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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)

- (1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION;
(2) POSSIBLE CONNECTED TRANSACTION INVOLVING ISSUE OF SHARES
TO CONNECTED PERSONS;
(3) ISSUE OF SHARES UNDER SPECIFIC MANDATE;
AND
(4) RESUMPTION OF TRADING**

THE ACQUISITION

On 28 October 2016, the Purchaser, a wholly-owned subsidiary of the Company, the Company, the Vendors and the Guarantors entered into the Acquisition Agreement, pursuant to which the Vendors conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire equity interest of the Target Companies free from all encumbrances together with all rights attaching thereto. The Consideration for the sale and purchase under the Acquisition Agreement is up to HK\$2.591 billion, which will be satisfied by way of allotment and issue of the Consideration Shares to the Vendors. Upon Completion, the Target Companies will become wholly-owned subsidiaries of the Company. The Target Companies will, upon completion of certain corporate restructuring, together hold up to approximately 60.49% of the equity interest of the Project Company. 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.

Pursuant to the Acquisition Agreement, the Company will also (i) allot and issue the Management Shares and grant the Management Options to the Core Management Team, (ii) enter into the Service Agreement with Mr. Wei; and (iii) enter into the Consultancy Agreement with VKC. The Management Options will be granted under the Share Option Scheme and the Management Shares, the Incentive Shares and the VKC Consultancy Service Consideration Shares will be allotted and issued under the Specific Mandate.

As one of the Conditions, the Company will enter into the Service Agreement with Mr. Wei, pursuant to which Mr. Wei will be re-designated as an executive Director subject to, and with effect from, Completion. In consideration of the services to be provided by Mr. Wei under the Service Agreement, the Company will allot and issue the Incentive Shares to Mr. Wei subject to the terms and conditions of the Service Agreement.

As one of the Conditions, the Company will enter into the Consultancy Agreement with VKC, pursuant to which VKC as the consultant will provide E-commerce development related services in the PRC to the Company at the consultancy fee to be satisfied by the allotment and issue of VKC Consultancy Service Consideration Shares to VKC, subject to the terms and conditions of the Consultancy Agreement.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition of the Company under Rule 14.06(5) of the Listing Rules.

As at the date of this announcement, Guarantor A is a limited partnership whose general partner is controlled by Mr. Wei, an independent non-executive Director. Vendor A is a subsidiary of Guarantor A. Therefore, Guarantor A and Vendor A are regarded as associates of Mr. Wei under the Chapter 14A of the Listing Rules and connected persons of the Company. Accordingly, the transactions contemplated under the Acquisition Agreement also constitute a connected transaction for the Company under the Listing Rules. Therefore, the Acquisition Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares) are subject to the requirements of reporting, announcement, circular and Independent Shareholders' approval under Chapter 14 and Chapter 14A of the Listing Rules.

As at the date of this announcement, Mr. Wei is an independent non-executive Director, therefore, a connected person of the Company. The issue of the Incentive Shares to Mr. Wei contemplated under the Service Agreement will constitute non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules and thus are subject to reporting, announcement and the Independent Shareholders' approval requirements.

As at the date of this announcement, VKC is a company controlled by Mr. Wei, an independent non-executive Director. Therefore, VKC is an associate of Mr. Wei and connected person of the Company. Accordingly, the transactions contemplated under the Consultancy Agreement will constitute non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules and thus are subject to reporting, announcement and the Independent Shareholders' approval requirements.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition and no Shareholder and his associates are therefore required to abstain from voting at the EGM in respect of the resolutions approving the Acquisition, the allotment and issue of the Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares, the Management Shares and the grant of the Management Options.

GENERAL

The IBC, comprising Mr. Cheung Ka Fai and Mr. Wu Ying, independent non-executive Directors, for the purpose of making a recommendation to the Independent Shareholders in respect of the Acquisition and the allotment and issue of the Incentive Shares and the VKC Consultancy Service Consideration Shares has been established in compliance with Rule 14A.41 of the Listing Rules. The Company has appointed the Independent Financial Adviser to advise the IBC and the Independent Shareholders with respect to the Acquisition and the allotment and issue of the Incentive Shares and the VKC Consultancy Service Consideration Shares.

The EGM will be convened for the purposes of considering, among other things, the approval of the Transaction Documents and the transactions contemplated thereunder including the allotment and issue of the Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares and the Management Shares pursuant to the terms and conditions of the Transaction Documents.

