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ZALL Development

Zall Development Group Ltd.

卓爾發展集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2098)

**PROPOSED 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
AND
DATE OF BOARD MEETING
AND PROPOSED DECLARATION OF SPECIAL DIVIDEND**

THE DISPOSAL AGREEMENT

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.

THE EQUITY SWAP AGREEMENT

In addition, on 22 October 2014, 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.

DATE OF BOARD MEETING AND PROPOSED DECLARATION OF SPECIAL DIVIDEND

The Board announces that a meeting of the Board will be held on Monday, 3 November 2014 for the purpose of considering the declaration of the Special Dividend in the total amount of HK\$739,414,800 after completion of the Disposal Agreement.

The distribution of the Special Dividend to be proposed will be subject to completion of the Disposal Agreement and obtaining the Independent Shareholders' approval at the EGM.

LISTING RULES IMPLICATIONS

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. 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 as at the date of this announcement. 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 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 and the distribution of the Special Dividend. The Company will appoint the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

A circular containing, 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, is expected to be despatched to the Shareholders on or before 28 November 2014.

INTRODUCTION

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.

In addition, on 22 October 2014, 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.

The principal terms and conditions of the Disposal Agreement and the Equity Swap Agreement are set out below.

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 as at the date of this announcement. 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.

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; (ii) the financial performance of Zhen An Wuhan; and (iii) the prospect of the commercial property market in the PRC.

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;
- (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.

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.

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 as the date of this announcement. 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; (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.

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, the Target Companies owed Zall Holdings and its associate companies the total amount of approximately RMB223,904,000 (i.e. the Loans (2)).

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

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.

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 and the Target Companies 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.

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.

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 indirectly wholly-owned subsidiaries of the Company and their accounts will be consolidated into the accounts of the Company.

INFORMATION ON WUHAN ZALL CITY, ZHEN AN CAYMAN AND ZHEN AN WUHAN

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 date of this announcement.

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

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

	For the year ended 31 December	
	2012	2013
	<i>Approximately</i>	<i>Approximately</i>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
(Loss)/profit before taxation	(22,006)	109,965
(Loss)/profit after taxation	(15,681)	61,562

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, the NAV of Wuhan Zall City was approximately RMB129 million as at 30 September 2014.

Zhen An Cayman

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. 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 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 date of this announcement.

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.

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

Set out below is the unaudited financial information of Zhen An Wuhan for the two years ended 31 December 2012 and 2013, prepared in accordance with IFRS, respectively:

	For the year ended 31 December	
	2012	2013
	<i>Approximately</i>	<i>Approximately</i>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit before taxation	50,041	124,255
Profit after taxation	37,457	93,112

Based on the unaudited management account of Zhen An Wuhan for the nine-month period ended 30 September 2014 prepared in accordance with IFRS, the NAV of Zhen An Wuhan attributable to 48% of the equity held by Zhen An Cayman and 3% of the equity held by Zall Wuhan were approximately RMB560 million and RMB35 million respectively as at 30 September 2014.

INFORMATION ON WUHAN IP CENTER, WUHAN GUARANTEE INVESTMENT AND WUHAN FINANCIAL INVESTMENT

Wuhan IP Center

Wuhan IP Center 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 this announcement.

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

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

	As at or for the year ended	
	31 December	
	2012	2013
	<i>Approximately</i>	<i>Approximately</i>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>
Loss before taxation	104	1,134
Loss after taxation	104	1,134

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.

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 date of this announcement.

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.

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 of Wuhan Guarantee Investment, prepared in accordance with the PRC GAAP, respectively:

	As at or for the year ended	
	31 December	
	2012	2013
	<i>Approximately</i>	<i>Approximately</i>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Audited)</i>	<i>(Unaudited)</i>
(Loss)/profit before taxation	(519)	230
(Loss)/profit after taxation	(519)	230

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, the NAV of Wuhan Guarantee Investment was approximately RMB104 million as at 30 September 2014.

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 this announcement.

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

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 of Wuhan Financial Investment, prepared in accordance with the PRC GAAP, respectively:

	As at or for the year ended	
	31 December	
	2012	2013
	<i>Approximately</i>	<i>Approximately</i>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Audited)</i>	<i>(Unaudited)</i>
(Loss)/profit before taxation	(46)	1,195
(Loss)/profit after taxation	(48)	1,195

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, the NAV of Wuhan Financial Investment was approximately RMB103 million as at 30 September 2014.

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 as at the date of this announcement.

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 as at the date of this announcement.

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 as at the date of this announcement. Zall Holdings is an investment and management holding company.

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, 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.

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 Adjusted 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.

REASONS AND BENEFITS FOR THE PROPOSED RESTRUCTURING

The Company through its subsidiaries is principally engaged in developing and operating of large-scale, consumer product-focused wholesale shopping malls and commercial properties in the PRC.

As stated in the Company's interim report for the six months ended 30 June 2014, 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.

