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ZALL卓尔

Zall Group Ltd.

卓爾集團股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2098)

CONTINUING CONNECTED TRANSACTIONS LEASE AGREEMENT

LEASE AGREEMENT

The Board is pleased to announce that on 23 December 2016, Zall Investment Group (as landlord), a wholly-owned subsidiary of the Company, entered into the Lease Agreement with Wuhan Zall Yuexi in respect to the Premises for a term of three (3) years commencing from 1 January 2017 to 31 December 2019.

LISTING RULES IMPLICATION

As at the date of this announcement, the entire equity interest of Wuhan Zall Yuexi is directly wholly owned by Wuhan Zall Culture & Tourism, which is held as to 99.95% by Mr. Yan Zhi, the controlling Shareholder, the co-chairman and an executive Director. Accordingly, Wuhan Zall Yuexi is an associate of Mr. Yan Zhi and is therefore a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules, and the entering into of the Lease Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the annual caps for the Lease Agreement is, on an annual basis, more than 0.1% but less than 5%, the Lease Agreement is subject to the reporting, annual review and announcement requirements but are exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 23 December 2016, Zall Investment Group (as landlord), a wholly-owned subsidiary of the Company, entered into the Lease Agreement with Wuhan Zall Yuexi in respect to the Premises for a term of three (3) years commencing from 1 January 2017 to 31 December 2019. The principal terms of the Lease Agreement are set out below:

LEASE AGREEMENT

- Date** : 23 December 2016
- Parties** : (1) Zall Investment Group, as landlord
(2) Wuhan Zall Yuexi, as tenant
- Leased Premises** : the Premises
- Area** : 9,182.02 square metres
- Usage** : The Premises is to be used for hotel purposes.
- Rent and other outgoings** : Wuhan Zall Yuexi shall pay a rent amounting to RMB275,461 per calendar month (RMB30 per square metres).

The rent shall be paid on an annual basis prior to 31 December of each year, amounting to RMB3,305,527 per year.
- Option to renew** : Wuhan Zall Yuexi shall have right of priority over renewal of the Lease Agreement with Zall Investment Group upon the expiration of its term.
- Annual Caps** : Based on the monthly rental payable under the Lease Agreement, the annual caps for the transaction contemplated under the Lease Agreement for each of the years ending 31 December 2017, 31 December 2018 and 31 December 2019 is RMB3,305,527.

REASONS FOR AND BENEFITS OF THE ENTERING INTO THE LEASE AGREEMENT

The Company is principally engaged in the development and operating of large-scale consumer product-focused wholesale shopping malls and the related value added business, such as warehousing, logistic, e-commerce and financial services in the PRC.

The terms of the Lease Agreement, including the rents received from Wuhan Zall Yuexi under the Lease Agreement, were entered into on an arm's length negotiations with reference to the prevailing market rent for comparable premises in the vicinity. The Premises is located at No. 1 Enterprise Park, 1 Julong Boulevard, Panlong Economic Development District, Huangpi District, Wuhan City and the leasing of the Premises to Wuhan Zall Yuexi would generate additional rental income for the Group.

The Board (including the independent non-executive Directors) is of the opinion that, (i) the terms of the Lease Agreement are on normal commercial terms and are fair and reasonable (ii) the amount of the annual caps is fair and reasonable, and (iii) the transactions contemplated under the Lease Agreement are and will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE TENANT AND LISTING RULES IMPLICATION

Wuhan Zall Yuexi is a company established in the PRC with limited liability and is principally engaged in hotel operations. As at the date of this announcement, the entire equity interest of Wuhan Zall Yuexi is wholly owned by Wuhan Zall Culture & Tourism, which is held as to 99.95% by Mr. Yan Zhi, the controlling Shareholder, the co-chairman and an executive Director. Accordingly, Wuhan Zall Yuexi is an associate of Mr. Yan Zhi and is therefore a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules, and the entering into of the Lease Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the annual caps for the Lease Agreement is, on an annual basis, more than 0.1% but less than 5%, the Lease Agreement is subject to the reporting, annual review and announcement requirements but are exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Board”	the board of Directors
“Company”	Zall Group Ltd. (卓爾集團股份有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan

“Premises”	the properties with an aggregate area of 9,182.02 square metres located at No. 1 Enterprise Park, 1 Julong Boulevard, Panlong Economic Development District, Huangpi District, Wuhan City* (武漢市黃陂區盤龍城經濟開發區巨龍大道特一號No. 1企業社區)
“RMB”	Renminbi, the lawful currency of the PRC
“Lease Agreement”	the lease agreement dated 23 December 2016 entered into between Zall Investment Group and Wuhan Zall Yuexi in relation to the Premises
“Shareholders”	Holders of the Shares
“Shares”	shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wuhan Zall Yuexi”	Wuhan Zall Yuexi Hotel Management Co., Ltd.* (武漢卓爾悅璽酒店管理有限公司), a company established in the PRC principally engaged in hotel operations
“Wuhan Zall Culture & Tourism”	Wuhan Zall Culture & Tourism Group Ltd.* (武漢卓爾文旅集團有限公司), a company established in the PRC with limited liability and held as to 99.95% by Mr. Yan Zhi
“Zall Investment Group”	Zall Investment Group Co., Ltd.* (卓爾投資集團有限公司), a company established in the PRC principally engaged in investment holding and property development in the PRC and a wholly-owned subsidiary of the Company
“%”	per cent.

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

Hong Kong, 23 December 2016

As at the date of this announcement, the Board comprises Mr. Yan Zhi, Dr. Gang Yu, Mr. Cui Jinfeng, Mr. Wang Chuang and Mr. Peng Chi, as executive Directors; Mr. Cheung Ka Fai, Mr. Wu Ying and Mr. Wei Zhe, David, as independent non-executive Directors.

* *for identification purposes only*