬蓉高速) and Jingzhu Expressway (京珠高速), and it is around five kilometres away from Yangluo Port (陽邏港), around twenty minutes’ drive way from center of Hankou and around forty-five minutes’ drive way from the Wuhan Tianhe International Airport with a site area of approximately 235,971 square metres to provide logistics warehousing services.

Wuhan Inland Port Center will be developed as a modern distribution and logistics warehousing center. Based on existing plan, Wuhan Inland Port Center will be developed in two phases during the period from September 2014 to June 2016 with a total land area of approximately 1,380 mu, among which approximately 650 mu for Phase I and approximately 730 mu for Phase II. After completion, Wuhan Inland Port Center will include warehouses with total gross floor area of approximately 400,000 square metres, a distribution center with total gross floor area of approximately 100,000 square metres, container yards with total gross floor area of approximately 200,000 square metres and other ancillary facilities with total gross floor area of approximately 100,000 square metres. It is estimated that the total investment for Wuhan Inland Port Center will be approximately RMB1.5 billion, with approximately RMB750 million for each of Phase I and Phase II. Apart from the paid-up registered capital of RMB135 million, at present, Wuhan IP Center has obtained a PRC bank loan facility in the amount of RMB200 million for Phase I development. Wuhan IP Center intends to apply for additional RMB300 million bank loan(s) from the bank(s) or other financial institution(s) in 2015 for the further development of Phase I.

The distribution center, warehouses and other supporting facilities under Wuhan Inland Port Center will be operated through combination of self-operation, leasing and sale (i.e. part of the warehouses will be leased but operated and managed by Wuhan IP Center, part of warehouses will be leased and operated and managed by the clients and, the distribution center and other supporting facilities will be either sold or leased to its clients). It is currently planned that Phase I of Wuhan Inland Port Center will include warehouses with gross floor area of approximately 180,000 square metres (among which approximately 100,000 square metres will be leased but under self-operation and approximately 80,000 square metres will be leased and operated by the clients), a distribution center with gross floor area of approximately 100,000 square metres (among which approximately 80,000 square metres will be sold and approximately 20,000 square metres will be leased) and ancillary facilities with gross floor area of approximately 100,000 square metres (among which 50,000 square metres will be sold and approximately 50,000 square metres will be leased). At present, the distribution center,

LETTER FROM MESSIS CAPITAL

part of the warehouses and other supporting facilities of Phase I are under construction, and it is expected that such construction work will be completed in the second half of 2015 and Wuhan Inland Port Center will commence its operation before the end of 2015.

The following set out the financial information of Wuhan IP Center for the two years ended 31 December 2012 and 2013 and for the nine months ended 30 September 2014, prepared in accordance with the PRC GAAP, respectively:

	For the year ended		For the
	31 December		9 months
	2012	2013	ended
	<i>RMB'000</i>	<i>RMB'000</i>	30 September
	(Audited)	(Audited)	2014
			<i>RMB'000</i>
			(Unaudited)
Turnover	—	—	—
Loss before taxation	104	1,134	1,583
Loss after taxation	104	1,134	1,583

As advised by the Directors, the project is in development stage and no turnover was generated to the Group for the two years ended 31 December 2013. The loss after taxation for the two years ended 31 December 2013 was principally due to the administrative expenses of Wuhan IP Center incurred during the years.

Based on the unaudited management account of Wuhan IP Center for the nine-month period ended 30 September 2014 prepared in accordance with the PRC GAAP, the NAV of Wuhan IP Center was approximately RMB87 million as at 30 September 2014. The Adjusted NAV of Wuhan IP Center was approximately RMB135 million after adjusting the value of its properties to the market value as at 30 September 2014.

(ii) *Wuhan Financial Investment*

Wuhan Financial Investment is a limited liability company incorporated in the PRC on 11 November 2009 with total registered capital of RMB100 million, which has been fully paid up as at the date of the Latest Practicable Date.

Wuhan Financial Investment is principally engaged in provision of consulting and financial advisory services to the Group's wholesale occupants in the PRC. Wuhan Financial Investment has established cooperation relationship with local commercial banks and bill collection platform and system providers (收單業務平臺及系統提供商) (the "System Providers"). Pursuant to the agreements entered into between Wuhan Financial Investment and the commercial banks, Wuhan Financial Investment is commissioned (委託) by the commercial banks to assist the System Providers provide bill collection business (收單業務) mainly including installation and maintenance of the POS system for the collection of transaction bill, through which Wuhan Financial Investment can charge handling fee being certain percentage of the transaction amount

LETTER FROM MESSIS CAPITAL

handled through the bill collection system. Pursuant to the cooperation agreements entered into between Wuhan Financial Investment and the System Providers, Wuhan Financial Investment is mainly responsible for customers development and provision of services in relation to installation and maintenance of POS system and related consultancy services, whilst System Providers are mainly responsible for provisions of collection platform and system, data recording, machine testing, fund settlement, data monitoring and other technical support. Both Wuhan Financial Investment and the System Provider will share the handling fee charged for each of the transaction handled through the bill collection system. In addition, Wuhan Financial Investment also charges the clients certain amount of annual commission fee and POS system related consultancy services fee from its clients. At present, business operation of Wuhan Financial Investment is mainly supported by the paid-up registered capital. As at September 2014, Wuhan Financial Investment has assisted around 1,000 merchants in the North Hankou Project to set up POS system and the total amount of transaction flow reached over RMB2 billion for the year ended 31 December 2013.

The following set out the financial information of Wuhan Financial Investment for the year ended 31 December 2012 and 2013 and for the nine months period ended 30 September 2014, prepared in accordance with the PRC GAAP, respectively:

	For the year ended		For the
	31 December		9 months
	2012	2013	ended
	<i>RMB'000</i>	<i>RMB'000</i>	30 September
	(Audited)	(Unaudited)	2014
			<i>RMB'000</i>
			(Unaudited)
Turnover	567	540	2,961
(Loss)/profit before taxation	(46)	1,195	2,501
(Loss)/profit after taxation	(48)	1,195	2,501

Turnover for the year ended 31 December 2012 and 2013 was mainly generated from annual commission fee, income from handling fees and consulting services and turnover for the nine months ended 30 September 2014 was mainly generated from the provision of consulting services. Wuhan Financial Investment did not have active businesses during the past years as it only provided services to a few number of occupants for trail run purposes.

Based on the unaudited management account of Wuhan Financial Investment for the nine-month period ended 30 September 2014, prepared in accordance with the PRC GAAP, total assets of Wuhan Financial Investment amounted to approximately RMB160.9 million and its total liabilities amounted to approximately RMB57.7 million, resulting a NAV of approximately RMB103.2 million as at 30 September 2014. Its total

LETTER FROM MESSIS CAPITAL

assets mainly comprised of amounts due from related parties of approximately RMB141.6 million and the total liabilities mainly comprised of amounts due to Wuhan Guarantee Investment of approximately RMB56.3 million. As advised by the Directors, the amounts due from/to related parties are interest-free and with no fixed term of repayable. These balances, together with other outstanding receivables, will be fully recovered upon completion of the Proposed Restructuring and will be utilised as general working capital for its financial services business.

(iii) *Wuhan Guarantee Investment*

Wuhan Guarantee Investment is a limited liability company incorporated in the PRC on 23 June 2008 with total registered capital of RMB100 million, which has been fully paid up as at the Latest Practicable Date.

Wuhan Guarantee Investment is principally engaged in provision of loan guarantee services for enterprises, and provision of business start-up loan guarantee and personal loan guarantee for entrepreneurs in the PRC. On 28 June 2011, Wuhan Guarantee Investment obtained a permit as a financing guarantee institution from Hubei Economy and Information Technology Commission (湖北省經濟和信息化委員會) which is the competent authority to grant the permit according to the Hubei Interim Measures. The permit will expire on 28 June 2016 and normally can be renewed by an application made 90 days before the expiry in accordance with The Guidance for Business Permit Management of Financial Guarantee Institutions (融資性擔保機構經營授權管理指引). The permitted business activities of Wuhan Guarantee Investment include loan guarantee, promissory notes guarantee, trade financing guarantee, project financing guarantee, letter of credit guarantee and other financing guarantee, litigation preservation guarantee, performance guarantee, financial consulting and advisory services in relation to guarantee and investment by its own funds.

Wuhan Guarantee Investment mainly provides corporate and individual operation loan guarantee services by acting as the guarantor for the corporates or individuals to enable them to secure credit facilities from banks and other financial institutions, from which Wuhan Guarantee Investment can charge certain percentage of guarantee fee based on the guaranteed amount. At present, all the clients of Wuhan Guarantee Investment are the Group's wholesale clients in the shopping mall or the enterprises in No. 1 Enterprise Community • Wuhan. Wuhan Guarantee Investment would normally require the borrowers to provide collateral (such as store unit, inventories, receivables, leasing rights) or third parties guarantee, etc. as a counter-guarantee for the guarantee provided by Wuhan Guarantee Investment. Wuhan Guarantee Investment also provides other financial services by entering into financial consultancy services agreements with the clients. The financial services mainly include provision of tailor-made financial consultancy services by advising and proposing different financing methods or products to the clients and assisting them to apply and obtain funds. The service fees to be charged for this service are determined on a case by case basis with reference to the

LETTER FROM MESSIS CAPITAL

financing amount, difficulty level for obtaining finance and financing method, etc.. Since its establishment, Wuhan Guarantee Investment has been cooperating with numbers of commercial banks in the PRC. At present, Wuhan Guarantee Investment has entered into cooperation agreements with four local banks, pursuant to which Wuhan Guarantee Investment can provide maximum guarantee amount of RMB350 million to the credit facilities granted by the relevant banks to the corporate or individual borrowers. Pursuant to the cooperation agreements, Wuhan Guarantee Investment is required to maintain a minimum cash deposit in an amount of approximately 10% of the total guarantee amount guaranteed by Wuhan Guarantee Investment in the deposit account of the relevant banks. The valid period of those cooperation agreements lasts for one year and, subject to further negotiations, can be renewed every year.

The following set out the financial information of Wuhan Guarantee Investment for the year ended 31 December 2012 and 2013 and for the nine months ended 30 September 2014, prepared in accordance with the PRC GAAP, respectively:

	For the year ended		For the
	31 December		9 months
	2012	2013	ended
	<i>RMB'000</i>	<i>RMB'000</i>	30 September
	(Audited)	(Unaudited)	2014
			<i>RMB'000</i>
			(Unaudited)
Turnover	918	1,302	6,740
(Loss)/profit before taxation	(519)	230	4,904
(Loss)/profit after taxation	(519)	230	4,904

The turnover recorded for the two year ended 31 December 2012 and 2013 was mainly from the loan guarantee services and the turnover generated during the nine months period ended 30 September 2014 was mainly contributed from the provision of services to wholesale clients in assisting them to obtain loan facilities from the lending banks and other business institutions by way of providing guarantee to them guaranteeing the repayment obligation of the wholesale clients which will continue after the completion of the Acquisitions. Wuhan Guarantee Investment did not have active businesses during the past years as it only provided services to a few occupants for trial run purposes.

Based on the unaudited management account of Wuhan Guarantee Investment for the nine-month period ended 30 September 2014 prepared in accordance with the PRC GAAP, total assets of Wuhan Guarantee Investment amounted to approximately RMB119.8 million and its total liabilities amounted to approximately RMB16.2 million, resulting a NAV of approximately RMB103.6 million as at 30 September 2014. Its total assets mainly comprised of cash of approximately RMB27.7 million and amounts due

LETTER FROM MESSIS CAPITAL

from Wuhan Financial Investment of approximately RMB56.3 million. As advised by the Directors, the amounts due from Wuhan Financial Investment are interest-free and with no fixed term of repayable. These balances, together with other outstanding receivables, will be fully recovered upon completion of the Proposed Restructuring and will be utilised as general working capital for its guarantee business.

4. Background and Reasons for the Proposed Restructuring

The Company, through its subsidiaries, has long been focused on the developing and operating of large-scale, consumer product-focused wholesale shopping malls in the PRC. In particular, the development projects are strategically located in Wuhan, a major trading and commercial center in the PRC. As stated in the prospectus of the Company dated 30 June 2011, the Group aimed to provide an integrated business platform from which its clients were able to display and sell their consumer products to domestic retailers and end-customers. At the same time, the Group also aimed to offer or make available a wide range of value-added supporting services and facilities including warehouse leasing services, hotel and restaurants, third-party banking and government services to support and serve the business needs of its clients. The North Hankou Project is the Group's flagship project and the largest wholesale shopping mall in Central China focusing on wholesale of consumer products. During the past few years, this core business of the Group have been expanded to areas outside Wuhan and developed to Changsha, Tianjian and Jingzhou. For instance, these key projects are named as Zall No. 1 Enterprise Community — Changsha, Tianjin Zall E-Commerce Mall and Jingzhou Zall City, respectively.

The Group also engaged in the development of residential and commercial properties in various locations in the PRC. With the completion of different stages of some of these projects, in particular Wuhan Salon and Zall Life City — Zall Hupan Haoting Residences, the sales of residential units has contributed a significant portion of the Group's turnover for the year ended 31 December 2013 and the period ended 30 June 2014. However, as stated in the 2014 Interim 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. Apart from the Remaining Non-core Projects, the Group does not intend to seek other opportunities in residential and/or commercial and/or mixed-use property development projects in the future. The Group also intends to disposal of or realise the Remaining Non-core Projects in the coming 24 months.

LETTER FROM MESSIS CAPITAL

During the past few years, the Group has taken a number of steps to enhance its business position in the large-scale, consumer product-focused wholesale shopping malls sector as well as the warehouse and logistics supporting services as follows:

Date of agreement	Key events
1 July 2013	Disposal of entire equity interests of a wholly-owned subsidiary which possessed the land use right of a parcel of land and the property ownership of a building on such parcel of land since April 2008 and five office buildings on the land adjacent to such parcel of land in Jiang'an District of Wuhan
8 June 2014	Entered into a strategic cooperation framework agreement to invest in the development and construction of a large-scale integrated logistics and trade center in Dabanqiao Town, Yunnan, the PRC
22 October 2014	Entered into the Restructuring Agreements for the Proposed Restructuring
18 November 2014	Entered into the Cooperation Agreement which may result in the disposal of certain Remaining Non-core Projects

Based on the above and as advised by the Directors, the entering into the Restructuring Agreements is one of the Company's strategic moves to adjust its principal business activities. By leveraging its competitive advantages and leading position achieved through its traditional wholesale trading malls in Central China, the Group intends to develop and operate integrated wholesale trading platforms supported with logistics and warehousing, E-commerce and financial services to capture the current market trend and meet customer demands with a view to maintaining its leading market position in the wholesale industry. In the long term, the Group intends to develop a nationwide trading and distribution network, which will include wholesale shopping malls/centers developed in first-tier cities as the core centers and second-tier cities as the supporting centers and be supported by related warehouses, distribution centers, via third parties arranging for transportation services and other facilities.