A circular containing, among other things, further details about the transactions contemplated under the Transaction Documents, including the Acquisition, the allotment and issue of the Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares and the Management Shares, a letter of advice from the Independent Financial Adviser 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 31 December 2016.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 1:00 p.m. on 28 October 2016 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 14 November 2016.

Shareholders and potential investors should note that completion of the Acquisition is subject to the fulfillment of the conditions under the Acquisition Agreement and the Acquisition Agreement may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

THE ACQUISITION

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

Date of the Acquisition Agreement

28 October 2016

Parties

- (1) Purchaser: Zall Development (BVI) Holding Company Limited;
- (2) Vendor A: EJC Group Limited;
- (3) Vendor B: Great Morning Holding Limited;
- (4) Vendor C: CHAN Kit;
- (5) Vendor D: CHAN Nanjula Wai Po (陳慧寶);
- (6) Company: Zall Group Ltd., as the Purchaser's guarantor;
- (7) Guarantor A: Vision Knight Capital (China) Fund I, L.P. as Vendor A's guarantor; and
- (8) Guarantor B: Greenwoods Bloom Fund, L.P. as Vendor B's guarantor.

As at the date of this announcement, Guarantor A is a limited partnership whose general partner is controlled by Mr. Wei, an independent non-executive Director. Vendor A is a subsidiary of Guarantor A. Therefore, Guarantor A and Vendor A are associates of Mr. Wei and connected persons of the Company.

Save as aforesaid, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Vendors, the Guarantors, the Target Companies and the respective ultimate beneficial owners of Vendor B and Guarantor B is independent of the Company and its connected persons.

Subject matter

The Purchaser conditionally agreed to acquire from Vendor A all the issued shares of the Target Company A, free from all encumbrances.

The Purchaser conditionally agreed to acquire from Vendor B all the issued shares of the Target Company B, free from all encumbrances.

The Purchaser conditionally agreed to acquire from Vendor C all the issued shares of the Target Company C, free from all encumbrances.

The Purchaser conditionally agreed to acquire from Vendor D all the issued shares of the Target Company D1 and Target Company D2, free from all encumbrances.

The Target Companies will, upon completion of certain corporate restructuring by acquiring the equity interest of the Project Company from its existing shareholders, together hold, directly or indirectly, up to approximately 60.49% of the equity interest of the Project Company. The remaining equity interest of the Project Company is currently held as to approximately 37.33% by Shenzhen Agricultural Products Co., Ltd (深圳市農產品股份有限公司), a company listed on the Shenzhen Stock Exchange under stock code 000061, as to approximately 1.96% by Shenzhen HiGreen Investment Management Co., Ltd (深圳市海吉星投資管理股份有限公司), and as to approximately 0.22% by an individual. Each of Shenzhen Agricultural Products Co., Ltd., Shenzhen HiGreen Investment Management Co., Ltd. and the aforementioned individual are independent of the Company and its connected persons.

Further information regarding the corporate restructuring is set out in the paragraph headed “Pre-completion restructuring” below.

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

Consideration

The Consideration for the Total Target Shares is up to HK\$2.591 billion. Subject to the Lock-Up Undertakings (as described below), the Consideration will be settled by the allotment and issue of the Consideration Shares to the Vendors (or their respective designated parties) as follows:—

Vendors	Consideration (HK\$)	Consideration Shares	Respective Portion
Vendor A	1,120,778,910	267,489,000	43.26%
Vendor B	709,827,900	169,410,000	27.40%
Vendor C	336,574,320	80,328,000	12.99%
Vendor D (in respect of Target Shares D1) (Note 1)	340,445,880	81,252,000	13.14%
Vendor D (in respect of Target Shares D2) (Note 2)	83,137,980	up to 19,842,000	3.21%

Notes:

1. Completion of purchase of the Target Shares D1 will be conditional on, among others, Target Company D1 having acquired 7.95% equity interest in the Project Company from the Management Team.

2. Completion of purchase of the Target Shares D2 will be conditional on, among others, Target company D2 having acquired up to the remaining 1.94% equity interest in the Project Company owned by the Management Team. In the event that the equity interest in the Project Company acquired is less than 1.94%, the Consideration Shares issued to Vendor D shall be adjusted proportionally.

