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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)

VERY SUBSTANTIAL ACQUISITION

THE FURTHER ACQUISITION

The Board is pleased to announce that after trading hours on 27 June 2017, the Purchaser, an indirect wholly-owned subsidiary of the Company, the Company, Zall Development Investment, Mr. Yan and the Vendors entered into the Framework Agreement in relation to a proposed acquisition of the Second Target Equity Interest from Vendor E, representing approximately 8.36% of the total equity interest of the Project Company.

The Second Consideration for the Second Target Equity Interest is tentatively fixed at approximately RMB307 million, representing a price of RMB7.22 (equivalent to approximately HK\$8.414) per each unit of RMB1 in the registered capital of the Project Company which will be settled by cash payable to Vendor E. Assuming that the First Acquisition is completed and upon Completion, the equity interest of the Project Company will be indirectly held up to approximately 68.85% by the Company.

Pursuant to the Framework Agreement, the Company also undertook to the Vendors that if the Second Acquisition materialises and subject to separate share purchase agreements to be further negotiated by the Parties, the Company should further acquire in cash the Subsequent Target Equity Interest from Vendor E and Vendor F in two equal tranches, each representing approximately 3% of the total equity interest of the Project Company on or before 31 December 2019 and 31 December 2020 respectively at a tentative price of RMB7.22 per each unit of RMB1 in the registered capital of the Project Company (or per share).

The Project Company, together with its subsidiaries, is principally engaged in B2B e-commerce for the trading of agricultural products, services including supply chain management and supply chain finance.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios, the revenue ratio, under Rule 14.07 of the Listing Rules in respect of the Further Acquisition exceeds 100%, the Further Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules. As such, the Framework Agreement and the transactions contemplated thereunder are subject to the Shareholders' approval at the EGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Further Acquisition and no Shareholder and his associates are therefore required to abstain from voting at the EGM in respect of the resolutions approving the Further Acquisition.

GENERAL

A circular containing, among other things, further details about the transactions contemplated under the Framework Agreement and the notice of the EGM will be despatched to the Shareholders. As the Company expects that it will need more time to collate the information to be included in the circular, the circular is expected to be despatched to the Shareholders on or before 25 August 2017.

Shareholders and potential investors should note that completion of the Further Acquisition is subject to the fulfillment of the conditions under the Framework Agreement, the Share Purchase Agreement and the subsequent share purchase agreements to be further negotiated by the Parties. The Framework Agreement, the Share Purchase Agreement and such subsequent share purchase agreements may or may not proceed to completion. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

References are made to the Previous Announcement and the Previous Circular in relation to, among others, the Company's proposed acquisition of shares in certain target companies pursuant to the First Acquisition Agreement. Capitalised terms in this announcement should have the same meanings ascribed to them in the Previous Circular unless the context requires otherwise.

The Board is pleased to announce that after trading hours on Tuesday, 27 June 2017, the Purchaser, an indirect wholly-owned subsidiary of the Company, the Company, Zall Development Investment, Mr. Yan and the Vendors entered into the Framework Agreement in relation to a proposed acquisition of the Second Target Equity Interest, representing approximately 8.36% of the total equity interest of the Project Company and a proposed acquisition of the Subsequent Target Equity Interest representing approximately 6% of the total equity interest of the Project Company.

THE FURTHER ACQUISITION

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

Date of the Framework Agreement

27 June 2017

Parties

- (1) Zall Commerce Supply Chain (Wuhan) Co. Ltd.* (卓爾雲商供應鏈(武漢)有限公司) (as the Purchaser);
- (2) the Company;
- (3) Zall Development Investment (as the guarantor of the Purchaser and the Company);
- (4) Mr. Yan (as the guarantor of the Purchaser and the Company);
- (5) Shenzhen Agricultural Products Co., Ltd.* (深圳市農產品股份有限公司) (as the Vendor E);
and
- (6) Shenzhen HiGreen Investment Management Co., Ltd.* (深圳市海吉星投資管理股份有限公司) (as the Vendor F).