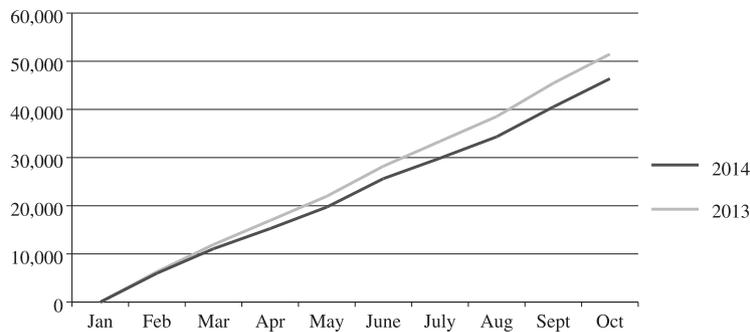
LETTER FROM MESSIS CAPITAL

Owing to the above, the Company proposed to effect the Proposed Restructuring by disposing the Disposal Companies and acquiring the Target Companies. In considering the Disposals and the Acquisition, as advised by the Directors, the following factors have been taken into account:

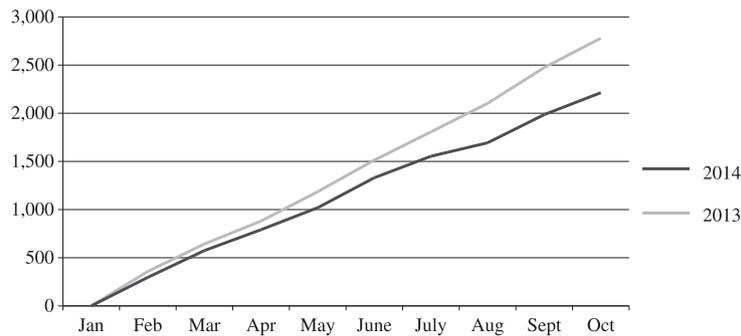
(i) Market conditions

As set out in the Letter from the Board, the growth of property market in the PRC has experienced a slowdown since the beginning of 2014. Accordingly to the National Bureau of Statistics of China, the accumulated total sale of commercialised residential and office buildings in 2014 recorded a decline as compared to same period in 2013. Up to October 2014, the accumulated sale of commercialised residential buildings amounted to RMB4,637.5 billion, representing a drop of approximately 9.9% as compared to the same period in 2013. The accumulated sale of commercial buildings amounted to RMB221.3 billion up to October 2014, representing a drop of approximately 20.4% as compared to the same period in 2013. Set out below are the charts presenting the said trends:

Total sale of commercialised residential buildings sold — accumulated (100 million yuan)



Total sale of office buildings sold — accumulated (100 million yuan)



LETTER FROM MESSIS CAPITAL

In Wuhan, according to the Wuhan Bureau of Statistics, the chain price index of new residential buildings decreased continuously from 109.7 in January 2014 to 106.3 in May 2014. It indicates that the prices of new residential buildings were growing at a decreasing rate over the period. The price started to decline in June 2014 after a continuous growth since October 2012 and in September 2014, the chain price index decreased by 0.9%.

On the contrary, the logistics sector in Wuhan demonstrated an upward-moving trend recently. According to the Wuhan Bureau of Statistics, the total value of industrial logistics products (工業品物流總額) and total value of flowed logistics goods from external areas (市外購進物流總額) amounted to RMB468.9 billion and RMB536.4 billion respectively for the first half of 2013, representing an increase of 12.8% and 11.8% as compared to the same period in 2012. Moreover, it is also noted that the total import/export value increased by 4.5% reaching US\$16.7 billion in the first three quarters in 2014.

Having considered the current market trends in the property and logistics sectors in the PRC including Wuhan, the Directors believe it is in the interests of the Shareholders and the Company to seek a strategic transformation to gradually phase out the residential and commercial property development business.

(ii) *Financial burdens of the Disposing Companies*

The Directors advised that the Disposals can not only spare resources of the Group for the development and enhancement of the Group's core business, but also reduce the Group's debt level and improve the Group's overall financial liquidity, and hence reduce the Group's business risk from the industry cycle. As advised by the Directors, the developments of Zall International Finance Center and Wuhan Salon were principally financed by borrowings and hence used up a lot of credit resources of the Group. Based on the management accounts of Zhen An Wuhan and Wuhan Zall City as at 30 September 2014, we are given to understand that the borrowings amounted to approximately RMB614.0 million and RMB1,150.2 million respectively, representing approximately 67.3% and 53.5% of their respective total assets. The Disposals will hence result in free up financial resources of the Group for its developments in its core business on consumer product-focused wholesale shopping malls and the related supporting and value-added services.

In considering the gearing position of the Group in the market, we have selected and compared the debt-to-equity ratios for companies which (i) are in similar business in nature of the Group and are principally engaged in the developing and operating of large-scale trade centers in PRC; and (ii) shares are listed on the Stock Exchange. Under these criteria, we have identified 3 companies as the samples (the "**Gearing Comparables**"). The list of Gearing Comparables is an exhaustive list and we considered that the Gearing

LETTER FROM MESSIS CAPITAL

Comparables are fair and representative samples. We have compared the respective debt-to-equity ratios of the Gearing Comparables with the Group, details of which are set out in the table below:

Company name (stock code)	Net debt¹ (a)	Total equity attributable to equity shareholders² (b)	Net debt-to-equity ratio (a)/(b)
	<i>RMB (million)</i>	<i>RMB (million)</i>	
Wuzhou International Holdings Ltd. (1369)	4,180.1	3,758.6	1.11
Hydoo International Holding Ltd. (1396)	(1,183.9)	3,998.6	net cash position
China South City Holdings Ltd. (1668)	5,206.2	19,861.2	0.26
The Company	5,206.8	7,073.0	0.74
Zhen An Wuhan	533.9	251.1	2.13
Wuhan Zall City	1,147.3	129.2	8.88

Notes:

1. Net debt represents the cum bank and other borrowings and senior notes, net of the total of cash and cash equivalents and time deposits of the Gearing Comparables and are extracted from their respective latest interim/annual reports.
2. Total equity attributable to equity shareholders (net of any fair value adjustments on their outstanding bonds) of the Gearing Comparables are extracted from their respective latest interim/annual reports.
3. The total equity attributable to equity shareholders of Zhen An Wuhan and Wuhan Zall City were extracted from their management account as at 30 September 2014 before adjusting the fair value of the relevant property interests.

Based on the table, it is noted that the net debt-to-equity ratio of the Gearing Comparables ranged from net cash position to 1.11 while the net debt-to-equity ratio of the Company was 0.74. Nevertheless, the net debt-to-equity ratio of the Company ranks

LETTER FROM MESSIS CAPITAL

at the top end as compared to the Gearing Comparables in particular it is far higher than Hydoo International Holding Ltd. and South China City Holdings Limited which indicates the need of the Company to reduce the gearing level to a healthier position. It is also noted that the net debt-to-equity ratio of Zhen An Wuhan and Wuhan Zall City were far higher than that of the Company. It indicates that the financial positions of Zhen An Wuhan and Wuhan Zall City are part of the reasons which caused the Company with relatively high net debt-to-equity ratio in the market.

Moreover, according to the current plan of Zhen An Wuhan and Wuhan Zall City, it is estimated that a further of approximately RMB117 million is required to complete the project for Zall International Finance Center and approximately RMB800 million and RMB6.5 billion is required to complete the Phase I and construction of Phase II of Wuhan Salon respectively. Given the current gearing position of the Company, the Directors consider that there are limited rooms to support the projects through further debt financing, in particular Wuhan Salon which the outstanding investment amount is substantial to the Group. The Disposals will result in reduction of total debts of RMB1,764.2 million in aggregated (based on the financial positions of Zhen An Wuhan and Wuhan Zall City as at 30 September 2014) and therefore expect to improve the gearing position of the Group and enable the Group to consolidate its financial resource for future development on its core business.

Given (i) the relatively high net debt-to-equity ratio of the Group as compared with the Gearing Comparables, and (ii) the high net debt-to-equity ratio of Zhen An Wuhan and Wuhan Zall City as compared with the Group, we concur with the view of the Directors that the Disposals will result in lowering the net debt-to-equity ratio of the Group as a whole and enable the Group a healthier gearing position for its development on the existing projects and new projects to be launched in near future.

(iii) *Potential contributions from the Acquiring Companies*

Pursuant to the Equity Swap Agreement, the Group agreed to acquire the entire equity interest in the Wuhan IP Center, Wuhan Financial Investment and Wuhan Guarantee Investment.

Wuhan IP Center

As stated in the Letter from the Board, the Group intends to develop a nationwide trading and distribution network in long run, which will include wholesale shopping centers developed in first-tier cities as the core centers and second-tier cities as the supporting centers and be supported by related warehouses, distribution centers, via third parties arranging for transportation services and other facilities. Wuhan Inland Port Center as a warehousing and distribution center can provide logistics support to the Group's wholesale shopping centers business with the main functions of warehousing,

LETTER FROM MESSIS CAPITAL

distribution, displaying and trading. Accordingly, the Directors believe that, the acquisition of Wuhan IP Center is in line with the Group's business strategy to establish a national trading and distribution network in the long run.

We have conducted a physical site visit to the Wuhan Inland Port Center in November 2014 and we noted that Wuhan Inland Port Center was under construction. We have also obtained from the Directors and reviewed the business plan of Wuhan IP Center with details as set out in paragraph headed "Information on the Target Companies — Wuhan IP Center". Based on the business plan, the operation of Wuhan Inland Port Center will commence by the end of 2015 and the Wuhan IP Center will generate revenue since then through the combination of operations including self-operation, leasing and sale of Wuhan Inland Port Center. As advised by the Directors, the combination mode of operations will provide customers with choices on which they consider most appropriate for their needs.

Wuhan Financial Investment and Wuhan Guarantee Investment

As stated in the paragraph headed "Information on the Target Companies" above, both Wuhan Financial Investment and Wuhan Guarantee Investment did not have active businesses in the past. The idle capital was therefore mainly advanced to related parties for other usage. However, with the business models of Wuhan Financial Investment and Wuhan Guarantee Investment (together the "**Financial Services Business**") become mature after years of operations, the Directors consider that the acquisitions of Wuhan Financial Investment and Wuhan Guarantee Investment enable the Group to provide financial value-added services to the Group's existing and potential occupants of the Group's wholesale shopping malls. As the Target Companies have obtained a permit for conducting guarantee business, established business relationship with local commercial banks and clients, accumulated relevant industry experience, the acquisitions of Target Companies can further enhance the Group's value-added services by providing value-added financial services to the Group's wholesale clients. The value added financial services mainly include the guarantee service, financial consultancy services relating to advising different financing methods or products to apply and obtain financing, installation and maintenance of POS system and related consultancy services, to the Group's wholesale clients. The Company does not expect the handling fee will contribute to the profit of Wuhan Financial Investment. On the contrary, the Company plans to waive the handling fee in near future in order to promote the POS business which can facilitate to acquire the transactions data of the Group's wholesale clients including the clients' business operation status, transaction volume, transaction amount, transaction frequency, business cycle, etc. Through the use of the POS system, the Group can utilise and analyse these data and provide other tailor-made financial services to these clients and assist the Group in determining the maximum amount which Wuhan Guarantee Investment can provide guarantee to each client and advise its clients on the financing methods and financial products with regard to their business needs and operation status.

LETTER FROM MESSIS CAPITAL

After completion of the Acquisitions, the Group currently does not intend to provide the financial services to the clients outside of the Group in the near term; instead, the Group intends to continue to focus on the Group's wholesale clients in the shopping malls. Apart from the existing financial services provided by the Target Companies, the Company intends to develop other value-added financial services to the Group's wholesale clients, such as: (i) establishing the "North Hankou Finance Club". It is intended that the Company will select Group's core and quality wholesale clients to be the members of the club, where the Group will periodically collect and centralise the members' financing needs, then negotiate with the commercial bank(s) for a credit line as a whole, for which the Group may provide relevant guarantee service. The Group can charge guarantee fees and relating consultancy service fees from its wholesale clients; (ii) setting up a P2P (Peer-to-Peer) platform to facilitate the Group' wholesale clients to match their different financing needs. It is currently intended that P2P business will only serve the members of the North Hankou Finance Club, whose credit status are known to the Group. The Group will not provide any financing but only provide a financing matching platform, from which the Group can charge the clients a platform service fee and consultancy service fees; and (iii) providing guarantee service for those wholesale clients which intend to open "on-line shops" and obtain "on-line credit" from commercial banks, from which the Group can charge the clients' consultancy fees and guarantee fees.

It is the Group's plan to provide the aforesaid other value-added services, no agreements have been entered into among the Group, the Group's wholesale clients or the banks in this regard. After completion of the Acquisitions, the Group will further discuss and negotiate with the Group's clients, the banks and relevant parties, and evaluate feasibilities and then formulate a detailed business development plan.

As the existing business operations of the Target Companies mainly are provision of guarantee services and financial consultancy services, the Company considers that the existing working capital of the Target Companies, which comes mainly from the paid-up registered capital, is sufficient to support their existing operation at their present scale in the near term. After completion of the Acquisitions and formulating a detailed development plan, the Group will consider increasing the investment in the Target Companies as and when necessary.

As advised by the Directors, the provision of value-added financial services aims to support and facilitate the business developments of the individual occupants which in turn stimulate the demand to the Group's shopping malls, warehouses and logistics services. Given the limited scale of the Financial Services Business, the Directors do not expect the Financial Services Business will have a direct significant positive profit contribution to the Group in short term. However, these value-added services will not only create competitive advantages which differentiate the Group from its competitors but also increase the reliance and loyalty of the occupants to the Group's wholesale shopping malls.

LETTER FROM MESSIS CAPITAL

According to the People Bank of China, the balance of the total outstanding loans for all financial institutions in Hubei Province increased from approximately RMB11.1 billion¹ as at 30 September 2012 to RMB31.0 billion² as at 30 September 2014. Sourced from the China Banking Regulatory Commission, the total balance of outstanding financing guarantees in China increased from approximately RMB1,459.6 billion³ as at 30 June 2012 to RMB 1,553.1 billion⁴ as at 30 June 2014. Moreover, the balance of the outstanding loans to SMEs backed by financing guarantees increased from RMB1,144.5 billion³ as at 30 June 2012 to RMB1,212.1 billion⁴ as at 30 June 2013. In addition, according to the Hubei Province Finance Bureau (湖北省金融辦)⁵, the balance of outstanding financing guarantee in Wuhan increased by 3.5%, accounted for approximately RMB 499 million in 2013. The recent data demonstrates a growing financing need in Hubei Province area (including Wuhan) and the increasing demand for financing guarantees service.

With the introduction of the Financial Services Business upon completion of the Acquisitions, the Group may face certain new business risks associated with the Financial Services Business, in particular the default risk to be arisen from the provision of guarantee services. However, given (i) the target customers of the Financial Services Business are the occupants of the Group's wholesale shopping malls which the Group is knowledgeable to their financial and business status; and (ii) the scale of operations of the Financial Services Business is insignificant to the Group, the Directors are of the view that that the risks arising from the Financial Services Business is controllable and acceptable. Moreover, we would like to draw the attention to the Independent Shareholders that given the Financial Services Business are in trial-run stage and that the current business plan of the Group on the Financial Services Business, the Directors expect that the Financial Services Business do not have a direct significant positive profit contribution to the Group in short run.

