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**Zall Group Ltd.**

**卓爾集團股份有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2098)**

**SUPPLEMENTAL ANNOUNCEMENT  
MAJOR TRANSACTION  
IN RELATION TO  
A MATERIAL LEASING AGREEMENT**

Reference is made to the announcement of the Company dated 12 September 2017 in relation to the entering into of the Lease Agreement between the Group and Jiangsu Eastide (the “**Announcement**”). Unless otherwise stated, all the capitalised terms used herein shall have the same meaning as those adopted in the Announcement.

After reassessing the Lease Agreement and the relevant rules under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), the Company would like to clarify that the entering into of the Lease Agreement falls within the purview of Rule 14.04(d) as the Lease Agreement have a significant impact on the operations of the Group as the rent under the Lease Agreement, on an annual basis, represents more than 200% increase in the scale of the Group’s existing operations conducted through lease arrangement of such kind.

As the highest applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) in respect of the Lease Agreement is 25% or more but less than 75%, the Lease Agreement and the transaction contemplated thereunder constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and shareholders’ approval requirements.

The Company would like to clarify and provide to the Shareholders and potential investors the following supplemental information in relation to the Lease Agreement:

**THE LEASE AGREEMENT**

Lease fee : Jiangsu Eastide shall pay the aggregate rent of approximately RMB4,637.0 million under the Lease Agreement (the “**Lease Fee**”), comprising:

- (i) approximately RMB141.7 million for the period from 11 September 2017 to 31 December 2017;

- (ii) approximately RMB463.7 million per annum for the period from 1 January 2018 to 31 December 2026; and
- (iii) approximately RMB322.0 million for the period from 1 January 2027 to 10 September 2027.

The Lease Fee in respect of the period from 11 September 2017 to 31 December 2017 shall be paid prior to Jiangsu Eastide taking possession of the leased premises and the Lease Fee for each of the years or part of the year thereafter shall be paid in the December of the preceding year.

The Lease Fee was determined with reference to the prevailing market rent, arrangement for cooperation terms and the expected synergic effect generated as described under the heading “Reasons for and benefits of the entering into the Lease Agreement” in the Announcement.

Termination : The Lease Agreement may be terminated:

(a) by North Hankou Trade Market and Zall Investment Group (collectively, the “**Lessors**”), the lessors of the Lease Agreement, upon the occurrence of:

- (i) Jiangsu Eastide using the Leased Premises to conduct activities that are illegal or against public interest;
- (ii) Jiangsu Eastide materially breaches the relevant management regulations governing the Lease Premises in a vicious nature; or
- (iii) Jiangsu Eastide breaches the terms and conditions of the Lease Agreement,

upon which the Lessors may regain possession of the Leased Premises and seek damages from Jiangsu Eastide; and

(b) by Jiangsu Eastide, the lessee of the Lease Agreement, upon the occurrence of:

- (i) the Lessors seriously disturbing the normal business operation or damaging the properties of the Jiangsu Eastide or sub-lessee;
- (ii) Jiangsu Eastide or sub-lessee unable to conduct normal operation as a result of the action(s) of the Lessors; or
- (iii) the Lessors materially breaches the terms and conditions of the Lease Agreement,

upon which Jiangsu Eastide may seek damages from the Lessors.

The Directors are of the view that the terms of the Lease Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Shareholders as a whole.

The Company intends to apply the Lease Fee received as the general working capital of the Group.

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) in respect of the Lease Agreement is 25% or more but less than 75%, the Lease Agreement and the transaction contemplated thereunder constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements.

## **WRITTEN SHAREHOLDERS' APPROVAL**

As no shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Lease Agreement and the transactions contemplated thereunder, pursuant to Rule 14.44 of the Listing Rules, in lieu of a resolution passed at a general meeting of the Company, written approval of the Lease Agreement and the transactions contemplated thereunder have been obtained from Zall Development Investment Company Limited, which held the voting right of 7,542,545,268 shares of the Company, representing approximately 64.91% of the voting rights at a general meeting of the Company, as at 11 September 2017, being the date of the Lease Agreement, and the date of this announcement.

Accordingly, no general meeting will be held by the Company for approving the Lease Agreement and the transactions contemplated thereunder.

## **DESPATCH OF CIRCULAR**

A circular containing, among other things, details of the Lease Agreement is expected to be despatched to the Shareholders on or before 24 October 2017 in accordance with the Listing Rules.

## MISCELLANEOUS

Save as disclosed above, all other information in the Announcement shall remain unchanged.

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

Hong Kong, 3 October 2017

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