Subject matter

The Purchaser conditionally agreed to acquire, and Vendor E conditionally agreed to sell, the Second Target Equity Interest free from all encumbrances, representing approximately 8.36% of the total equity interest of the Project Company. Pursuant to the Framework Agreement, the Company also undertook to the Vendors that if the Second Acquisition materialises and subject to, among others, the approval of state-owned asset management, valuation, filing, listing for sale in the PRC and separate share purchase agreements to be further negotiated by the Parties, the Company should further acquire in cash the Subsequent Target Equity Interest from Vendor E and Vendor F in two equal tranches, each representing approximately 3% of the total equity interest of the Project Company on or before 31 December 2019 and 31 December 2020 respectively at a tentative price of RMB7.22 per each unit of RMB1 in the registered capital of the Project Company (or per Share). Subject to the success in bidding for the relevant Target Equity Interest by the Purchaser in the trading platform for transfer of shares by means of listing for sale in the PRC, the Parties will enter into the Share Purchase Agreement to give effect to the Second Acquisition and separate share purchase agreements to give effect to the Subsequent Acquisition.

Further information regarding the Project Group is set out in the paragraph headed “Information on the Project Group” below.

Consideration

The Second Consideration for the Second Target Equity Interest is tentatively fixed at approximately RMB307 million, representing a price of RMB7.22 (equivalent to approximately HK\$8.414) per each unit of RMB1 in the registered capital of the Project Company which will be settled by cash payable to Vendor E upon Completion.

The Subsequent Consideration for the Subsequent Target Equity Interest is tentatively fixed at RMB220.5 million in total, representing a price of RMB7.22 (equivalent to approximately HK\$8.414) per each unit of RMB1 in the registered capital of the Project Company (or per Share) which will be settled by cash payable to the Vendors upon completion of the relevant Subsequent Acquisition.

Since Vendor E is a state-owned and A share listed enterprise in the PRC, the proposed sale of the Second Target Equity Interest of the Project Company will be subject to, among others, the approval of state-owned asset management, valuation, filing and listing for sale in the PRC. In the event that the listed for sale transfer price (or the adjusted listed for sale transfer price, if applicable) of the Second Target Equity Interest is not higher than RMB7.22 per each unit of RMB1 in the registered capital of the Project Company, the Purchaser has undertaken to submit a bid of RMB7.22 per each unit of RMB1 in the registered capital of the Project Company in the bidding of the Second Target Equity Interest. The Purchaser is not obliged to submit a bid in the bidding of the Second Target Equity Interest if the listed for sale transfer price is higher than RMB7.22 per each unit of RMB1 in the registered capital of the Project Company.

The Company intends to finance its payment of the Consideration under the Framework Agreement by its internal resources and/or debt financing.

The Consideration was determined after arm's length negotiation among the Parties with reference to the consideration of the First Acquisition, being up to HK\$2.591 billion, for the acquisition of the shares representing up to approximately 60.49% of the total equity interest of the Project Company, which accounted for approximately HK\$8.414 per each unit of RMB1 in the registered capital of the Project Company. The Company, when assessing the Second Acquisition and the Subsequent Acquisition, has adopted the same pricing benchmark (i.e., HK\$8.414 per each unit of RMB1 in the registered capital of the Project Company) and taken into account the following factors:

- (a) as disclosed in the Previous Circular, the consideration of the First Acquisition was determined after the arm's length negotiation between the parties with reference to the business and growth prospects and the historical financial performance of the Project Group;
- (b) a report from independent financial adviser was issued on 15 February 2017 and was included in the Previous Circular, which had assessed the fairness and reasonableness of the consideration of the First Acquisition. The independent financial adviser had concluded that the terms of the First Acquisition Agreement were on normal commercial terms or better and were fair and reasonable so far as the independent shareholders of the Company are concerned and in the interests of the Company and its shareholders as a whole;

- (c) with the financial information of the Project Group for each of the years ended 31 December 2013, 2014 and 2015 and nine months ended 30 September 2016 as disclosed in the accountants' report included in the Previous Circular;
- (d) the First Acquisition was approved by the independent shareholders of the Company at the extraordinary general meeting held on 9 March 2017; and
- (e) there is no material adverse change in the financial and business performance of the Project Group since 30 September 2016 nor in the business and growth prospects or circumstances of the Project Group and the industry from the date on which the independent shareholders of the Company approved the First Acquisition and to the date of this announcement.