We have obtained and reviewed the internal control policy for the Financial Services Business and we noted that (i) the Financial Services Business will be managed by existing management who have extensive experiences in the businesses and knowledgeable to the operations of the potential clients of the Financial Services

Sources:

1. Article headed "Microfinance Company Statistics in the First Three Quarters of 2012 201209" (小額貸款公司分地區情況統計表201209) published by the People Bank of China (<http://www.pbc.gov.cn/>) on 7 November 2012.
2. Article headed "Microfinance Company Statistics in the First Three Quarters of 2014 201409" (小額貸款公司分地區情況統計表201409) published by the People Bank of China (<http://www.pbc.gov.cn/>) on 24 October 2014.
3. Article headed "Bulletin on the Development and Regulation of the Financial Guarantee Industry for the Year 2012" (關於2012年度融資性擔保行業發展與監管情況的通報) published by the China Banking Regulatory Commission (<http://www.cbrc.gov.cn/>) on 11 June 2013.
4. Article headed "Bulletin on the Financial Guarantee Credit of the Banking Industry and Financial Institutions for the First Half Year of 2013" (關於2013年上半年銀行業金融機構融資性擔保貸款情況的通報) published by the China Banking Regulatory Commission (<http://www.cbrc.gov.cn/>) on 11 October 2013.
5. Article headed "Additional Micro Guaranteed Credit in Wuhan of RMB499 million" (武漢新增小額擔保貸款4.99億) published in a website named "Hubei Jin Rong" (湖北省金融網) (<http://jr.cnhubei.com/>) sponsored by "Hubei Province Finance Bureau" (湖北省金融辦) on 24 February 2014.

LETTER FROM MESSIS CAPITAL

Business; (ii) due diligence and assessment process is in place to assess to creditability of each applicants; and (iii) counter-guarantee from each applicant is required. Based on the above, we concur with the views of the Directors that adequate internal control measures are in place to cope with possible business risk associated with the Financial Services Business.

Although the Financial Services Business do not expect to have significant positive profit contribution to the Group upon the completion of the Acquisitions, having considered that (i) the Financial Services Business are value-added services which are expected to enhance the competitive advantages of the Group in the wholesale shopping mall market as a whole; (ii) the Financial Services Business are for the existing and potential occupants of the Group's wholesale shopping mall; (iii) increasing demand for financing guarantees service in Hubei Province (including Wuhan); and (iv) the business risks in associated with the Financial Services Business are controllable through series of internal control procedure, as set out in the Letter from the Board, being taken place, we concur with the views of the Directors that the acquisition of the Financial Services Business is in the interests of the Company and the Shareholders as a whole.

Having considered (i) the development of wholesale shopping malls, including the value-added supporting services and facilities, has long been the principal business of the Group; (ii) the recent business strategy of the Group to enhance its focus on its core business in future by disposing non-core residential and commercial property development projects; (iii) the current unfavourable market conditions of the commercial and residential property market in the PRC; (iv) the Disposals will reduce the financial burden of the Group and enable the Group to concentrate its financial resource on the development of its core business in future; (v) the increasing demand for financing guarantees service; (vi) the internal control set out to minimize the business risks; and (vii) the potential contributions from the Acquiring Companies, we concur with the view of the Directors' that the Proposed Restructuring is in the interests of the Company and its Shareholders as a whole.

LETTER FROM MESSIS CAPITAL

5. The Restructuring Agreements

The Proposed Restructuring involves the Disposals and Acquisitions pursuant to the terms of the Disposal Agreement and the Equity Swap Agreement. In assessing the fairness and reasonableness of the terms of the Disposal Agreement and the Equity Swap Agreement, we have considered the following:

(i) *The Disposal Agreement*

The following summarises the principal terms of the Disposal Agreement:

Date:	22 October 2014
Parties:	(1) Zall Hong Kong as the vendor; (2) Zall Commerce as the purchaser; and (3) Mr. Yan as the Guarantor.
Subject Matter:	(1) The Sale Shares, being the holding company of 48% equity interest in Zhen An Wuhan (2) The Remaining Equity Interest, being 3% equity interest in Zhen Au Wuhan
Consideration:	The total consideration for the Sale Shares and the Remaining Equity Interest is RMB586,000,000 (equivalent to approximately HK\$739,414,800) which will be satisfied by cash upon completion of the Disposal Agreement

For other terms and conditions of the Disposal Agreement, please refer to section headed “The Disposal Agreement” under the Letter from the Board.

The Consideration under the Disposal Agreement

According to the Letter from the Board, the total consideration of RMB586,000,000 was agreed among the parties after arm’s length negotiations with reference to, among others, (i) the Adjusted NAV of Zhen An Wuhan attributable to Zhen An Cayman and Zall Wuhan of RMB586,000,000 as at 30 September 2014; (ii) the financial performance of Zhen An Wuhan; and (iii) the prospect of the commercial property market in the PRC.

As advised by the Directors, the consideration is equivalent to the Adjusted NAV of Zhen An Wuhan attributable to Zhen An Cayman and Zall Wuhan of RMB586 million as at 30 September 2014 which was prepared after taking into account the valuation of the Zall International Finance Center, being the core asset of Zhen An Wuhan.

LETTER FROM MESSIS CAPITAL

The Adjusted NAV approach

Based on the management accounts, we are given to understand that the assets of the Zhen An Wuhan mainly comprised of the cost of Zall International Finance Center and cash while the liabilities mainly comprised of long term borrowings. Given the nature of the assets and liabilities of Zhen An Wuhan and the fact that no turnover has been recorded by Zhen An Wuhan up to 30 September 2014, we concur with the view of the Directors that it is fair and reasonable to adopt the Adjusted NAV of Zhen An Wuhan as the basis on determining the consideration pursuant to the Disposal Agreement.

To assess whether the valuation report in relation to the Zall International Finance Center has been prepared under fair and reasonable grounds, we have reviewed the valuation report as prepared by Savills Valuation and Professional Services Limited (“Savills”), an independent valuer. We have also discussed with Savills on the methodology being taken in conducting the valuation of the Zall International Finance Center. We are given to understand from Savills that they have valued the Zall International Finance Center using the direct comparison approach and making reference to comparable sales transactions as available in the relevant markets and have also taken into account the costs that will be expended to complete its developments to reflect the quality of the completed developments.

We are given to understand from Savills that it has relied on certain information made available to it by the Company, including the legal opinion issued by the legal adviser of the Company regarding the titles of the properties, planning approvals, statutory notices, development proposals, outstanding construction cost, site and floor areas, transaction records, sales prices, etc.. We also understand from Savills that they have conducted inspections to assess the physical condition of the properties including the exterior and interior (if possible) and did not note any serious defects on the properties.

We have conducted an interview with Savills and we are given to understand that (a) the director of Savills, Anthony C K Lau, is a qualified surveyor and has over 22 years of post-qualification experience in the valuation industry; and (b) except for its engagement in respect of the valuation of properties relating to the Proposed Restructuring, it has no current or prior relationships with the Company and/or the connected persons of the Company. As such, we are not aware of any matters that would cause us to question expertise and independence of Savills in conducting the valuation for Zall International Finance Center.

We have also reviewed the terms of engagement of Savills having particular attention to the appropriateness of the scope of work. Based on our review, we are not aware of any limitations on the scope of work which might adversely impact on the degree of assurance given by Savills in its valuation report.

LETTER FROM MESSIS CAPITAL

The price to book ratio approach

To further assess the fairness and reasonableness of the consideration, we have conducted analysis by applying the price to book ratio analysis (“**PB ratio**”) with a number of comparable companies as set out below. We believe the PB ratio analysis an appropriate valuation method as the core assets of companies in property development sector are residential and/or commercial properties.

In selecting the sample for comparison purpose, we target those companies which (i) are principally engaged in the property development business in the PRC; and (ii) shares are listed on the Stock Exchange with market capitalisation ranged from HK\$8 billion to HK\$12 billion as at the date of the Agreements, which we consider comparable to the Company of approximately HK\$9.5 billion. We have compared the PB ratios of the comparables (the “**PB Comparables**”) with the Disposed Companies, details of which are set out in the table below:

Company name (stock code)	Market capitalisation³	Equity attributable to owner for the preceding financial year/ period^{4,5}	P/B ratio
	(i)	(ii)	(iii) = (i)/(ii)
	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>	
China Overseas Grand Oceans Group Ltd (81)	9,471.3	12,027.4	0.79
Poly Property Group Co., Ltd (119)	11,006.8	29,957.0	0.37
Glorious Property Holdings Ltd (845)	9,117.4	23,118.0	0.39
CIFI Holdings (Group) Co. Ltd (884)	8,497.5	11,464.6	0.74
Guorui Properties Ltd (2329)	11,699.5	6,380.1	1.83
		Maximum	1.83
		Minimum	0.37
		Average	0.82

LETTER FROM MESSIS CAPITAL

The Target Companies	The Consideration (a) <i>RMB (million)</i>	Adjusted NAV (b) <i>RMB (million)</i>	P/Adjusted NAV ratio (c) = (a)/(b)
Zhen An Wuhan	586.0	586.0	1
Wuhan Zall City	357.0	357.0	1

Notes:

3. The market capitalisation is calculated based on the closing price of the PB comparables as stated in the website of the Stock Exchange (www.hkexnews.hk) on 22 October 2014, being the date of the Disposal Agreement.
4. The equity attributable to owners of the PB comparables for the preceding financial year/period are extracted from the respective latest interim/financial results announcements and/or interim/annual reports published prior to 22 October 2014.
5. The figures are translated into HK\$ at closing exchange rate of HK\$ 1: RMB 0.7885 as at 22 October 2014 as stated in the website of Bloomberg (www.bloomberg.com).

We note that majority of the PB Comparables were valued at discounts to their respective net assets attributable to equity shareholders. The PB ratio of the PB Comparables ranges from 0.37 times to 1.83 times with an average of 0.82 times. On such basis, we are of the view that the basis on determining the consideration for the disposal of 51% equity interests in Zhen An Wuhan is fair and reasonable.

Having considered the above, in particular that (i) the consideration is equivalent to the 51% of the Adjusted NAV of Zhen An Wuhan; (ii) the valuation report in respect of Zall International Finance Center prepared by an independent valuer who has extensive experiences under appropriate methodologies; (iii) the determining of the Adjusted NAV for Zhen An Wuhan; based on the NAV of Zhen An Wuhan as set out under paragraph headed “2. Information on the Disposed Companies”; (iv) the financial performance of the Zhen An Wuhan as set out under paragraph headed “2. Information on the Disposed Companies”; and (v) the PB ratio of the PB Comparables, we concur the view of the Directors that the consideration pursuant to the Disposal Agreement is determined on a fair and reasonable basis so far as the Independent Shareholders are concerned.

Special Dividend

The completion of the Disposal Agreement shall be subject to and conditional upon the fulfillment of a number of conditions precedent including, among others, the approval of the Independent Shareholders at the EGM for the distribution of the Special Dividend. The Special Dividend is proposed to be in the total amount of HK\$739,414,800, being the gross proceeds from the Disposal Agreement

LETTER FROM MESSIS CAPITAL

(equivalent to an amount of HK\$0.2112 per Share based on 3,500,000,000 Shares in issue as at the Latest Practicable Date). As advised by the Directors, the distribution of the Special Dividend can enable all Shareholders to enjoy the investment returns from the development of Zall International Finance Center since its acquisition from an independent third party in 2011. On such basis, we concur the view of the Directors that the distribution of Special Dividend upon the completion of the Disposal Agreement is in the interests of the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned.

(ii) *The Equity Swap Agreement*

The following summarises the principal terms of the Equity Swap Agreement:

Date:	22 October 2014
Parties:	(1) Zall Investment Group (2) Zall Holdings
Subject Matter:	1. To transfer the entire equity interest in Wuhan Zall City to Zall Holdings 2. To transfer the entire equity interest in Wuhan Financial Investment, Wuhan Guarantee Investment and Wuhan IP Center to Zall Investment Group
Consideration:	The total consideration for the disposal of Wuhan Zall City is to (i) transfer the entire equity interest in Wuhan Financial Investment, Wuhan Guarantee Investment and Wuhan IP Center and (ii) pay RMB15,200,000 to Zall Investment Group.

For other terms and conditions of the Equity Swap Agreement, please refer to section headed "The Equity Swap Agreement" under the Letter from the Board.

The Consideration under the Equity Swap Agreement

As set out in the Letter from the Board, the consideration under the Equity Swap Agreement was agreed between the parties after arm's length negotiations with reference to: among others, (i) the Adjusted NAV of Wuhan Zall City being RMB357,000,000 as at 30 September 2014; (ii) the Adjusted NAV of Wuhan IP Center being RMB135,000,000 as at 30 September 2014; (iii) the NAV of Wuhan Financial Investment being RMB103,220,909 as at 30 September 2014; and the NAV of Wuhan Guarantee Investment being RMB103,560,765 as at 30 September 2014; (iv) the financial performance of the relevant companies; and (v) the prospect of the commercial property market in the PRC.

LETTER FROM MESSIS CAPITAL

As advised by the Directors, the Adjusted NAV of Wuhan Zall City and Wuhan IP Center were determined based on the respective management accounts after taking account of the valuations of Wuhan Salon (being the core assets of Wuhan Zall City) and Wuhan Inland Port Center (being the core assets of Wuhan IP Center) as at 30 September 2014. We have obtained and reviewed the management accounts of each of Wuhan Zall City, Wuhan IP Center, Wuhan Financial Investment and Wuhan Guarantee Investment as at 30 September 2014. Based on the relevant management accounts, we are given to understand that (i) the assets of the Wuhan Zall City mainly comprised of the inventory cost of Wuhan Salon while the liabilities mainly comprised of short term and long term borrowings and government grants which will be amortised with project progress; (ii) the assets of the Wuhan IP Center mainly comprised of the land use rights and development costs of Wuhan Inland Port Center and cash while the liabilities mainly comprised of long term borrowings and payables for development costs; (iii) the assets and liabilities of the Wuhan Financial Investment mainly comprised of amounts due from/to with related parties and (iv) the assets of the Wuhan Guarantee Investment mainly comprised of cash and the current account with Wuhan Financial Investment while the liabilities mainly comprised of prepaid deposits. Given the nature of the assets and liabilities of each of Wuhan Zall City, Wuhan IP Center, Wuhan Financial Investment and Wuhan Guarantee Investment, we concur with the view of the Directors that it is fair and reasonable to adopt (a) the Adjusted NAV of Wuhan Zall City and Wuhan IP Center; and (ii) the NAV of Wuhan Financial Investment and Wuhan Guarantee Investment as the basis on determining the consideration under the Equity Swap Agreement. The shortfall of RMB15 million between the Adjusted NAV of Wuhan Zall City and the aggregated Adjusted NAVs Wuhan IP Center, the NAVs of Wuhan Financial Investment and Wuhan Guarantee Investment will be settled by cash pursuant to the Equity Swap Agreement.