The Issue Price

The Issue Price of HK\$4.19 per Share represents:

- (i) a discount of approximately 20.79% to the closing price of HK\$5.29 per Share as quoted on the Stock Exchange on 28 October 2016, being the date of the Acquisition Agreement;
- (ii) a discount of approximately 16.57% to the average closing price of approximately HK\$5.02 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Acquisition Agreement; and
- (iii) a discount of approximately 15.11% to the average closing price of approximately HK\$4.94 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the date of the Acquisition Agreement.

The Consideration Shares represent approximately:

- (i) 5.75% of the existing issued share capital of the Company as at the date of the Acquisition Agreement; and
- (ii) 5.39% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, the Incentive Shares, the VKC Consultancy Service Consideration Shares and the Management Shares (assuming there will be no other allotment and issue of new Shares of the Company).

The Consideration was determined after arm's length negotiation between the parties to the Acquisition Agreement with reference to the business and growth prospects and the historical financial performance of the Project Company as compared with the valuation of companies in similar business. In particular, the Company has taken into account the following factors when assessing the Acquisition:

- (i) the revenue of the Project Company in 2014 and 2015 were RMB7.3 billion and RMB12.7 billion respectively, which reflected an increase of approximately 74% in 2015 when compared with the revenue in 2014. The net profit of the Project Company in 2014 and 2015 were RMB36.89 million and RMB44.35 million respectively, which reflected an increase of approximately 20% in 2015 when compared with the net profit in 2014;

- (ii) the Company expects that the business of the Project Company will gradually become more mature, and the development will become steady in the future and the growth will mainly result from (i) the potential increase of the Project Company's market share of sugar trading in PRC from the current 30% to 50%; (ii) increase of revenue from trading of other agricultural products, such as silk, fruits, etc; and (iii) the net profit generated from supply chain finance due to its greater potential;
- (iii) the Consideration reflects the expected price/earnings ratio of the Project Company at approximately 34 times for 2017 FY, which is within the range of approximately 34 and 40 times in respect of the projected price/earnings ratio of its peers in the same industry in the market in 2016;
- (iv) the Consideration includes a control premium to reflect the value of the controlling interest of the Project Company acquired by the Company;
- (v) the Consideration represents a reasonable premium in view of the market leading position of the Project Company in B2B E-commerce industry in particular for agricultural products;
- (vi) the Consideration will be settled by allotment and issue of the Consideration Shares and thus will contribute to healthy cash flow of the Company for its continuing business operation; and
- (vii) the businesses of the Project Company are in line with the direction of the business development of the Company and, if the Acquisition materialises, will demonstrate synergistic effect with the Company's future businesses and operations.

The Issue Price was determined after arm's length negotiation between the parties to the Acquisition Agreement with reference to (a) the historical performance of the Shares for the past 52 weeks before the date of the Acquisition Agreement, during which the Shares were trading between HK\$1.15 per Share and HK\$5.4 per Share, and (b) the length of the Lock-up Undertakings which range from three to five years.

In view of the above, the Directors consider that the Consideration and the Issue Price are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions precedent

A. First Completion Conditions

The First Completion will be conditional upon the satisfaction or waiver of the following First Completion Conditions on or before the First Long Stop Date:

- (a) the Shareholders' approval in respect of the transactions contemplated under the Transaction Documents having been obtained in accordance with the Listing Rules;

- (b) the listing committee of the Stock Exchange having approved the listing of, and permission to deal in, all the Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares, the Management Shares and the Option Shares;
- (c) each of the warranties set out in the Acquisition Agreement given by the Vendor A, Vendor B and Vendor C remaining true, accurate and not misleading in all respects;
- (d) each of the warranties set out in the Acquisition Agreement given by the Purchaser remaining true, accurate and not misleading in all respects;
- (e) there being no material adverse change discovered or realized by the Purchaser;
- (f) each of Vendor A, Vendor B, Vendor C and the Guarantors having fully performed and complied with all the covenants and undertakings required to be performed or complied by it under the Acquisition Agreement on or before the First Completion Date;
- (g) the Purchaser and the Company (as the case may be) having fully performed and complied with all the covenants and undertakings required to be performed or complied by it under the Acquisition Agreement on or before the First Completion Date;
- (h) the Target Group having completed the restructuring such that the corporate structure of the Target Group is as set out in the section headed “Structure of the Target Group” below (save for the aggregate ownership of 9.89% interest by Target Company D1 and Target Company D2 in the Project Company), all resolutions, approvals, filings and license changes as required by the government or the constitutional documents of any company in the Project Group having been obtained and/or completed, such approvals do not in all material respects affect the current business operation of the Project Company and the transfer price with respect to the relevant share transfers involved in the relevant transfers having been fully paid or waived in accordance with applicable laws and regulations, or the payment arrangements having been agreed by the Purchaser, Vendor A, Vendor B and Vendor C;
- (i) any company in the Project Group having obtained all necessary approvals, consents and notices required under any applicable contracts in relation to the Acquisition Agreement and the transaction contemplated thereunder and such approvals do not in all material respects affect the current business operation of the Project Company and the Project Group (excluding any loan facility involving the principal amount of not more than RMB200 million);
- (j) 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 Acquisition Agreement or the continuing operation of the Project Group;
- (k) the Service Agreement having been executed;