The entering into of the Restructuring Agreements is one of the Company's strategic moves to adjust its principal business activities for the following benefits:

- (i) to establish and strengthen the Group's competitive advantages by injecting the assets related to warehousing, logistics and financial services held by the Target Companies, while in the meantime, to strip away the commercial and residential property development related projects;
- (ii) to optimize the Group's business segments through the concentration on core business which is evolved from the Group's traditional shopping mall business;
- (iii) to reduce the Group's total assets and liabilities, and spare its resources for the development of its core business; and
- (iv) to bring the Group a steady cash flow and lower the Group's profit volatility and business risk from the industrial cycle.

The Company is also exploring other opportunities including other possible business restructuring, strategic cooperation or strategic investment, etc. As at the date of this announcement, no document or agreement has been entered into by the Company in this regard. Further announcement(s) will be made by the Company as and when appropriate pursuant to the requirements of the Listing Rules.

The Directors (excluding the independent non-executive Directors who will express their views after considering the advice from the Independent Financial Adviser) are of the view that the terms of the 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.

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 paragraphs headed “Date of Board Meeting and Proposed Declaration of Special Dividend” below, a Board meeting will be held to consider and propose the declaration of the Special Dividend in the total amount of HK\$739,414,800 being the gross proceeds from the Disposal Agreement after completion of the Disposal Agreement. 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.

DATE OF BOARD MEETING AND PROPOSED DECLARATION OF SPECIAL DIVIDEND

The Board announces that a meeting of the Board will be held on Monday, 3 November 2014 for the purpose of considering the declaration of the Special Dividend in the total amount of HK\$739,414,800 after completion of the Disposal Agreement.

The distribution of the Special Dividend to be proposed will be subject to completion of the Disposal Agreement and obtaining the Independent Shareholders’ approval at the EGM.

LISTING RULES IMPLICATIONS

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.

“Adjusted NAV”	being the NAV after making the adjustment of all assets and liabilities (including assets and liabilities that are not recorded on the financial statements of the relevant companies, if any) of the relevant companies from book value to market value. The valuation of properties under the relevant companies was determined based on the preliminary valuation performed 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
“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
“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
“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; and (iii), if applicable, the distribution of the Special Dividend

“Equity Swap”	the transferring of the entire equity interest in the Target Companies held by Zall Holdings to Zall Investment Group and the transferring 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
“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 Disposals and the Acquisitions and the transactions contemplated thereunder and the distribution of the Special Dividend
“Independent Financial Adviser”	an independent financial adviser to be appointed by the Company 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 and, if applicable, 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)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Loans (1)”	amounts owed by Wuhan Zall City to the Group, which in aggregate amounted to approximately RMB596,081,377 as at 30 September 2014
“Loans (2)”	amounts owed by the Target Companies to Zall Holdings and its associate companies, which in aggregate amounted to approximately RMB223,904,000 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 as at the date of this announcement
“Ms. Chen”	Ms. Chen Lifen, the spouse of Mr. Yan
“NAV”	net assets value
“PRC”	People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this announcement
“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 is owned by Zall Wuhan as at the date of this announcement
“Restructuring Agreements”	the Disposal Agreement and the 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)

“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	Wuhan Financial Investment, Wuhan Guarantee Investment and Wuhan IP Center
“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 liability, which is a wholly-owned subsidiary of Zall Holdings as at the date of this announcement
“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 liability, which is a wholly-owned subsidiary of Zall Holdings as at the date of this announcement
“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 is owned by Zall Investment Group as at the date of this announcement
“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 liability, which is a wholly-owned subsidiary of Zall Holdings as at the date of this announcement
“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 as at the date of this announcement
“Zall Commerce”	Zall Commerce Investment Company Limited (卓爾發展商業投資有限公司), a company incorporated in the BVI with limited liability, which is wholly-owned by Zall Holdings BVI as at the date of this announcement

“Zall Holdings”	Zall Holdings Company Limited* (卓爾控股有限公司), 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 and holds the entire equity interest in the Target Companies as at the date of this announcement
“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 as at the date of this announcement
“Zall Hong Kong”	Zall Development (HK) Holdings Company Limited (卓爾發展(香港)控股有限公司), a company incorporated in Hong Kong with limited liability and a indirectly wholly-owned subsidiary of the Company, which is immediate holding company of Zall Wuhan and owns the entire issued share capital of Zhen An Cayman as at the date of this announcement
“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 holds the entire equity interest in Wuhan Zall City as at the date of this announcement
“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 a indirectly wholly-owned subsidiary of the Company, which is a holding company of Zall Investment Group and holds the Remaining Equity Interest as at the date of this announcement
“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 a indirectly wholly-owned subsidiary of the Company and holds 48% equity interest in Zhen An Wuhan as at the date of this announcement
“Zhen An Whuhan”	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 is owned as to 48% by Zhen An Cayman and as to 3% by Zall Wuhan respectively as at the date of this announcement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

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

“%” per cent.

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

Hong Kong, 22 October 2014

As at the date of this announcement, the Board comprises Mr. Yan Zhi, Mr. Cui Jinfeng, Mr. Fang Li and Ms. Wang Danli, as executive Directors; Mr. Fu Gaochao, as non-executive Director; Ms. Yang Qiongzhen, Mr. Cheung Ka Fai and Mr. Peng Chi, as independent non-executive Directors.

** For identification purpose only*