To assess whether the valuation reports in relation to the Wuhan Zall City and Wuhan IP Center have been prepared under fair and reasonable grounds, we have reviewed the valuation reports as prepared by Savills. We have also discussed with Savills on the methodologies being taken in conducting the valuations of Wuhan Salon and Wuhan Inland Port Center.

(1) Valuation for Wuhan Salon

We are given to understand from Savills that Wuhan Salon is a large-scale culture-oriented exhibition and convention complex which is being completed in phases. As at 30 September 2014, the development of apartment blocks A to G and various retail facilities has been completed. The unsold portion of the apartment blocks and these retail facilities are valued using the direct comparison approach and making reference to comparable sales transactions as available in the relevant markets for the properties. The development of apartment blocks H to J as well as certain office and

LETTER FROM MESSIS CAPITAL

commercial areas is scheduled for completion by phases between the fourth quarter of 2015 and 2016 and they are valued on the basis that it will be developed and completed in accordance with the latest development proposal and using the direct comparison approach with reference to comparable sales transactions as available in the relevant markets and taken into account the costs that will be expended for the properties. The detailed development plan proposed auditorium of Wuhan Salon and certain land use rights of two land parcels has not been finalised and are hence valued by making reference to comparable market transactions as available in the relevant markets assuming sale with the benefit of vacant possession. We are given to understand from Savills that the methodologies being adopted are common in the market based on the nature and stage of developments of each property.

(2) Valuation for Wuhan Inland Port Center

We are given to understand from Savills that Wuhan Inland Port Center is a large-scale logistics and distribution center and is being completed in phases. Phase 1 is scheduled to be completed by phases between the fourth quarter of 2014 and the second quarter of 2015. The Phase 1 of Wuhan Inland Port Center is valued on the basis that it will be developed and completed in accordance with the latest development proposal and using the direct comparison approach with reference to comparable sales transactions as available in the relevant markets and taken into account the costs that will be expended for the properties. The development plan for Phase II and future phases of the Wuhan Inland Port Center have not been finalised and are hence valued by making reference to comparable market transactions as available in the relevant markets assuming sale with the benefit of vacant possession. We are given to understand from Savills that the methodologies being adopted are common in the market based on the nature and stage of developments of each property.

In conducting valuations for Wuhan Salon and Wuhan Inland Port Center, we are given to understand from Savills that it has relied on certain information made available to it by the Company, including the legal opinion issued by the legal adviser of the Company regarding the titles of the properties, planning approvals, statutory notices, development proposals, outstanding construction cost, site and floor areas, transaction records, sales prices, etc.. We also understand from Savills that they have conducted inspections to assess the physical condition of the properties including the exterior and interior (if possible) and did not note any serious defects on the properties.

LETTER FROM MESSIS CAPITAL

Alternative valuation method

To further assess the fairness and reasonableness on the consideration of Wuhan Zall City, reference is made to the paragraph headed “The price to book ratio approach” in this letter. We consider that the consideration, being equivalent to the Adjusted NAV of Wuhan Zall City, is determined at the fair and reasonable basis so far as the Independent Shareholders are concerned. Given (i) the development of Wuhan IP Center is at initial stage since September 2014 and the construction in progress is its principal assets and (ii) the scale of operations of Wuhan Financial Investment and Wuhan Guarantee Investment was limited in the past, we do not consider that common valuation approach, such as price-to-earning analysis, is applicable. On the other hand, we consider that the Adjusted NAV for Wuhan IP Center and NAVs of Wuhan Financial Investment and Wuhan Guarantee Investment have already presented a fair and reasonable ground on determining their respective considerations.

Having considered the above, in particular that (i) the valuation report in respect of the Wuhan Salon and Wuhan Inland Port Center was prepared by an independent valuer who has extensive experiences under appropriate methodologies; (ii) the basis in determining of the Adjusted NAV for Wuhan Zall City and Wuhan IP Center; (iii) the NAV Wuhan Financial Investments and Wuhan Guarantee Investments as set out under paragraph headed “3. Information on the Target Companies”; (iv) the financial performance of the Target Companies as set out under paragraph headed “3. Information on the Target Companies” and (v) the PB ratio of the PB Comparables, we concur the view of the Directors that the consideration is determined on a fair and reasonable basis so far as the Independent Shareholders are concerned.

Others

As at 30 September 2014, (i) Wuhan Zall City owed the Group the amount of approximately RMB596,081,377 (i.e. the Loans (1)); and (ii) Zall Investment Group has provided a guarantee in favour of PRC banks, guaranteeing the repayment obligations of Wuhan Zall City in relation to banks loans in the total amount of RMB1 billion (i.e. the Guarantee).

In addition, as at 30 September 2014, Wuhan IP Center and Wuhan Guarantee Investment owed Zall Holdings and its associate companies the total amount of approximately RMB82,334,000, and Zall Holdings and its associate companies owed Wuhan Financial Investment the total amount of RMB141,570,000 (i.e. the Loans (2)).

Pursuant to the Equity Swap Agreement, Zall Investment Group and Zall Holdings will fully repay or procure Wuhan Zall City and the Target Companies to fully repay, as the case maybe, the Loans (1) and the Loans (2) respectively before

LETTER FROM MESSIS CAPITAL

completion of the Equity Swap Agreement. Further, Zall Investment Group will also procure the release of the Guarantee before completion of the Equity Swap Agreement.

In the event that the Loans (1) and/or the Loans (2) are/is unable to be fully repaid, and/or the Guarantee is unable to be released before completion of the Equity Swap Agreement, the continuing of provision of the Loans (1), and/or the Loans (2) and/or the Guarantee would constitute financial assistance to/from connected person(s) of the Company as defined under Chapter 14A of the Listing Rules. The Company will enter into supplemental agreement(s) with relevant parties, make further announcement(s) and obtain the approval of the Independent Shareholders (if necessary) in accordance with the requirements of the Listing Rules.

6. Delineation of business

As set out in the Letter from the Board, upon completion of the Disposals and the Acquisitions, the Group will be principally engaged in development and operation of large-scale consumer product-focused wholesale shopping malls, the provision of related logistics and warehousing (such as provision of warehouses, distribution centers via, third parties arranging logistics and transportation services), E-commerce and finance value-added services. The Group will continue to hold the Remaining Non-core Projects of development of commercial, residential and mix-use property projects in the PRC. On the other hand, the Controlling Shareholders and their respective associates will be engaged in development of commercial, residential and mix-use property projects in the PRC and operating other businesses such as automobile logistics, cold chain logistics, operating and management of container ports and other business segments.

After completion of the Acquisitions, in terms of logistics business, the Group will be engaged in provision of warehousing facilities, distribution centers and via third parties arranging logistics and transportation services mainly for tenants in its shopping malls, whilst the Controlling Shareholders and their associates will be engaged in automobile logistics, cold chain logistics, operating and management of container ports. Wuhan IP Center's logistics business mainly focuses on the provision of the supporting services to facilitate the wholesale clients to store, display, distribute and trade the consumer goods and other products between wholesalers, distributors and traders. Wuhan IP Center does not have its own transportation vehicles (such as trucks or shipping vessels). Revenue is expected to be generated from sales, leasing and operation of logistics facilities. On the other hand, the automobile logistics business of the Controlling Shareholders mainly focuses on provision of automobile logistics solution and services including, loading and unloading, stacking, forwarding and transportation services, to automobile manufacturers and distributors. The cold chain logistics business is mainly to provide logistics services for refrigerated food products for food suppliers or buyers. Both automobile and cold chain logistics businesses require special logistics vehicles, equipment and other special auxiliary facilities. The revenue generated from

LETTER FROM MESSIS CAPITAL

the logistics business of the Controlling Shareholders are mainly from charging its customers a services fee with reference to, among others, quantities, distance of forwarding, time and human resources required though special transportation vehicles. Given the difference in nature of logistics services, the Company considers that the Group's existing logistics services business and Wuhan IP Center's business will not compete with the logistics business of the Controlling Shareholders and their associates.

After completion of the Disposals, in terms of property development business, the Controlling Shareholders will own the Wuhan Salon and Zall International Finance Center, whilst the Group, apart from the Remaining Non-core Projects, will own the Remaining Core Projects including Zall No. 1 Enterprise Community — Changsha and No. 1 Enterprise Community — Wuhan.

As set out in the paragraphs headed "Information on the Disposed Companies". Wuhan Salon is a multi-structural and multi-functional commercial complex comprising Chinese culture exhibition center, cultural and art trading market, Chinese collection museum, SOHO, hotel and other facilities. It is located at a transportation hub of Wuhan with total planned construction area of approximately 1,149,000 square metres. The office building properties contained in Wuhan Salon mainly target at the high net worth individuals. Zall International Finance Center is a high-end office building equipped with commercial shopping center. It is located at the centre in the downtown area of Wuhan with total planned construction area of approximately 97,204 square metres.

The Remaining Office Projects are office building complexes with each of them mainly comprising low-density office blocks located at urban area, which are intended to provide supporting office facilities to existing clients of the Group and other small and medium enterprises for setting up their offices or local headquarters. Comparably, the SOHO unit with gross floor area of ranging approximately 50 to 100 square metres in Wuhan Salon, which can be used as a small office, is sold at the average price around RMB6,200 per square metres mainly to individual client, and the office unit of Zall International Finance Center intends to be leased to high-end corporate clients. Whilst, the single building unit of the Remaining Office Projects with gross floor area of ranging approximately 500 to 2,000 square metres normally sold as a whole at an average price of around RMB3,300 per square metre to the small and medium enterprises. No. 1 Enterprise Community — Wuhan is in proximity to the Group's wholesale shopping mall (i.e. the North Hankou International Project), and quite a few of the occupants are clients of the Group's North Hankou International Project. The target customers are either the existing clients or potential clients of the Group for the business of the development and operation of wholesale shopping mall and provision of related valued-added services. The Company considers the Remaining Office Projects are related to the Group's core business and shall be treated as the Remaining Core Projects. Having considered (i) the difference in target customers; (ii) the difference in size and functionality of offices; and (iii) the variation in average selling prices for Zall International Finance Center, Wuhan

LETTER FROM MESSIS CAPITAL

Salon and the Remaining Office Projects, we concur with the views of the Directors that the Remaining Office Projects can be clearly differentiated from the Disposed Non-Core Projects which will be owned by the Controlling Shareholders.

During the period commencing from completion of the Disposals and until the Group having disposed of or realised all the Remaining Non-core Projects, the business owned/controlled by the Controlling Shareholders (i.e. the Disposed Non-core Projects) may overlap with the business of the Group in terms of business nature but not necessary in direct competition.

On 24 December 2014, the Controlling Shareholders entered into the Side Letter with the Company agreeing that upon completion of the Acquisitions and/or the Disposals, the Controlling Shareholders shall enter into the Revised Deed in favour of the Company certain non-competition undertakings by the Controlling Shareholders during the Non-Compete Period. The Revised Deed will also provide certain mechanisms imposed by the Company and/or its independent non-executive Directors to monitor the compliance of the Revised Deed on a timely basis. Details of the Revised Deed and the said mechanisms are set out in the paragraph headed “Delineation of business” in the Letter from the Board. The resolution in relation to the Revised Deed will be put forward at the EGM for the Independent Shareholders’ approval.

Having considered (i) the difference in business focus and nature of the Group and its Controlling Shareholders; (ii) the overlapping of the business resulting from the Disposals is expected to be temporary given the recent strategy of the Group to dispose of all the Remaining Non-core Projects; (iii) the entering of the Revised Deed is to protect the Company from future competitions with the Controlling Shareholders; and (iv) proper mechanisms have been set out to monitor the performance of the Controlling Shareholders under the Revised Deed, we concur with the view of the Directors that the entering of the Revised Deed is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned.

7. Possible Effect of the Proposed Restructuring

(i) *Effect on assets and liabilities*

As stated in the Letter from the Board, upon completion of the Proposed Restructuring, it is estimated that the total assets of the Group would be decreased by approximately RMB2,531 million, being the difference of (i) the aggregated total assets of the Target Companies, which will be consolidated into the Group and cash consideration, of approximately RMB1,380 million based on the unaudited management accounts of each of the Target Companies as at 30 September 2014 and (ii) the aggregated total assets of Zhen An Wuhan and Wuhan Zall City, which will be deconsolidated from the Group, of approximately RMB3,911 million based on the unaudited management accounts of Zhen An Wuhan and Wuhan Zall City as at 30 September 2014. The total liabilities of the Group would be decreased by approximately

LETTER FROM MESSIS CAPITAL

RMB2,774 million, being the difference of (i) the aggregated total liabilities of the Target Companies, which will be consolidated into the Group, of approximately RMB437 million based on the unaudited management accounts of each of the Target Companies as at 30 September 2014 and (ii) the aggregated total liabilities of Zhen An Wuhan and Wuhan Zall City, which will be deconsolidated from the Group, of approximately RMB3,211 million based on the unaudited management accounts of Zhen An Wuhan and Wuhan Zall City as at 30 September 2014.

(ii) *Effect on liquidity position*

It is estimated by the Directors that there will be no material negative impact on the liquidity position of the Group under the Proposed Restructuring given (a) the proceeds from the transaction under the Disposal Agreement will be distributed as Special Dividend upon its completion; and (b) the Group will receive a gross proceeds of RMB15.2 million in cash upon the completion of the Equity Swap Agreement.

(iii) *Effect on earnings*

As stated in the Letter from the Board, based on the unaudited management account of Zhen An Cayman, Zhen An Wuhan and Wuhan Zall City as at 30 September 2014, as a result of the Disposals, it is estimated that the Company will recognise an unaudited gain of approximately RMB219 million, being the sum of: (i) the unaudited loss of approximately RMB9 million recognised as the consideration for the disposal of Zhen An Cayman of approximately RMB586 million less 51% of the NAV of Zhen An Wuhan of approximately RMB595 million as at 30 September 2014; and (ii) the unaudited gain of RMB228 million recognised as the Adjusted NAV of Wuhan Zall City of approximately RMB357 million less the NAV of Wuhan Zall City of approximately RMB129 million as at 30 September 2014.

It should be noted that the above financial effects are for illustrative purpose only and do not purport to represent the financial position of the Group following the effective of the Transactions.