In view of the above, the Directors consider that the Consideration which is determined by reference to the consideration of the First Acquisition is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Conditions precedent

The Parties agreed in principle that Completion will be conditional upon the satisfaction of the following conditions precedent to be set forth in the Share Purchase Agreement on or before the Long Stop Date:

- (a) the Parties having obtained all necessary approvals and filings in respect of the transactions contemplated under the Framework Agreement in accordance with the relevant laws and regulations, the Listing Rules and their respective constitutional documents;
- (b) First Completion of the First Acquisition having been completed in accordance with the First Acquisition Agreement;
- (c) each of the warranties made by the parties in the Share Purchase Agreement remaining true, accurate and not misleading;
- (d) the parties to the Share Purchase Agreement having performed their respective obligations which should have been performed on or before the Completion Date;
- (e) the Project Company not being subject to winding-up, bankruptcy or insolvency;
- (f) there having been no laws, regulations, decisions, measures or actions by government authorities which would prohibit, restrict or practically delay the transaction contemplated under the Share Purchase Agreement or the continuing operation of the Project Group; and
- (g) the Share Purchase Agreement and all the other necessary legal documents having been duly signed by the parties thereto.

Completion

Completion should take place on the Completion Date (but no later than the Long Stop Date) on which the Second Consideration will be paid by the Purchaser to Vendor E in accordance with the Share Purchase Agreement.

Assuming that the First Acquisition is completed and upon Completion, the equity interest of the Project Company will be held up to approximately 68.85% by the Company, as to approximately 28.97% by Vendor E, as to approximately 1.96% by Vendor F and as to approximately 0.22% by an individual.

Assuming that the Second Acquisition is completed and upon completion of the Subsequent Acquisition (assuming all the Subsequent Target Equity Interest are sold by Vendor E), the equity interest of the Project Company will be held up to approximately 74.85% by the Company, as to approximately 22.97% by Vendor E, as to approximately 1.96% by Vendor F and as to approximately 0.22% by an individual.

Each of Vendor E, Vendor F and the aforementioned individual is independent of the Company and connected persons of the Company.

Deposit

The Purchaser should pay the deposit in the amount of RMB30 million (the “**Deposit**”) to Vendor E on the date of entering into of the Framework Agreement. The Deposit should be refunded to the Purchaser after the Second Consideration is paid. If the First Completion of the First Acquisition does not take place on or before the First Long Stop Date (as defined in the First Acquisition Agreement) due to reasons other than the Company’s default under the First Acquisition Agreement, the Deposit should be refunded to the Purchaser after the First Acquisition Agreement is terminated pursuant to its provisions. Save for the aforementioned circumstances, Vendor E shall have the right not to refund the Deposit to the Purchaser.

Guarantee

Pursuant to the Framework Agreement, Zall Development Investment and Mr. Yan have jointly and severally undertaken to the Vendors to guarantee the full and punctual performance by each of the Purchaser and the Company of their respective obligations under the Framework Agreement.

Undertakings

Pursuant to the Framework Agreement, the Parties agreed that, if the Second Acquisition materialises:

- (a) none of the Parties may transfer, directly or indirectly, the shares of the Project Company to any competitor of the other Party so long as such other Party holds, directly or indirectly, any share of the Project Company;
- (b) if the Purchaser intends to dispose of its equity interest of the Project Company to any third party, the Vendors should have the right to sell the same portion of their respective equity interest of the Project Company to such third party on the same terms. If such third party fails to acquire such equity interest of the Project Company from the Vendors, the Purchaser should not dispose of any of its equity interest of the Project Company to such third party; and
- (c) If the Company is no longer a controlling shareholder holding more than 50% of the equity interest of the Project Company, each of the Vendor E and Vendor F should have the right to sell to the Company all or any of their respective equity interest of the Project Company (“**Put Option**”).

In terms of the Put Option as described in sub-paragraph (c) above, the Directors understand that, considering the Company’s reputation in the industry and possible synergies between the Company and the Project Group upon completion of the First Acquisition whereby the Company will become a controlling shareholder of the Project Company, the Vendors have confidence in the future business performance of the Project Group and intend to remain as investors in the Project Company as opposed to disposing of all of their equity interest to the Company at the current stage. However, if the Company is no longer the controlling shareholder of the Project Company, it is the intention of the Vendors to secure an exit right in view of the uncertainty of the Project Group’s business performance in case of any subsequent change of control.