RECOMMENDATION

Having taken into account the above-mentioned principal factors and reasons, in particular:

- the background information of the Group as set out under the section headed “1. Background Information of the Group”;
- the background information of Disposed Companies as set out under the section headed “2. Information on the Disposed Companies”;
- the background information of Target Companies as set out under the section headed “3. Information on the Target Companies”;

LETTER FROM MESSIS CAPITAL

- the background and reasons for the Proposed Restructuring as set out under the section headed “4. Background and Reasons for the Proposed Restructuring”;
- the terms of the Disposal Agreement and the Equity Swap Agreement as set out under the section headed “5. The Restructuring Agreements”;
- the delineation of business between the Group and its Controlling Shareholders and the terms of the Revised Deed as set out under the section headed “6. Delineation of Business”; and
- the financial effect of the Proposed Restructuring as set out under the section headed “7. Possible Effect of the Proposed Restructuring”,

we consider that although the entering into of the Disposal Agreement and the Equity Swap Agreement are not in the ordinary and usual course of business of the Group, the Proposed Restructuring is in the interests of the Company and the Shareholders as a whole. We are also of the view that the terms of the Disposal Agreement, the Equity Swap Agreement and the Revised Deed are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolutions to be proposed at the EGM to approve the Disposal Agreement, the Equity Swap Agreement and the transactions contemplated thereunder and the Revised Deed.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Vincent Cheung
Director

Mr. Vincent Cheung is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of MESSIS CAPITAL LIMITED to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 7 years of experience in corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2014 is disclosed in the 2014 interim report of the Company published on 12 September 2014, from pages 26 to 52, and the audited consolidated financial statements of the Group (i) for the year ended 31 December 2013 is disclosed in the 2013 annual report of the Company published on 10 April 2014, from pages 51 to 136; (ii) for the year ended 31 December 2012 is disclosed in the 2012 annual report of the Company published on 9 April 2013, from pages 52 to 137; and (iii) for the year ended 31 December 2011 is disclosed in the 2011 annual report of the Company published on 30 March 2012, from pages 53 to 143, all of which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.zallcn.com).

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 October 2014, being the latest practicable date for the purpose of determining this indebtedness of the Group prior to the printing of this circular, the Group had the following:

	<i>RMB</i>
Bank loans and loans from other financial institutions:	
Short-term loans	
— secured	1,490,520,055
— unsecured	<u>119,000,000</u>
Long-term loans	
— secured	4,700,730,000
— unsecured	<u>715,000,000</u>
Convertible bonds:	661,526,000
Guarantees:	<u>1,447,650,791</u>
Total:	<u><u>9,134,426,846</u></u>

Save as aforementioned, at the close of business on 31 October 2014, the Group did not have any other outstanding borrowings, loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the Disposals, the Acquisitions, the internal resources available to the Group, presently available banking facilities and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements for the next twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material change in the financial or trading position or outlook of the Group since 31 December 2013, the date to which the latest audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Looking forward, the Group will continue its strategy to adjust its principal business activities, i.e. concentrate on its core business segment and gradually dispose or realise the Remaining Non-core Projects.

In terms of the core business of the Group, Tianjin Zall E-commerce Mall project enjoyed popularity in the market. Apart from the wholesale shopping malls in Wuhan, Tianjin and Jingzhou which are currently in operation or under development, the Group will expedite the construction of Zall Asia Expo City project in Kunming, which is considered as the Group's another strategic move with the intension to expand the wholesale distribution network to Southeast Asia.

It is expected that after completion of Disposals, the total assets and interest-bearing debts of the Group will be reduced as compared with that as at 30 June 2014. Due to most of the saleable properties of Wuhan Salon have been sold and development of Zall International Finance Center has not completed, it is expected that the Disposals will not have any material effects on the turnover or profit of the Group and the turnover from the warehousing leasing business supported by the Group's wholesale shopping malls will increase compared with that of last year.

After completion of the Acquisitions, as the logistics and finance business of the Target Companies are still in initial development stage, the Group does not expect they will have significant contribution to the turnover or profit of the Group in the short-term.

In October 2014, following a cooperation agreement entered into between Wuhan Municipal Commerce Bureau and Alibaba, Wuhan North Hankou Electronic Commerce Co., Ltd (a wholly-owned subsidiary of the Company), Wuhan Municipal Commerce Bureau and Huangpo District Government of Wuhan entered into a cooperation agreement, pursuant to which the Group will be responsible for setting up and operation of "Alibaba • Wuhan Industry Belt Platform" (the "Alibaba Platform"). The Group as the off-line E-commerce integrator will select and assist its wholesale clients with brand name and reputation to set up on-line shops on www.1688.com with relevant technical support provided by Alibaba. Pursuant to the cooperation agreement, the Group will provide on-line shop related services to its wholesale clients, which mainly include provision of services relating (i) basic operation instruction for the on-line shops, such as installation and operating relevant software, payment system, maintenance, order management, etc.; (ii) shop decoration, theme design, picture design and processing, etc.; (iii) product picture-digitalising and publication, product key-word setting up and optimising, products information maintenance, etc.; (iv) enterprise information-digitalising and publication; (v) on-line enterprise and products marketing and promotion; and (vi) organising public training courses every month regarding the on-line shops for its wholesale clients.

During the promotion period of the first year cooperation, the Group will not charge any fees from its clients for those services. By leveraging on the Alibaba Platform's advantages, the Group plans to invest RMB90 million in three years for on-line and off-line advising, recruiting additional

staff, general working capital to assist and support the Group's wholesale shopping mall merchants to promote their on-line or office-line shops and products. After one year of the promotion period, the Group may consider charging services fees for those services provided.

It is expected that services fees from warehousing, logistics, E-commerce, financial services for the Group's wholesale clients will gradually increase and become the Group's main source of revenue apart from sale or leasing of the properties.

6. RECONCILIATION OF THE PROPERTY VALUATION

Savills Valuation and Professional Services Limited, an independent property valuer, has valued the market value of the properties of the Group (100% interest) as at 30 September 2014 at approximately RMB4,619,000,000, representing a net revaluation surplus, which exceeds their book value as at 31 December 2013. The texts of its letter, summary of values and the valuation certificates are set out in Appendix IIA to this circular.

The following table set forth the reconciliation between the net book value of the properties as at 31 December 2013 as extracted from the annual report of the Company for the year ended 31 December 2013 and the valuation report as set forth in Appendix IIA as at 30 September 2014:

	<i>RMB</i>
Net book value of the properties as at 31 December 2013	3,732,635,704
Additional cost incurred in the properties for the nine months ended 30 September 2014	399,836,260
Net book value of the properties as at 30 September 2014	4,037,942,687
Revaluation surplus before income tax	581,057,313
Value of the properties as at 30 September 2014 as set forth in the valuation report in Appendix IIA	4,619,000,000

The following is the text of a letter, summary of values and valuation certificate prepared for the purpose of incorporation in this circular received from Savills Valuation and Professional Services Limited, an independent valuer, in connection with their opinion of values of the properties held by the Group as at 30 September 2014.



Savills Valuation and
Professional Services Limited
23/F Two Exchange Square
Central, Hong Kong

T : (852) 2801 6100
F : (852) 2530 0756

EA Licence: C-023750
savills.com

The Board of Directors
Zall Development Group Ltd.
Suite 1606, 16/F
Two Exchange Square
Central
Hong Kong

31 December 2014

Dear Sirs,

In accordance with your instruction for us to value the properties situated in the People's Republic of China (the "PRC") which are held by Zall Development Group Ltd. (the "Company") and its subsidiaries (hereinafter together referred to as the "Group"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 30 September 2014 (the "valuation date") for circular purpose.

Basis of Valuation

Our valuation of each of the properties is our opinion of its market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Property Categorisation and Valuation Methodology

In valuing the properties in Group I, which are held by the Group for sale in the PRC, we have valued such properties by the direct comparison approach assuming sale with the benefit of vacant possession in their existing states by making reference to comparable sales transactions as available in the relevant markets.

In valuing the properties in Group II, which are held by the Group under development in the PRC, we have valued such properties on the basis that they will be developed and completed in accordance with the latest development proposals provided to us. We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. In arriving at our opinion of values, we have adopted the direct comparison approach by making reference to comparable sales transactions as available in the relevant markets and have also taken into account the costs that will be expended to complete the developments to reflect the quality of the completed developments.

In valuing the properties in Group III, which are held by the Group for future development in the PRC, we have valued such properties by making reference to comparable market transactions as available in the relevant markets assuming sale with the benefit of vacant possession.

Title Investigations

We have been provided with copies of title documents relating to the properties. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us. In the course of our valuation, we have relied to a very considerable extent on the information given by the Company and the legal opinion issued by the Company's legal adviser, Jingtian & Gongcheng, regarding the titles to the properties in the PRC.

Valuation Consideration and Assumptions

In valuing the properties in the PRC, unless otherwise stated, we have assumed that transferable land use rights of the properties for respective specific terms at nominal annual land use fees have been granted and that any land grant premium payables have already been fully paid. Unless otherwise stated, we have also assumed that the Group has enforceable titles to the properties and has free and uninterrupted rights to occupy, use, lease or assign the properties for the whole of the respective unexpired terms as granted.

In the course of our valuation, we have relied to a considerable extent on information and advice from the Company on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, development proposals, total and outstanding construction costs, site and floor areas, transaction records, sale prices, sale and purchases agreement and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on the information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been taken. We have no reason to doubt the truth

and accuracy of the information provided to us by the Company, which is material to our valuation. We are also advised by the Company that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Site Inspections

We have inspected the exterior and, where possible, the interior of the properties. Site inspections of the properties were carried out in November 2014 by our Mr. Richmond Liu (Senior Valuer) and various valuation assistants. Mr. Richmond Liu is a professional member of The Royal Institution of Chartered Surveyors. During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report that the properties are free from rot, infestation and any other defects. No tests were carried out on any of the services. We have also not carried out investigations on site to determine the suitability of the ground conditions and the services for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

Remarks

Unless otherwise stated, all money amounts stated are in Renminbi (“RMB”).

We enclose herewith our summary of values and valuation certificate.

Yours faithfully,
For and on behalf of
Savills Valuation and Professional Services Limited
Anthony C K Lau
MRICS MHKIS RPS (GP)
Director

Note: Anthony C K Lau is a qualified surveyor and has over 22 years’ post-qualification experience in the valuation of properties in the PRC and Hong Kong.

SUMMARY OF VALUES

No. Property	Market value in existing state as at 30 September 2014 (RMB)	Interests attributable to the Group	Market value attributable to the Group as at 30 September 2014 (RMB)
Group I — Properties held by the Group for sale in the PRC			
1. The unsold portion of Apartment Blocks A to G, Phase I, Wuhan Salon, Jinyintan Avenue, Dongxihu District, Wuhan, Hubei Province, PRC	718,000,000	100%	718,000,000
2. Various retail facilities of Phase I, Wuhan Salon, Jinyintan Avenue, Dongxihu District, Wuhan, Hubei Province, PRC	1,390,000,000	100%	1,390,000,000
Group I Sub-total:	2,108,000,000		2,108,000,000

No. Property	Market value in existing state as at 30 September 2014 (RMB)	Interests attributable to the Group	Market value attributable to the Group as at 30 September 2014 (RMB)
Group II — Properties held by the Group under development in the PRC			
3. Apartment Blocks H to J and Art House, Phase I, Wuhan Salon, Jinyintan Avenue, Dongxihu District, Wuhan, Hubei Province, PRC	321,000,000	100%	321,000,000
4. Zall International Finance Center, 588 Jianshe Avenue, Jiangnan District, Wuhan, Hubei Province, PRC	1,729,000,000	51%	881,790,000
Group II Sub-total:	2,050,000,000		1,202,790,000

No. Property	Market value in existing state as at 30 September 2014 (RMB)	Interests attributable to the Group	Market value attributable to the Group as at 30 September 2014 (RMB)
Group III — Properties held by the Group for future development in the PRC			
5. The proposed Auditorium, Phase I, Wuhan Salon, Jinyintan Avenue, Dongxihu District, Wuhan, Hubei Province, PRC	8,000,000	100%	8,000,000
6. Land Lot Nos. P (2010)-127B, P (2011)-142 and P (2013)-021, Jinyintan Avenue, Dongxihu District, Wuhan, Hubei Province, PRC	453,000,000	100%	453,000,000
Group III Sub-total:	461,000,000		461,000,000
Grand Total:	<u>4,619,000,000</u>		<u>3,771,790,000</u>

VALUATION CERTIFICATE

Group I — Properties held by the Group for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
1.	The unsold portion of Apartment Blocks A to G, Phase I, Wuhan Salon, Jinyintan Avenue, Dongxihu District, Wuhan, Hubei Province, PRC	Wuhan Salon (the “Development”) is a large-scale mixed-use culture-oriented complex and is being completed in phases. The commercial portion of Phase I of the Development is being erected on a parcel of land with a site area of approximately 245,129.76 sq.m..	As at the valuation date, the property was vacant.	RMB718,000,000 (100% interest attributable to the Group: RMB718,000,000)
		The Development is located at the junction of Jinyintan Avenue and Hongtu Road in Dongxihu District and near the Third Ring Road of Wuhan. Developments in the vicinity are dominated by various commercial and residential developments of similar ages. It is at about 20 minutes’ drive to the centre of Hankou, about 15 minutes’ drive to Hankou Railway Station and about 25 minutes’ drive to Wuhan Tianhe International Airport.		
		The property comprises the unsold portion of Apartment Blocks A to G of Phase I of the Development with a total gross floor area of approximately 99,124.54 sq.m., which was completed in 2014.		
		The land use rights of the property have been granted for a term expiring on 23 December 2050 for commercial and financial services uses.		

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract — No. E WH (DXH)-2010-00084 dated 16 November 2010, the land use rights of two parcels of land with a total site area of approximately 268,565.33 sq.m. have been granted to Wuhan Zall City Investment and Development Company Limited (武漢卓爾城投資發展有限公司) (“Wuhan Zall City”), a 100%-owned subsidiary of the Company, for two concurrent terms of 40 years for commercial and financial services uses and 70 years for residential use at a land grant fee of RMB710,000,000.

As advised by the Company, the property comprises portion of the land parcels as stated in the State-owned Land Use Rights Grant Contract mentioned above.

2. Pursuant to the State-owned Land Use Rights Certificate — Dong Guo Yong (2011) No. 030101475 dated 14 January 2011, the land use rights of the land parcel of the commercial portion of Phase I of the Development with a site area of approximately 245,129.76 sq.m. have been granted to Wuhan Zall City for a term expiring on 23 December 2050 for commercial and financial services uses.
3. Pursuant to the Planning Permit for Construction Land — Wu Gui (Dong) Di [2010] No. 276 dated 1 March 2011, Wuhan Zall City is permitted to use the land parcels of Phase I of the Development with a total site area of approximately 268,565.33 sq.m. for development.
4. Pursuant to the Planning Permit for Construction Works — Wu Gui (Dong) Jian [2012] No. 45 dated 23 May 2012, the approved construction scale of various buildings of the Development is approximately 520,790.29 sq.m..

As advised by the Company, the property comprises portion of the buildings as stated in the Planning Permit for Construction Works mentioned above.

5. Pursuant to two Approvals for Commencement of Construction Works — Nos. 4201122012052400214BJ4001 and 4201122012052400214BJ4002 dated 29 June 2012 and 4 July 2012 respectively, the construction works of various of the Development with a total construction scale of approximately 382,412.59 sq.m. has been approved for commencement.

As advised by the Company, the property comprises portion of the buildings as stated in the Approvals for Commencement of Construction Works mentioned above.

6. Pursuant to the Wuhan Pre-sale Permit for Commodity Housing — Wu Fang Kai Yu Shou [2012] No. 258 dated 2 July 2012, Apartment Blocks A to G of Phase I of the Development with a total gross floor area of approximately 220,895.92 sq.m. have been permitted for pre-sale.
7. Pursuant to seven Completion Certificates — Nos. 09-14-0040 to 09-14-0043 and 09-14-0112 to 09-14-0114 dated between 10 January 2014 and 24 April 2014, the construction works of Apartment Blocks A to G of Phase I of the Development with a total gross floor area of approximately 220,895.92 sq.m. has been examined and such examination has been recorded.
8. As advised by the Company, portion of the property with a total gross floor area of approximately 23,429.23 sq.m. has been contracted for sale under various sale and purchase agreements at a total consideration of approximately RMB164,600,000 as at the valuation date which has not been delivered to the purchasers. We have taken into account such amount in our valuation.
9. As advised by the Company, the property is subject to two mortgages.

10. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, *inter alia*, the following information:

- i. Wuhan Zall City is the legal land user of the property, which is under the protection of PRC laws and is entitled to occupy, use, let, transfer or by other legal means dispose of the land use rights of the property in accordance with the registered land use and within the residue of its land use term;
- ii. in respect of the mortgaged land use rights of the property, prior consents from the mortgagees have to be obtained before Wuhan Zall City can transfer, let, further mortgage or by other legal means dispose of such land use rights in accordance with PRC laws during the mortgage period;
- iii. Wuhan Zall City has obtained the necessary permits and approvals for the construction of the property, which have not been revoked, altered, repealed or withdrawn by relevant government authorities; and
- iv. Wuhan Zall City is entitled to pre-sell the property in accordance with the stipulated pre-sale limits.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
2.	Various retail facilities of Phase I, Wuhan Salon, Jinyintan Avenue, Dongxihu District, Wuhan, Hubei Province, PRC	Wuhan Salon (the “Development”) is a large-scale mixed-use culture-oriented complex and is being completed in phases. The commercial portion of Phase I of the Development is being erected on a parcel of land with a site area of approximately 245,129.76 sq.m..	As at the valuation date, the property was vacant.	RMB1,390,000,000 (100% interest attributable to the Group: RMB1,390,000,000)
		The Development is located at the junction of Jinyintan Avenue and Hongtu Road in Dongxihu District and near the Third Ring Road of Wuhan. Developments in the vicinity are dominated by various commercial and residential developments of similar ages. It is at about 20 minutes’ drive to the centre of Hankou, about 15 minutes’ drive to Hankou Railway Station and about 25 minutes’ drive to Wuhan Tianhe International Airport.		
		The property comprises the Featured Cultural Blocks I & II and the Chinese Cultural Exhibition Centre of Phase I of the Development with a total gross floor area of approximately 313,155.40 sq.m..		
		As advised by the Company, the construction works of the property has been completed whilst the Completion Certificates of the property are still under application.		
		The land use rights of the property have been granted for a term expiring on 23 December 2050 for commercial and financial services uses.		

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract — No. E WH (DXH)-2010-00084 dated 16 November 2010, the land use rights of two parcels of land with a total site area of approximately 268,565.33 sq.m. have been granted to Wuhan Zall City Investment and Development Company Limited (武漢卓爾城投資發展有限公司) (“Wuhan Zall City”), a 100%-owned subsidiary of the Company, for two concurrent terms of 40 years for commercial and financial services uses and 70 years for residential use at a land grant fee of RMB710,000,000.

As advised by the Company, the property comprises portion of the land parcels as stated in the State-owned Land Use Rights Grant Contract mentioned above.

2. Pursuant to the State-owned Land Use Rights Certificate — Dong Guo Yong (2011) No. 030101475 dated 14 January 2011, the land use rights of the land parcel of the commercial portion of Phase I of the Development with a site area of approximately 245,129.76 sq.m. have been granted to Wuhan Zall City for a term expiring on 23 December 2050 for commercial and financial services uses.
3. Pursuant to the Planning Permit for Construction Land — Wu Gui (Dong) Di [2010] No. 276 dated 1 March 2011, Wuhan Zall City is permitted to use the land parcels of Phase I of the Development with a total site area of approximately 268,565.33 sq.m. for development.
4. Pursuant to three Planning Permits for Construction Works — Wu Gui (Dong) Jian [2011] No. 110, [2012] No. 45 and [2013] No. 61 dated between 24 November 2011 and 6 June 2013, the total approved construction scale of various buildings of the Development is approximately 681,443.10 sq.m..

As advised by the Company, the property comprises portion of the buildings as stated in the Planning Permits for Construction Works mentioned above.

5. Pursuant to four Approvals for Commencement of Construction Works — Nos. 4201122011092200114BJ4001, 4201122012052400214BJ4001, 4201122012052400214BJ4002 and 4201122013060600114BJ4001 dated between 9 December 2011 and 3 September 2013, the construction works of various buildings of the Development with a total construction scale of approximately 543,065.40 sq.m. has been approved for commencement.

As advised by the Company, the property comprises portion of the buildings as stated in the Approvals for Commencement of Construction Works mentioned above.

6. As advised by the Company, the property was subject to an outstanding construction cost in the sum of approximately RMB448,100,000 as at the valuation date. We have taken into account such amount in our valuation.
7. As advised by the Company, the property is subject to two mortgages.
8. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Wuhan Zall City is the legal land user of the property, which is under the protection of PRC laws and is entitled to occupy, use, let, transfer or by other legal means dispose of the land use rights of the property in accordance with the registered land use and within the residue of its land use term;
 - ii. in respect of the mortgaged land use rights of the property, prior consents from the mortgagees have to be obtained before Wuhan Zall City can transfer, let, further mortgage or by other legal means dispose of such land use rights in accordance with PRC laws during the mortgage period;
 - iii. Wuhan Zall City has obtained the necessary permits and approvals for the construction of the property, which have not been revoked, altered, repealed or withdrawn by relevant government authorities; and
 - iv. Wuhan Zall City is applying for the completion examination of the property. Upon completion of such examination and obtaining the completion certificate of the property, there shall exist no substantial legal impediments for Wuhan Zall City to obtain the building ownership certificate of the property.

Group II — Properties held by the Group under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014												
3.	Apartment Blocks H to J and Art House, Phase I, Wuhan Salon, Jinyintan Avenue, Dongxihu District, Wuhan, Hubei Province, PRC	<p>Wuhan Salon (the “Development”) is a large-scale mixed-use culture-oriented complex and is being completed in phases. The commercial portion of Phase I of the Development is being erected on a parcel of land with a site area of approximately 245,129.76 sq.m..</p> <p>The Development is located at the junction of Jinyintan Avenue and Hongtu Road in Dongxihu District and near the Third Ring Road of Wuhan. Developments in the vicinity are dominated by various commercial and residential developments of similar ages. It is at about 20 minutes’ drive to the centre of Hankou, about 15 minutes’ drive to Hankou Railway Station and about 25 minutes’ drive to Wuhan Tianhe International Airport.</p> <p>According to the latest development proposal provided by the Company, the property has a total gross floor area of approximately 263,173.60 sq.m.. Details of the uses and approximate gross floor areas of the property are as follows:</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Approximate Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Apartment</td> <td>98,777.91</td> </tr> <tr> <td>Commercial</td> <td>17,358.55</td> </tr> <tr> <td>Office</td> <td>94,901.11</td> </tr> <tr> <td>Ancillary</td> <td>52,136.03</td> </tr> <tr> <td>Total:</td> <td><u>263,173.60</u></td> </tr> </tbody> </table>	Use	Approximate Gross Floor Area (sq.m.)	Apartment	98,777.91	Commercial	17,358.55	Office	94,901.11	Ancillary	52,136.03	Total:	<u>263,173.60</u>	As at the valuation date, the property was under construction.	RMB321,000,000 (100% interest attributable to the Group: RMB321,000,000)
Use	Approximate Gross Floor Area (sq.m.)															
Apartment	98,777.91															
Commercial	17,358.55															
Office	94,901.11															
Ancillary	52,136.03															
Total:	<u>263,173.60</u>															
		As advised by the Company, the property is scheduled for completion by phases between the fourth quarter of 2015 and the fourth quarter of 2016.														
		The land use rights of the property have been granted for a term expiring on 23 December 2050 for commercial and financial services uses.														

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract — No. E WH (DXH)-2010-00084 dated 16 November 2010, the land use rights of two parcels of land with a total site area of approximately 268,565.33 sq.m. have been granted to Wuhan Zall City Investment and Development Company Limited (武漢卓爾城投資發展有限公司) (“Wuhan Zall City”), a 100%-owned subsidiary of the Company, for two concurrent terms of 40 years for commercial and financial services uses and 70 years for residential use at a land grant fee of RMB710,000,000.

As advised by the Company, the property comprises portion of the land parcels as stated in the State-owned Land Use Rights Grant Contract mentioned above.

2. Pursuant to the State-owned Land Use Rights Certificate — Dong Guo Yong (2011) No. 030101475 dated 14 January 2011, the land use rights of the land parcel of the commercial portion of Phase I of the Development with a site area of approximately 245,129.76 sq.m. have been granted to Wuhan Zall City for a term expiring on 23 December 2050 for commercial and financial services uses.
3. Pursuant to the Planning Permit for Construction Land — Wu Gui (Dong) Di [2010] No. 276 dated 1 March 2011, Wuhan Zall City is permitted to use the land parcels of Phase I of the Development with a total site area of approximately 268,565.33 sq.m. for development.
4. Pursuant to two Planning Permits for Construction Works — Wu Gui (Dong) Jian [2012] No. 45 and [2014] No. 44 dated 23 May 2012 and 4 April 2014 respectively, the total approved construction scale of various buildings of the Development is approximately 522,411.64 sq.m..

As advised by the Company, the property comprises portion of the buildings as stated in the Planning Permit for Construction Works mentioned above.

5. Pursuant to the Approval for Commencement of Construction Works — No. 4201122012052400214BJ4003 dated 11 September 2014, the construction works of Apartment Blocks H to J with a construction scale of approximately 139,821.84 sq.m. has been approved for commencement.
6. As advised by the Company, the total construction cost expended as at the valuation date was approximately RMB253,400,000 and the estimated outstanding construction cost for completion of the property was approximately RMB813,600,000. We have taken into account such amounts in our valuation.
7. The market value of the property as if completed as at the valuation date is in the sum of RMB1,581,000,000.
8. As advised by the Company, the property is subject to two mortgages.
9. We have been provided with a legal opinion on the title to the property issued by the Company’s PRC legal adviser, which contains, *inter alia*, the following information:

- i. Wuhan Zall City is the legal land user of the property, which is under the protection of PRC laws and is entitled to occupy, use, let, transfer or by other legal means dispose of the land use rights of the property in accordance with the registered land use and within the residue of its land use term;
- ii. in respect of the mortgaged land use rights of the property, prior consents from the mortgagees have to be obtained before Wuhan Zall City can transfer, let, further mortgage or by other legal means dispose of such land use rights in accordance with PRC laws during the mortgage period; and
- iii. Wuhan Zall City has obtained the necessary permits and approvals for the construction of the property, which have not been revoked, altered, repealed or withdrawn by relevant government authorities.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014										
4.	Zall International Finance Center, 588 Jianshe Avenue, Jiangnan District, Wuhan, Hubei Province, PRC	<p>Zall International Finance Center is a composite commercial and office building and is being erected on a parcel of land with a site area of approximately 9,976.55 sq.m..</p> <p>The property is located at the junction of Jianshe Avenue and Xinhua Road in Jiangnan District of Hankou, Wuhan. Developments in the vicinity are dominated by various commercial, office and residential developments of various ages. It is at about 10 minutes' drive to Hankou Railway Station and about 35 minutes' drive to Wuhan Tianhe International Airport.</p> <p>According to the latest development proposal provided by the Company, the property has a total gross floor area of approximately 97,203.09 sq.m.. Details of the uses and approximate gross floor areas of the property are as follows:</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Approximate Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Office</td> <td>64,454.80</td> </tr> <tr> <td>Commercial</td> <td>15,326.15</td> </tr> <tr> <td>Basement</td> <td>17,422.14</td> </tr> <tr> <td>Total:</td> <td>97,203.09</td> </tr> </tbody> </table>	Use	Approximate Gross Floor Area (sq.m.)	Office	64,454.80	Commercial	15,326.15	Basement	17,422.14	Total:	97,203.09	As at the valuation date, the property was under construction.	RMB1,729,000,000 (51% interest attributable to the Group: RMB881,790,000)
Use	Approximate Gross Floor Area (sq.m.)													
Office	64,454.80													
Commercial	15,326.15													
Basement	17,422.14													
Total:	97,203.09													
		As advised by the Company, the property is scheduled for completion in the second quarter of 2015.												
		The land use rights of the property have been granted for a term expiring on 7 November 2046 for composite use.												

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate — WC Guo Yong (1996) No. 097 dated 24 March 1997, the land use rights of the land parcel of the property with a site area of approximately 9,976.55 sq.m. have been granted to Zhen An (Wuhan) Company Limited (正安實業(武漢)有限公司) (“Zhen An Wuhan”), a 51%-owned subsidiary of the Company, for a term expiring on 7 November 2046 for composite use.
2. Pursuant to the Planning Permit for Construction Land — Wu Gui Di Zi (2007) No. 341 dated 21 November 2007, Zhen An Wuhan is permitted to use the land parcel of the property with a site area of approximately 9,976.55 sq.m. for development.
3. Pursuant to the Planning Permit for Construction Works — Jian Zi Di (Han) Jian (2011) No. 004 dated 28 March 2011, the approved construction scale of the property is approximately 97,203.09 sq.m..
4. Pursuant to the Approval for Commencement of Construction Works — No. 4201032010112200414BJ4001 dated 30 May 2011, the construction works of the property with a construction scale of approximately 97,203.09 sq.m. has been approved for commencement.
5. As advised by the Company, the total construction cost expended as at the valuation date was approximately RMB415,200,000 and the estimated outstanding construction cost for completion of the property was approximately RMB116,900,000. We have taken into account such amounts in our valuation.
6. The market value of the property as if completed as at the valuation date is in the sum of RMB2,260,900,000.
7. As advised by the Company, the property is subject to a mortgage.
8. We have been provided with a legal opinion on the title to the property issued by the Company’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Zhen An Wuhan is the legal land user of the property, which is under the protection of PRC laws and is entitled to occupy, use, let, transfer or by other legal means dispose of the land use rights of the property in accordance with the registered land use and within the residue of its land use term;
 - ii. in respect of the mortgaged land use rights of the property, prior consent from the mortgagee has to be obtained before Zhen An Wuhan can transfer, let, further mortgage or by other legal means dispose of such land use rights in accordance with PRC laws during the mortgage period; and
 - iii. Zhen An Wuhan has obtained the necessary permits and approvals for the construction of the property, which have not been revoked, altered, repealed or withdrawn by relevant government authorities.