Other undertakings

Pursuant to the Framework Agreement, the Company undertook to the Vendors that:

- (a) the Purchaser should, and the Company should procure the Purchaser to, participate in the bidding process with respect to the Target Equity Interest in the trading platform for transfer of shares by means of listing for sale in the PRC and submit the bid at a price of RMB7.22 per each unit of RMB1 in the registered capital of the Project Company, in the event that the listed for sale transfer price (or the adjusted listed for sale transfer price, if applicable) of each Target Equity Interest is not higher than RMB7.22 per each unit of RMB1 in the registered capital of the Project Company;
- (b) if the Second Acquisition materialises, so long as the Vendors own 20% or more equity interest in the Project Company and save for the business activities being currently engaged in by the Company and its associates as at the date of the Framework Agreement, none of the Company, the Purchaser or their respective associates may engage in any competing business that is identical or similar to the businesses of the Project Company after Completion; and

- (c) if the Second Acquisition materialises, the Company should procure the Project Company to consummate an application for initial public offering within three years after Completion in such terms and conditions to the reasonable satisfaction of the Vendors, and to complete such initial public offering within five years after Completion, in any jurisdiction which results in the shares of the Project Company trading publicly on a recognized securities exchange (not including National Equities Exchange and Quotations of the PRC).

If the Company fails to fulfill its undertaking set out in sub-paragraph (c) above, the Company agreed to acquire such remaining equity interest of the Project Company then held by the Vendors in such terms and conditions (at cash or by way of share swap) to be unanimously agreed upon the Parties' further negotiation.

INFORMATION ON THE PURCHASER, THE COMPANY AND THE GUARANTORS

The Purchaser is a company with limited liability established in the PRC principally engaged in supply chain management and an indirect wholly-owned subsidiary of the Company. The Company is an investment holding company and the Group 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. As at the date of this announcement, the Company has not entered, or proposed to enter, into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied, and any negotiation (whether concluded or not) with an intention to dispose of or downsize its existing businesses.

Zall Development Investment is a company incorporated in the British Virgin Islands and the controlling shareholder of the Company. Zall Development Investment is wholly-owned by Mr. Yan.

Mr. Yan is the co-chairman of the Company and an executive Director.

INFORMATION ON THE VENDORS

Vendor E is a company with limited liability established in the PRC whose shares are listed on the Shenzhen Stock Exchange under stock code 000061. Vendor E is principally engaged in development, construction, operation and management of agricultural product wholesale market, and its business scope involves trade, supply chain management and e-commerce of agricultural product.

Vendor F is a company with limited liability established in the PRC and a wholly-owned subsidiary of Vendor E. Vendor F is mainly engaged in leasing business, asset and investment management.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors and their respective ultimate beneficial owner are third parties independent of the Company and its connected persons.

INFORMATION ON THE PROJECT GROUP

The Project Company is a sino-foreign joint venture established in the PRC, which together with its subsidiaries, is principally engaged in B2B e-commerce for the trading of agricultural products, services including supply chain management and supply chain finance (the “**Business**”). The Project Group uses its electronic trading system to establish contracts for agricultural products with the sellers and the buyers respectively. The Project Group utilizes its data on demand and supply and logistics power to allocate resources and provides value-added business, such as, supply chain finance services, storage and logistics services. The Project Group provides a certain percentage (50% – 80%) of prepayments to the sellers while the sellers irrevocably undertake to transfer the control of the goods to the Project Group. The Project Group also provides credit to the buyers in such way that the buyers pay only 20 – 30% of the total purchase consideration to obtain credit so to postpone the full settlement and pick-up of the products after their due dates.

The major agricultural product to be provided by the Project Group is sugar. Below is an extract of the revenue contribution of each business segment to the total revenue of the Project Group for the last two financial years ended 31 December 2015 and 31 December 2016 respectively:

Business segment	As at 31 December 2015		As at 31 December 2016	
	Revenue (RMB'000)	% Contribution to total revenue	Revenue (RMB'000)	% Contribution to total revenue
Income from trading				
Sugar	12,442,600	97.73	20,224,819	98.19
Cocoon & Silk	135,390	1.07	98,771	0.48
Kiwi	18,420	0.14	79,200	0.38
Others	—	—	22,617	0.11
Sub-total	12,596,410	98.94	20,425,407	99.16
Income from supply chain finance and other service charges				
Sugar	73,150	0.57	77,679	0.38
Cocoon & Silk	27,530	0.22	24,972	0.12
Apple	3,780	0.03	7,170	0.03
Timber	3,310	0.03	15,469	0.08
Others	3,120	0.02	15,864	0.08
Sub-total	110,890	0.87	141,154	0.69