Group III — Properties held by the Group for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
5.	The proposed Auditorium, Phase I, Wuhan Salon, Jinyintan Avenue, Dongxihu District, Wuhan, Hubei Province, PRC	<p>Wuhan Salon (the “Development”) is a large-scale mixed-use culture-oriented complex and is being completed in phases. The commercial portion of Phase I of the Development is being erected on a parcel of land with a site area of approximately 245,129.76 sq.m..</p> <p>The Development is located at the junction of Jinyintan Avenue and Hongtu Road in Dongxihu District and near the Third Ring Road of Wuhan. Developments in the vicinity are dominated by various commercial and residential developments of similar ages. It is at about 20 minutes’ drive to the centre of Hankou, about 15 minutes’ drive to Hankou Railway Station and about 25 minutes’ drive to Wuhan Tianhe International Airport.</p> <p>As advised by the Company, the property comprises the proposed Auditorium of Phase I of the Development with a gross floor area of approximately 4,100.00 sq.m.. Detailed development plan of the property has not been finalised.</p> <p>The land use rights of the property have been granted for a term expiring on 23 December 2050 for commercial and financial services uses.</p>	As at the valuation date, the property was vacant land.	RMB8,000,000 (100% interest attributable to the Group: RMB8,000,000)

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract — No. E WH (DXH)-2010-00084 dated 16 November 2010, the land use rights of two parcels of land with a total site area of approximately 268,565.33 sq.m. have been granted to Wuhan Zall City Investment and Development Company Limited (武漢卓爾城投資發展有限公司) (“Wuhan Zall City”), a 100%-owned subsidiary of the Company, for two concurrent terms of 40 years for commercial and financial services uses and 70 years for residential use at a land grant fee of RMB710,000,000.

As advised by the Company, the property comprises portion of the land parcels as stated in the State-owned Land Use Rights Grant Contract mentioned above.

2. Pursuant to the State-owned Land Use Rights Certificate — Dong Guo Yong (2011) No. 030101475 dated 14 January 2011, the land use rights of the land parcel of the commercial portion of Phase I of the Development with a site area of approximately 245,129.76 sq.m. have been granted to Wuhan Zall City for a term expiring on 23 December 2050 for commercial and financial services uses.
3. Pursuant to the Planning Permit for Construction Land — Wu Gui (Dong) Di [2010] No. 276 dated 1 March 2011, Wuhan Zall City is permitted to use the land parcels of Phase I of the Development with a total site area of approximately 268,565.33 sq.m. for development.
4. As advised by the Company, the property is subject to a mortgage.
5. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Wuhan Zall City is the legal land user of the property, which is under the protection of PRC laws and is entitled to occupy, use, let, transfer or by other legal means dispose of the land use rights of the property in accordance with the registered land use and within the residue of its land use term; and
 - ii. in respect of the mortgaged land use rights of the property, prior consent from the mortgagee has to be obtained before Wuhan Zall City can transfer, let, further mortgage or by other legal means dispose of such land use rights in accordance with PRC laws during the mortgage period.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
6.	Land Lot Nos. P (2010)-127B, P (2011)-142 and P (2013)-021, Jinyintan Avenue, Dongxihu District, Wuhan, Hubei Province, PRC	<p>Wuhan Salon (the “Development”) is a large-scale mixed-use culture-oriented complex and is being completed in phases. The property comprises three parcels of land with a total site area of approximately 115,396.74 sq.m., on which the residential portion of Phase I and the whole of Phases II and III of the Development is proposed to be erected.</p> <p>The Development is located at the junction of Jinyintan Avenue and Hongtu Road in Dongxihu District and near the Third Ring Road of Wuhan. Developments in the vicinity are dominated by various commercial and residential developments of similar ages. It is at about 20 minutes’ drive to the centre of Hankou, about 15 minutes’ drive to Hankou Railway Station and about 25 minutes’ drive to Wuhan Tianhe International Airport.</p> <p>As advised by the Company, the maximum permissible gross floor area of the property is approximately 343,357.08 sq.m. for residential and commercial development. Detailed development plan of the property has not been finalised.</p> <p>The land use rights of two land parcels of the property with a total site area of approximately 39,438.67 sq.m. have been granted for three concurrent terms expiring on 23 December 2050 and 7 October 2052 for commercial use and expiring on 23 December 2080 for residential use respectively.</p> <p>The land use rights of the remaining land parcel of the property with a site area of approximately 75,958.07 sq.m. have been granted for a term of 40 years for retail wholesale and commercial financial uses.</p>	As at the valuation date, the property was vacant land.	<p>RMB453,000,000</p> <p>(100% interest attributable to the Group: RMB453,000,000)</p>

Notes:

1. Pursuant to three State-owned Land Use Rights Grant Contracts — Nos. E WH (DXH)-2010-00084, E WH (DXH)-2012-00054 and E WH (DXH)-2013-00021 dated between 16 November 2010 and 15 April 2013, the land use rights of four parcels of land with a total site area of approximately 360,526.50 sq.m. have been granted to Wuhan Zall City Investment and Development Company Limited (武漢卓爾城投資發展有限公司) (“Wuhan Zall City”), a 100%-owned subsidiary of the Company, for three concurrent terms of 40 years for commercial and financial services uses, 40 years for accommodation and food & beverage uses and 70 years for residential use at a total land grant fee of RMB1,003,750,000. As stipulated, the construction works of the proposed developments on such land parcels shall be commenced before 16 August 2011 and completed before 14 January 2016.

As advised by the Company, the property comprises portion of the land parcels as stated in the State-owned Land Use Rights Grant Contracts mentioned above.

2. Pursuant to two State-owned Land Use Rights Certificates — Dong Guo Yong (2011) No. 030101483 and Dong Guo Yong (2012) No. 030101553 dated 14 January 2011 and 12 December 2012 respectively, the land use rights of two parcels of land with a total site area of approximately 39,438.67 sq.m. (the “Land Parcels with Certificates”) have been granted to Wuhan Zall City for three concurrent terms expiring on 23 December 2050 and 7 October 2052 for commercial use and expiring on 23 December 2080 for residential use respectively.

As advised by the Company, the land parcels as stated in the State-owned Land Use Rights Certificates mentioned above only comprise portion of the property.

3. As advised by the Company, the land grant fee of the land parcel under the State-owned Land Use Rights Grant Contract — No. E WH (DXH)-2013-00021 mentioned in above Note 1 (the “Land Parcel without Certificate”) has been fully settled whilst the formal State-owned Land Use Rights Certificate of such land parcel has not been issued.

4. As advised by the Company, the property is subject to a mortgage.

5. We have been provided with a legal opinion on the title to the property issued by the Company’s PRC legal adviser, which contains, *inter alia*, the following information:

- i. Wuhan Zall City is the legal land user of the Land Parcels with Certificates of the property, which is under the protection of PRC laws and is entitled to occupy, use, let, transfer or by other legal means dispose of the land use rights of such portion of the property in accordance with the registered land use and within the residue of their land use terms;
- ii. Wuhan Zall City has fully settled the land grant fee of the Land Parcel without Certificate of the property and there shall exist no substantial legal impediments for Wuhan Zall City to obtain the land use rights certificate of such portion of the property; and
- iii. in respect of the mortgaged land use rights of the property, prior consent from the mortgagee has to be obtained before Wuhan Zall City can transfer, let, further mortgage or by other legal means dispose of such land use rights in accordance with PRC laws during the mortgage period.

The following is the text of a letter, summary of values and valuation certificate prepared for the purpose of incorporation in this circular received from Savills Valuation and Professional Services Limited, an independent valuer, in connection with their opinion of values of the properties held by Wuhan IP Center, as one of the Target Companies, as at 30 September 2014.



Savills Valuation and
Professional Services Limited
23/F Two Exchange Square
Central, Hong Kong

T : (852) 2801 6100
F : (852) 2530 0756

EA Licence: C-023750
savills.com

The Board of Directors
Zall Development Group Ltd.
Suite 1606, 16/F
Two Exchange Square
Central
Hong Kong

31 December 2014

Dear Sirs,

In accordance with your instruction for us to value the properties situated in the People's Republic of China (the "PRC") which are held by Wuhan Zall Inland Port Center Investment Company Limited (武漢卓爾陸港中心投資有限公司) ("Wuhan IP Center") and are to be acquired by Zall Development Group Ltd. (the "Company"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 30 September 2014 (the "valuation date") for circular purpose.

Basis of Valuation

Our valuation of each of the properties is our opinion of its market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Property Categorization and Valuation Methodology

In valuing the property in Group I, which is held by Wuhan IP Center under development in the PRC, we have valued such property on the basis that it will be developed and completed in accordance with the latest development proposal provided to us. We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposal have been obtained without onerous conditions or delays. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales transactions as available in the relevant markets and have also taken into account the costs that will be expended to complete the development to reflect the quality of the completed development.

In valuing the property in Group II, which is held by Wuhan IP Center for future development in the PRC, we have valued such property by making reference to comparable market transactions as available in the relevant markets assuming sale with the benefit of vacant possession.

Title Investigations

We have been provided with copies of title documents relating to the properties. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us. In the course of our valuation, we have relied to a very considerable extent on the information given by the Company and the legal opinion issued by the Company's legal adviser, Jingtian & Gongcheng, regarding the titles to the properties in the PRC.

Valuation Consideration and Assumptions

In valuing the properties in the PRC, unless otherwise stated, we have assumed that transferable land use rights of the properties for respective specific terms at nominal annual land use fees have been granted and that any land grant premium payables have already been fully paid. Unless otherwise stated, we have also assumed that Wuhan IP Center has enforceable titles to the properties and has free and uninterrupted rights to occupy, use, lease or assign the properties for the whole of the respective unexpired terms as granted.

In the course of our valuation, we have relied to a considerable extent on information and advice from the Company on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, development proposal, total and outstanding construction costs, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on the information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been taken. We have no reason to

doubt the truth and accuracy of the information provided to us by the Company, which is material to our valuation. We are also advised by the Company that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Site Inspections

We have inspected the exterior of the properties. Site inspections of the properties were carried out in November 2014 by our Mr. Richmond Liu (Senior Valuer) and various valuation assistants. Mr. Richmond Liu is a professional member of The Royal Institution of Chartered Surveyors. During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report that the properties are free from rot, infestation and any other defects. No tests were carried out on any of the services. We have also not carried out investigations on site to determine the suitability of the ground conditions and the services for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

Remarks

Unless otherwise stated, all money amounts stated are in Renminbi (“RMB”).

We enclose herewith our summary of values and valuation certificate.

Yours faithfully,
For and on behalf of
Savills Valuation and Professional Services Limited
Anthony C K Lau
MRICS MHKIS RPS (GP)
Director

Note: Anthony C K Lau is a qualified surveyor and has over 22 years’ post-qualification experience in the valuation of properties in the PRC and Hong Kong.

SUMMARY OF VALUES

No.	Property	Market value in existing state as at 30 September 2014 (RMB)
Group I — Property held by Wuhan IP Center under development in the PRC		
1.	Phase I of Wuhan Inland Port Center, Shigang Village, Yangluojie, Hanshi Highway, Xinzhou District, Wuhan, Hubei Province, PRC	137,000,000
Group I Sub-total:		137,000,000
Group II — Property held by Wuhan IP Center for future development in the PRC		
2.	Phase II and future phases of Wuhan Inland Port Center, Shigang Village, Yangluojie, Hanshi Highway, Xinzhou District, Wuhan, Hubei Province, PRC	83,000,000
Group II Sub-total:		83,000,000
Grand Total:		<u>220,000,000</u>

VALUATION CERTIFICATE

Group I — Property held by Wuhan IP Center under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
1.	Phase I of Wuhan Inland Port Center, Shigang Village, Yangluojie, Hanshi Highway, Xinzhou District, Wuhan, Hubei Province, PRC	Wuhan Inland Port Center (the "Development") is a large-scale logistic and distribution centre, which is being completed in phases and is being erected on two parcels of land with a total site area of approximately 235,971.67 sq.m.. The property comprises Phase I of the Development.	As at the valuation date, the property was under construction.	RMB137,000,000

The Development is located along Hanshi Highway in Xinzhou District of Wuhan. Developments in the vicinity are dominated by various industrial developments of similar ages, agricultural land and open areas. It is at about 5 minutes' drive to Wuhan City Belt Expressway, at about 15 minutes' drive to Yangluo Port and about 45 minutes' drive to Wuhan Tianhe International Airport.

According to the latest development proposal provided by the Company, the property upon completion comprises various logistic and distribution centres and warehouses with a total gross floor area of approximately 126,857.42 sq.m.. Details of the approximate gross floor areas of the property are as follows:

Use	Approximate Gross Floor Area (sq.m.)
District A	58,852.12
District B	68,005.30
Total:	<u>126,857.42</u>

As advised by the Company, the property is scheduled for completion by phases between the fourth quarter of 2014 and the second quarter of 2015.

The land use rights of the property have been granted for two concurrent terms expiring on 30 June 2063 and 26 November 2063 for logistic and warehouse uses.

Notes:

1. Pursuant to two State-owned Land Use Rights Grant Contracts — Nos. E WH(XZ)-2012-0025 and E WH(XZ)-2012-57 dated 20 August 2012 and 7 December 2012 respectively, the land use rights of two parcels of land with a total site area of approximately 235,971.67 sq.m. have been granted to Wuhan Zall Inland Port Center Investment Company Limited (武漢卓爾陸港中心投資有限公司) (“Wuhan IP Center”) for two concurrent terms of 50 years for logistic and warehouse uses at a total land grant fee of RMB82,250,000. As stipulated, the construction works of the proposed development on such land parcels shall be commenced before 31 December 2013 and completed before 30 June 2016.
2. Pursuant to two State-owned Land Use Rights Certificates — Wu Xin Guo Yong (2013) No. Zhuan 008 and Wu Xin Guo Yong (2014) No. Geng 001 dated 16 January 2013 and 7 January 2014, the land use rights of two parcels of land with a site area of approximately 235,971.67 sq.m. have been granted to Wuhan IP Center for two concurrent terms expiring on 30 June 2063 and 26 November 2063 for logistic and warehouse uses.
3. Pursuant to two Planning Permits for Construction Land — Wu Gui (Xin) Di [2012] No. 107 and Wu Gui (Xin) Di [2013] No. 130 dated 27 December 2012 and 10 December 2013 respectively, Wuhan IP Center is permitted to use two parcels of land with a total site area of approximately 257,355.07 sq.m. (including approximately 21,383.40 sq.m. for road construction) for development.
4. Pursuant to two Planning Permits for Construction Works — Wu Gui (Xin) Jian [2014] Nos. 5 and 31 dated 23 January 2014 and 17 June 2014 respectively, the total approved construction scale of the property is approximately 126,857.42 sq.m..
5. Pursuant to the Approval for Commencement of Construction Works — No. 4201172014022600114BJ4001 dated 5 August 2014, the construction works of District A of the property with a construction scale of approximately 58,852.12 sq.m. has been approved for commencement.
6. As advised by the Company, the total construction cost expended as at the valuation date was approximately RMB65,500,000 and the estimated outstanding construction cost for completion of the property was approximately RMB329,400,000. We have taken into account such amounts in our valuation.
7. The market value of the property as if completed as at the valuation date is in the sum of RMB671,300,000.
8. As advised by the Company, the property is subject to a mortgage.
9. We have been provided with a legal opinion on the title to the property issued by the Company’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Wuhan IP Center is the legal land user of the property, which is under the protection of PRC laws and is entitled to occupy, use, let, transfer or by other legal means dispose of the land use rights of the property in accordance with the registered land use and within the residue of its land use terms;
 - ii. in respect of the mortgaged land use rights of the property, prior consent from the mortgagee has to be obtained before Wuhan IP Center can transfer, let, further mortgage or by other legal means dispose of such land use rights in accordance with PRC laws during the mortgage period; and
 - iii. Wuhan IP Center has obtained the necessary permits and approvals for the construction of the property, which have not been revoked, altered, repealed or withdrawn by relevant government authorities.