Business segment	As at 31 December 2015		As at 31 December 2016	
	Revenue <i>(RMB'000)</i>	% Contribution to total revenue	Revenue <i>(RMB'000)</i>	% Contribution to total revenue
Other income				
Information system	16,710	0.13	12,320	0.06
Others	7,200	0.06	19,660	0.09
Sub-total	23,910	0.19	31,980	0.15
Total	12,731,210	100	20,598,541	100
— Revenue from financial statements	12,731,210		20,598,541	
Difference	—		—	

The Project Group adopts a “cost plus margin” mechanism as the pricing basis and mechanism for its services. The procurement cost is the same as the cost incurred in the market; but the margin is determined based on a number of factors, including but not limited to geographical differences, quality, brand and individual demand of the goods to be traded. The Project Group makes the final decision to decide on the price of the goods to be traded.

As advised by the Company’s PRC legal counsel and based on the information provided by the Project Group, the Business is not subject to any foreign ownership restrictions under the relevant PRC laws because (i) the business model of the Business falls within the scope of “online data processing and transaction processing services (在線數據處理與交易處理業務)” under the current Classification Catalog of Telecommunications Services (2015) (《電信業務分類目錄》(2015)) and according to the Circular of the Ministry of Industry and Information Technology on Removing the Restrictions on Shareholding Ratio Held by Foreign Investors in Online Data Processing and Transaction Processing (Operating E-commerce) Business (《關於放開在線數據處理與交易處理業務(經營類電子商務)外資股比限制的通告》), foreign ownership in businesses that conduct online data processing and transaction processing for e-commerce business sector in the PRC could be up to 100%, and (ii) the information provided by the Project Group through its e-commerce system is public, commonly-shared information and free of charge to web users and therefore, it should be regarded as “non profitable internet information service” and not subject to any licensing requirements or foreign ownership restrictions.

Financial Information of the Project Company

Set out below is the audited and consolidated financial information of the Project Company for each of the two financial years ended 31 December 2015 and 2016 together with the net profits (both before and after taxation) attributable to the Second Target Equity Interest and the Subsequent Target Equity Interest, which were prepared in accordance with the China Accounting Standards for Business Enterprises:

(a) *Net profits (both before and after taxation) and net assets of the Project Company*

	For the year ended 31 December 2015	For the year ended 31 December 2016
	<i>Approximately RMB'000</i>	<i>Approximately RMB'000</i>
Before tax profit	53,864	63,737
After tax profit	44,356	53,047
Net assets	592,725	765,551

(b) *Net profits (both before and after taxation) attributable to the Second Target Equity Interest*

	For the year ended 31 December 2015	For the year ended 31 December 2016
	<i>Approximately RMB'000</i>	<i>Approximately RMB'000</i>
Before tax profit	4,503	5,328
After tax profit	3,708	4,435

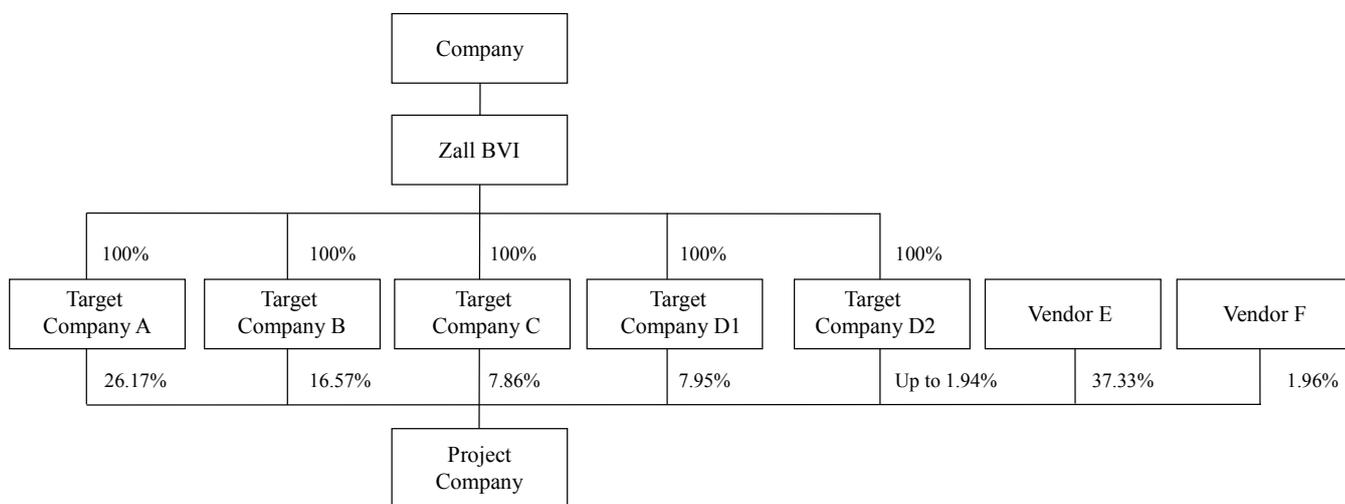
(c) *Net profits (both before and after taxation) attributable to the Subsequent Target Equity Interest*

	For the year ended 31 December 2015 <i>Approximately RMB'000</i>	For the year ended 31 December 2016 <i>Approximately RMB'000</i>
Before tax profit	3,232	3,824
After tax profit	2,661	3,183

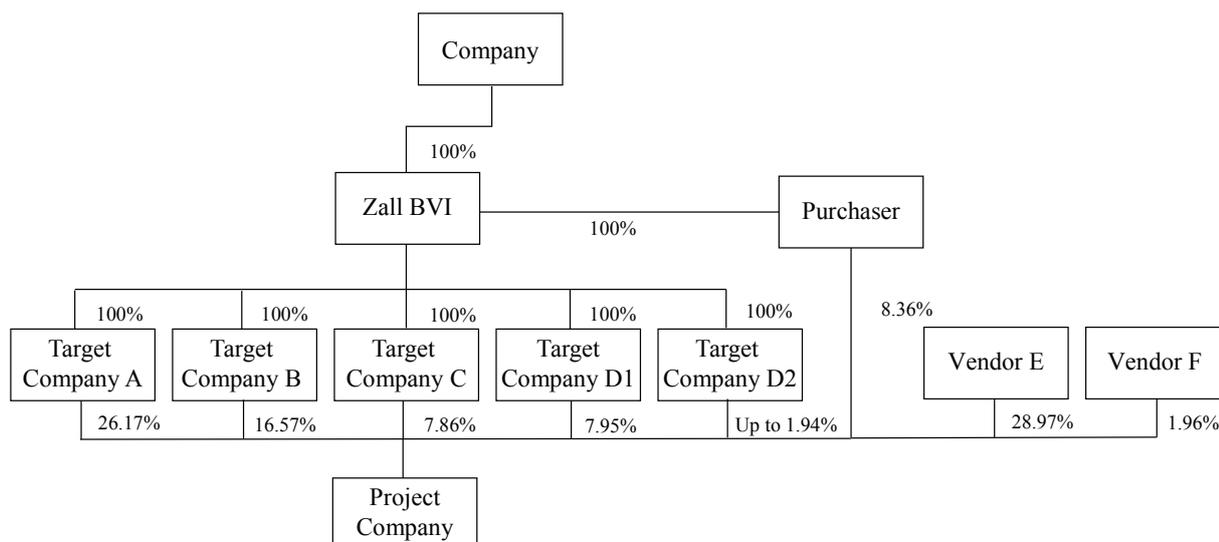
An accountants' report on the Project Group prepared in compliance with the requirements of the Listing Rules will be included in the circular to be despatched to the Shareholders.