Group II — Property held by Wuhan IP Center for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
2.	Phase II and future phases of Wuhan Inland Port Center, Shigang Village, Yangluojie, Hanshi Highway, Xinzhou District, Wuhan, Hubei Province, PRC	<p>Wuhan Inland Port Center (the “Development”) is a large-scale logistic and distribution centre, which is being completed in phases and is being erected on two parcels of land with a total site area of approximately 235,971.67 sq.m.. The property comprises Phase II and future phases of the Development.</p> <p>The Development is located along Hanshi Highway in Xinzhou District of Wuhan. Developments in the vicinity are dominated by various industrial developments of similar ages, agricultural land and open areas. It is at about 5 minutes’ drive to Wuhan City Belt Expressway, at about 15 minutes’ drive to Yangluo Port and about 45 minutes’ drive to Wuhan Tianhe International Airport.</p> <p>As advised by the Company, the maximum permissible gross floor area of the property is approximately 463,071.76 sq.m. for logistics and distribution centre and warehouse development. Detailed development plan of the property has not been finalised.</p> <p>The land use rights of the property have been granted for two concurrent terms expiring on 30 June 2063 and 26 November 2063 for logistic and warehouse uses.</p>	As at the valuation date, the property was vacant land.	RMB83,000,000

Notes:

- Pursuant to two State-owned Land Use Rights Grant Contracts — Nos. E WH(XZ)-2012-0025 and E WH(XZ)-2012-57 dated 20 August 2012 and 7 December 2012 respectively, the land use rights of two parcels of land with a total site area of approximately 235,971.67 sq.m. have been granted to Wuhan Zall Inland Port Center Investment Company Limited (武漢卓爾陸港中心投資有限公司) (“Wuhan IP Center”) for two concurrent terms of 50 years for logistic and warehouse uses at a total land grant fee of RMB82,250,000. As stipulated, the construction works of the proposed development on such land parcels shall be commenced before 31 December 2013 and completed before 30 June 2016.

2. Pursuant to two State-owned Land Use Rights Certificates — Wu Xin Guo Yong (2013) No. Zhuan 008 and Wu Xin Guo Yong (2014) No. Geng 001 dated 16 January 2013 and 7 January 2014, the land use rights of two parcels of land with a total site area of approximately 235,971.67 sq.m. have been granted to Wuhan IP Center for two concurrent terms expiring on 30 June 2063 and 26 November 2063 for logistic and warehouse uses.
3. Pursuant to two Planning Permits for Construction Land — Wu Gui (Xin) Di [2012] No. 107 and Wu Gui (Xin) Di [2013] No. 130 dated 27 December 2012 and 10 December 2013 respectively, Wuhan IP Center is permitted to use two parcels of land with a total site area of approximately 257,355.07 sq.m. (including approximately 21,383.40 sq.m. for road construction) for development.
4. As advised by the Company, the property is subject to a mortgage.
5. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Wuhan IP Center is the legal land user of the property, which is under the protection of PRC laws and is entitled to occupy, use, let, transfer or by other legal means dispose of the land use rights of the property in accordance with the registered land use and within the residue of its land use terms; and
 - ii. in respect of the mortgaged land use rights of the property, prior consent from the mortgagee has to be obtained before Wuhan IP Center can transfer, let, further mortgage or by other legal means dispose of such land use rights in accordance with PRC laws during the mortgage period.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. 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 herein or this document misleading.

2. INTEREST OF DIRECTORS AND CHIEF EXECUTIVE IN THE GROUP

At the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Shares and underlying Shares of the Company:

Name of Directors	Number of	Number of	Total	Approximate
	ordinary shares (Note 1)	share options outstanding (Note 2)		percentage of the issued share capital of the Company (Note 3)
Yan Zhi	2,975,000,000	14,875,000	2,989,875,000	85.43%
Cui Jinfeng	—	1,487,500	1,487,500	0.04%
Fu Gaochao	—	1,487,500	1,487,500	0.04%
Wang Danli	—	1,338,750	1,338,750	0.04%
Fang Li	—	1,190,000	1,190,000	0.03%

Note 1: The 2,975,000,000 Shares are held by Zall Development Investment Company Limited, a company which is wholly-owned by Yan Zhi.

Note 2: These represent the interests of share options granted to the Directors under the share option scheme adopted by the Company on 20 June 2011 to subscribe for Shares.

Note 3: The percentage is calculated based on the total number of issued shares (i.e. 3,500,000,000 Shares) at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests and short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they would be taken or deemed to have under such provisions of the SFO), or (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3. INTERESTS OF DIRECTORS IN ASSETS/CONTRACTS AND OTHER INTERESTS

There is no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group as a whole.

On 17 September 2014, Zall Wuhan, an indirect wholly-owned subsidiary of the Company, and Zall Holdings entered into a sale and purchase agreement, pursuant to which Zall Wuhan agreed to sell and Zall Holdings agreed to purchase the entire equity interest in Wuhan Zall Yuexi Hotel Management Company Limited* (武漢卓爾悅璽酒店管理有限公司) (“Wuhan Zall Yuexi”) and Wuhan Jinan Hotel Management Company Limited* (武漢卓爾錦安酒店管理有限公司) at a consideration of RMB1,639,489.

On 28 September 2014, Zall Wuhan and Wuhan Zall Yuexi, the entire equity interest of which was wholly-owned by Mr. Yan and his associates, entered into a rental agreement, pursuant to which Zall Wuhan agreed to rent a premises with an area of 9,182 square metres to Wuhan Zall Yuexi at a monthly rent of RMB137,730.

As at the Latest Practicable Date, save as the Disposal Agreement, Equity Swap Agreement and the transactions disclosed above, none of the Directors or their respective associates had any interest, direct or indirect, in any assets which has been, since 31 December 2013, being the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

4. INTEREST OF DIRECTORS IN COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware and save as disclosed in this circular, none of the Directors or their respective associates had any interest in a business which competes or may compete with the business of the Group, or has or may have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

5. MATERIAL LITIGATION

As at the Latest Practicable Date, there was no litigation or claim of material importance that is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

6. EXPERTS AND CONSENTS

The followings are the qualifications of the experts who have provided advice referred to or contained in this circular:

Name	Qualification
Messis Capital Limited	licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Savills Valuation and Professional Services Limited	Property valuer

Each of MESSIS Capital Limited and Savills Valuation and Professional Services Limited has given and has not withdrawn its written consent to the issue of this circular with copies of its letter or report (as the case may be) and the references to its name included herein the form and context in which they respectively appear.

7. EXPERTS INTEREST

As at the Latest Practicable Date, each of MESSIS Capital Limited and Savills Valuation and Professional Services Limited:

- (a) did not have any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and
- (b) was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2013 (being the date to which the latest published audited financial statements of the Company were made up).

8. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, with any member of the Group, a service agreement which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

9. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, were entered into by the members of the Group within two years preceding the Latest Practicable Date and are or may be material:

- (a) a sale and purchase agreement dated 1 July 2013 entered into between Zall Investment Group and Zall Holdings, pursuant to which, Zall Investment Group disposed the entire equity interest in Wuhan Zall Center Investment Co., Ltd* (武漢卓爾中心投資有限公司) to Zall Holdings at a cash consideration of RMB30,196,000, details of which were set out in the Company's announcement dated 7 April 2014;
- (b) the Disposal Agreement;
- (c) the Equity Swap Agreement;
- (d) the Side Letter; and
- (e) the Cooperation Agreement.

10. MISCELLANEOUS

- (a) The registered office of the Company is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is at Suite 1606, 16/F, Two Exchange Square, Central, Hong Kong.
- (c) The principal share registrar and transfer office of the Company is Royal Bank of Canada Trust Company (Cayman) Limited, 4th Floor, Royal Bank House, 24 Shedden Road, George Town Grand Cayman KY1-1110, Cayman Islands.
- (d) The Hong Kong share registrar and transfer office of the Company is Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The company secretary of the Company is Ms. Chan Ching Yi, a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.
- (f) This circular is in both English and Chinese. In the event of inconsistency, the English text shall prevail over the Chinese text.

* *For identification purpose only*

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at Suite 1606, 16/F, Two Exchange Square, Central, Hong Kong from the date of this circular and up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) each of the material contracts referred to in the section headed “Material Contracts” in this appendix;
- (c) the annual reports of the Company for the years ended 31 December 2012 and 2013;
- (d) the interim report of the Company for the six months ended 30 June 2014;
- (e) the valuation report from Savills Valuation and Professional Services Limited on the properties under Zhen An Wuhan, Wuhan Zall City and Wuhan IP Center, the text of which is set out in Appendix IIA and Appendix IIB to this circular;
- (f) the written consents referred to in paragraph headed “Experts and Consents” of this appendix;
- (g) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (h) the letter from the Independent Financial Adviser, the text of which is set out in this circular; and
- (i) this circular.

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 January 2015 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as an ordinary resolutions of the Company by way of poll:

ORDINARY RESOLUTIONS

“THAT:

- 1 (a) the sale and purchase agreement dated 22 October 2014 entered into among Zall Development (HK) Holding Company Limited (“**Zall Hong Kong**”), Zall Commerce Investment Company Limited (“**Zall Commerce**”) and Mr. Yan Zhi (“**Mr. Yan**”), pursuant to which (i) Zall Hong Kong agreed to sell the entire issued capital of Zhen An Properties Limited (“**Zhen An Cayman**”) to Zall Commerce; and (ii) Zall Hong Kong agreed to procure Zall Development (Wuhan) Company Limited (“**Zall Wuhan**”) to transfer 3% equity interest in Zhen An (Wuhan) Company Limited (“**Zhen An Wuhan**”), to Zall Commerce or its nominee at a total consideration of RMB586,000,000 (equivalent to approximately HK\$739,414,800) (the “**Disposal Agreement**”) (a copy of the Disposal Agreement marked “A” has been produced to the EGM and signed by the chairman of the EGM for the purpose of identification) and all the transactions contemplated thereunder and all other matters of and incidental thereto or in connection therewith be and are hereby approved, ratified and confirmed;
- (b) the side letter dated 24 December 2014 (the “**Side Letter**”) entered into among Zall Development Investment Company Limited (“**Zall Investment BVI**”), Mr. Yan Zhi (together with Zall Investment BVI, the “**Covenantors**”) and the Company, pursuant to which parties thereto agreed that upon completion of either or both the Disposal Agreement, and the Equity Swap Agreement (as defined below), the Covenantors shall enter into a deed of non-competition in favour of the Company (the “**Revised Deed**”) to provide a certain non-competition undertakings to the Group (a copy of the Side Letter enclosing a draft of Revised Deed marked “B” has been produced to the EGM and signed by the chairman of the EGM for the purpose of identification), all transactions contemplated under the Side Letter

NOTICE OF EGM

(including the entering into of the Revised Deed in the form and substance as attached to the Side Letter) and all other matters of and incidental thereto or in connection therewith be and are hereby approved, ratified and confirmed; and

- (c) any one director of the Company be and is hereby authorized for and on behalf of the Company to, amongst other matters, sign, seal, execute, perfect, deliver, do or to authorise signing, executing, perfecting and delivering and doing all such documents, deeds, acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the terms of the Disposal Agreement, the Side Letter and the draft Revised Deed and to make and agree such variations of a minor or non-material nature in or to the terms of the Disposal Agreement, the Side Letter and the draft Revised Deed as he/she may in his/her discretion consider to be desirable and in the interests of the Company.
- 2 (a) the equity restructuring and swap agreement dated 22 October 2014 entered into between Zall Investment Group Company Limited (“**Zall Investment Group**”) and Zall Holdings Company Limited (“**Zall Holdings**”), pursuant to which Zall Investment Group conditionally agreed to transfer the entire equity interest in Wuhan Zall City Investment and Development Company Limited (“**Wuhan Zall City**”) to Zall Holdings and as a consideration, Zall Holdings conditionally agreed to (i) transfer the entire equity interest in Wuhan Zhong Bang Financial Investment Company Limited, Wuhan North Hankou Guarantee Investment Company Limited and Wuhan Zall Inland Port Center Investment Company Limited and pay (ii) RMB15,200,000, to Zall Investment Group, and all the transactions contemplated thereunder (the “**Equity Swap Agreement**”) (a copy of the Equity Swap Agreement marked “C” has been produced to the EGM and signed by the chairman of the EGM for the purpose of identification) and all other matters of and incidental thereto or in connection therewith be and are hereby approved, ratified and confirmed;
- (b) the Side Letter entered into among the Covenantors and the Company, pursuant to which parties thereto agreed that upon completion of either or both the Disposal Agreement and the Equity Swap Agreement, the Covenantors shall enter into the Revised Deed to provide certain non-competition undertakings to the Group, all transactions contemplated under the Side Letter (including the entering into of the Revised Deed in the form and substance as attached to the Side Letter), and all other matters of and incidental thereto or in connection therewith be and are hereby approved, ratified and confirmed; and

NOTICE OF EGM

- (c) any one director of the Company be and is hereby authorized for and on behalf of the Company to, amongst other matters, sign, seal, execute, perfect, deliver, do or to authorise signing, executing, perfecting and delivering and doing all such documents, deeds, acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the terms of the Equity Swap Agreement, the Side Letter and the draft Revised Deed and to make and agree such variations of a minor or non-material nature in or to the terms of the Equity Swap Agreement, the Side Letter and the draft Revised Deed as he/she may in his/her discretion consider to be desirable and in the interests of the Company.
3. conditional upon (i) resolution no. 1 above having been passed; and (ii) completion of the Disposal Agreement having taken place, the declaration and the distribution of a special dividend in the total amount of HK\$739,414,800 after completion of the Disposal Agreement by the Company be and are hereby approved, confirmed and ratified.

Yours faithfully
By Order of the Board
Yan Zhi
Chairman

Hong Kong, 31 December 2014

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 Share as if he were solely entitled thereto, but if more than one of such joint holders be present at the EGM 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 shall be deposited at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting 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 adjourned meeting thereof) if they so wish.
- (4) The register of members of the Company will be closed from Wednesday, 14 January 2015 to Friday, 16 January, 2015 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the entitlement to attend and vote at the forthcoming EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 13 January 2015.