Shareholding structure of the Project Group

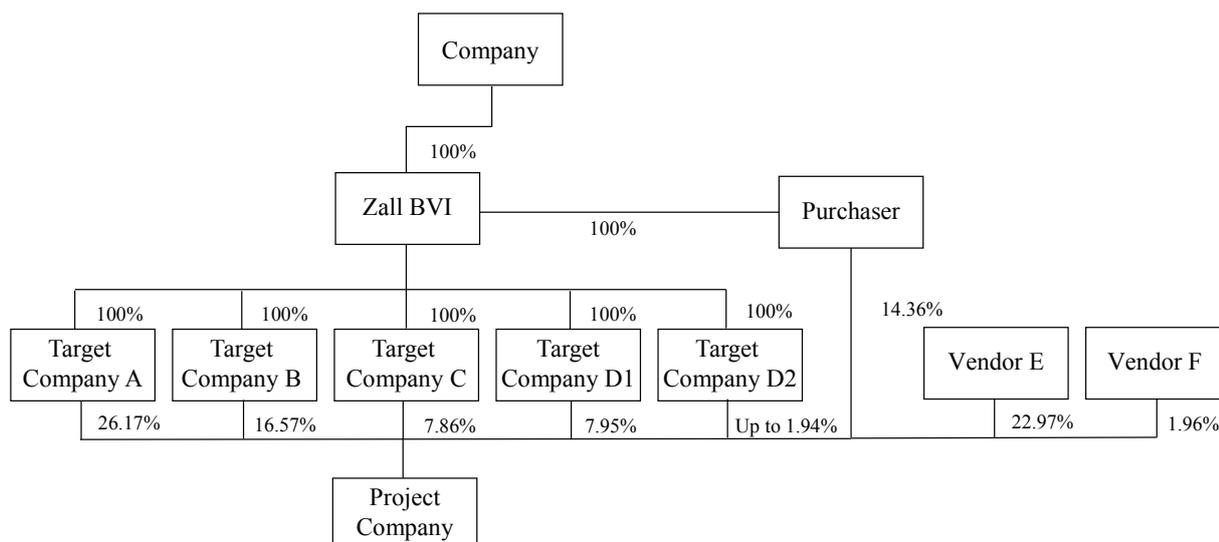
(a) Group structure of the Project Group immediately before Completion (assuming the First Acquisition has been completed in accordance with the First Acquisition Agreement):



(b) Group structure of the Project Group immediately after Completion:



(c) Group structure of the Project Group immediately after completion of the Subsequent Acquisition (assuming all the Subsequent Target Equity Interest are sold by Vendor E):



REASONS FOR THE FURTHER ACQUISITION

Given the principal activities of the Project Company are engaged in e-commerce and supply chain finance businesses for agricultural products in the PRC, it has professional management team and rich management experience in operating e-commerce and supply chain finance businesses. The Directors (save for Mr. Wei, who has material interest in the First Acquisition, abstained from voting at the relevant board meeting) are of the view that the Further Acquisition can strengthen the Group existing B2B e-commerce including supply chain management and supply chain finance businesses by enlarging the Group's client base and increasing the Group revenue in the long run.

The Group has been adjusting its principal business activities and will concentrate its resources on the core business segment, i.e. the development and operating of large-scale consumer product focused wholesale shopping malls and the related value-added business, such as e-commerce, financial services, warehousing and logistics. The Further Acquisition marks the further development of the Group's B2B e-commerce including supply chain management and supply chain finance businesses.

The Directors (save for Mr. Wei, who has material interest in the First Acquisition, abstained from voting at the relevant board meeting) consider that the terms of the Further Acquisition and the Framework Agreement are on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios, the revenue ratio, under Rule 14.07 of the Listing Rules in respect of the Further Acquisition exceeds 100%, the Further Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules. As such, the Framework Agreement and the transactions contemplated thereunder are subject to the Shareholders' approval at the EGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Further Acquisition and no Shareholder and his associates are therefore required to abstain from voting at the EGM in respect of the resolutions approving the Further Acquisition.

GENERAL

A circular containing, among other things, further details about the transactions contemplated under the Framework Agreement and the notice of the EGM will be despatched to the Shareholders. As the Company expects that it will need more time to collate the information to be included in the circular, the circular is expected to be despatched to the Shareholders on or before 25 August 2017.

Shareholders and potential investors should note that completion of the Further Acquisition is subject to the fulfillment of the conditions under the Framework Agreement, the Share Purchase Agreement and the subsequent share purchase agreements to be further negotiated by the Parties. The Framework Agreement, the Share Purchase Agreement and such subsequent share purchase agreements may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the Board of Directors of the Company;
“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;
“Completion”	the completion of the Second Acquisition in accordance with the terms and conditions of the Framework Agreement;
“Completion Date”	the fifth business day after entering into of the Share Purchase Agreement;
“Condition”	the condition(s) precedent to Completion of the Second Acquisition as agreed by the parties to be set forth in the Share Purchase Agreement;
“Consideration”	collectively, the Second Consideration and the Subsequent Consideration;
“Director(s)”	director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Framework Agreement and the transactions contemplated thereunder;
“First Acquisition”	the proposed acquisition of 60.49% equity interest of the Project Company, particulars of which are set out in the Previous Announcement and the Previous Circular;
“First Acquisition Agreement”	the agreement dated 28 October 2016 entered into by the Company in relation to the First Acquisition;
“Framework Agreement”	the agreement dated 27 June 2017 entered into among the Purchaser, the Company, Zall Development Investment, Mr. Yan and the Vendors in relation to the Further Acquisition;
“Further Acquisition”	collectively, the Second Acquisition, the Subsequent Acquisition and the Put Option;

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Long Stop Date”	31 March 2018;
“Mr. Yan”	Mr. Yan Zhi, co-chairman of the Company and executive Director;
“Parties”	the parties to the Framework Agreement;
“PRC”	the People’s Republic of China which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Previous Announcement”	the Company’s announcement dated 13 November 2016 in relation to, among others, the Company’s proposed acquisition of shares in certain target companies pursuant to the First Acquisition Agreement;
“Previous Circular”	the Company’s circular dated 15 February 2017 in relation to, among others, the Company’s proposed acquisition of shares in certain target companies pursuant to the First Acquisition Agreement;
“Project Company”	Shenzhen Sinoagri E-commerce Co., Ltd.* (深圳市中農網有限公司), a company established in the PRC with limited liability;
“Project Group”	Project Company and its subsidiaries;
“Purchaser”	Zall Commerce Supply Chain (Wuhan) Co. Ltd.* (卓爾雲商供應鏈(武漢)有限公司), a company established in the PRC with limited liability;
“Put Option”	has the meaning ascribed to it in sub-paragraph (c) of the section headed “Undertakings”;
“RMB”	Renminbi, the lawful currency of the PRC;
“Second Acquisition”	the proposed acquisition of the Second Target Equity Interest pursuant to the terms and conditions of the Framework Agreement;
“Second Consideration”	the consideration payable for the Second Target Equity Interest under the Framework Agreement;
“Second Target Equity Interest”	RMB42,552,400 in the registered capital of the Project Company, representing approximately 8.36% of the total equity interest of the Project Company;

“Share Purchase Agreement”	the share purchase agreement to be entered into by the Purchaser and the Vendors upon the success of the Purchaser in bidding for the Second Target Equity Interest in the trading platform for transfer of shares by means of listing for sale in the PRC;
“Subsequent Acquisition”	the Company’s proposed acquisition in cash of such Subsequent Target Equity Interest from Vendor E and Vendor F in two equal tranches, each representing approximately 3% of the total equity interest of the Project Company on or before 31 December 2019 and 31 December 2020 respectively at a tentative price of RMB7.22 per each unit of RMB1 in the registered capital of the Project Company (or per share);
“Subsequent Consideration”	the consideration payable for such shares of the Project Company to be acquired under the Subsequent Acquisition;
“Subsequent Target Equity Interest”	RMB30,540,000 in the registered capital of the Project Company, representing approximately 6% of the total equity interest of the Project Company;
“Target Equity Interest”	collectively, the Second Target Equity Interest and the Subsequent Target Equity Interest;
“Vendor E”	Shenzhen Agricultural Products Co., Ltd.* (深圳市農產品股份有限公司), a company established in the PRC with limited liability and whose shares are listed on the Shenzhen Stock Exchange under stock code 000061;
“Vendor F”	Shenzhen HiGreen Investment Management Co., Ltd.* (深圳市海吉星投資管理股份有限公司), a company established in the PRC with limited liability;
“Vendors”	collectively, Vendor E and Vendor F;
“Zall BVI”	Zall Development (BVI) Holding Company Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company; and

“Zall Development
Investment”

Zall Development Investment Company Limited, being a company incorporated in the British Virgin Islands with limited liability and the controlling shareholder of the Company.

By order of the Board

Zall Group Ltd.

Yan Zhi

Co-chairman

Hong Kong, 27 June 2017

As at the date of this announcement, the Board comprises eight members, of which Mr. Yan Zhi, Dr. Gang Yu, Mr. Cui Jinfeng and Mr. Peng Chi, as executive directors of the Company; Mr. Cheung Ka Fai, Mr. Wu Ying, Mr. Wei Zhe, David and Mr. Zhu Zhengfu as independent non-executive directors of the Company.

* *The English translation of the Chinese names of the companies established in the PRC is for illustration purpose only.*