- (l) the Consultancy Agreement having been executed and become unconditional (save for the First Completion Conditions); and
- (m) the Project Company having obtained the board approval and the shareholders' approval in accordance with the articles of association of the Project Company and the relevant applicable laws in respect of the transactions contemplated under the Acquisition Agreement.

The Purchaser shall use reasonable endeavours to ensure the fulfilment of the First Completion Conditions (a), (b), (d), (g), (k) and (l) on or before the First Long Stop Date. Vendor A, Vendor B or Vendor C may fully or partially waive, conditionally or unconditionally, the First Completion Conditions (d) and (g) above by giving written notice to the Purchaser on or before the First Long Stop Date.

The Vendor Group shall ensure the fulfilment of the First Completion Conditions (c), (e), (f), (h), (i), (j) and (m) on or before the First Long Stop Date. The Purchaser may fully or partially waive, conditionally or unconditionally, the Conditions (c), (e), (f), (h), (i) and (m) by giving written notice to the Vendor Group on or before the First Long Stop Date.

Following execution of the Service Agreement referred to in the First Completion Condition (k) and upon First Completion, Mr. Wei will be re-designated from an independent non-executive Director to an executive Director. As at the date of this announcement, the Company has only three independent non-executive Director. As a result, the Company will appoint an additional independent non-executive Director as soon as possible after the EGM in order to comply with the requirements of Rules 3.10(1), 3.10A and 3.21 of the Listing Rules. In the event that the Company fails to appoint an additional independent non-executive Director before the First Completion, no approval of the listing of, and permission to deal in, all the Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares, the Management Shares and the Option Shares by the Stock Exchange (i.e. Condition (b) above would not be fulfilled) will be granted and the First Completion will not occur.

If the First Completion Conditions above have not been fulfilled or waived (as the case may be) by the Long Stop Date, the Purchaser or the Vendor Group (save for Vendor D) (as the case may be) may terminate the Acquisition Agreement by giving written notice to the other parties whereupon the Acquisition Agreement will cease to be effective and of no further effect, save for any antecedent breach and obligations with continuing effect under the Acquisition Agreement. If the failure of satisfaction of any First Completion Condition is due to wilfulness or negligence of any member of the Vendor Group (save for Vendor D) or the Purchaser, such member of the Vendor Group (save for Vendor D) or the Purchaser (as the case may be) shall pay an amount equal to HK\$130,000,000 as liquidated damages to the non-defaulting party.

B. Second Completion Conditions

The Second Completion will be conditional upon the satisfaction or waiver of the following Second Completion Conditions on or before the Second Long Stop Date:

- (a) the Vendor D having fully performed and complied with all the covenants and undertakings required to be performed or complied by it under the Acquisition Agreement on or before the Second Completion Date;
- (b) the First Completion having been completed in accordance with the Acquisition Agreement; and
- (c) Vendor D having completed the restructuring such that the corporate structure of the Target Group is as set out in the section headed “Structure of the Target Group” below, all resolutions, approvals, filings and license changes as required by the government or the constitutional documents of any company in the Project Group having been obtained and/or completed, such approvals do not in all material respects affect the current business operation of the Project Company and the transfer price with respect to the relevant share transfers involved in the relevant transfers having been fully paid or waived in accordance with applicable laws and regulations, or the payment arrangements having been agreed by the Purchaser and Vendor D;

Vendor D Group shall ensure the fulfilment of the Second Completion Conditions (a) and (c) on or before the Second Long Stop Date. The Purchaser may fully or partially waive, conditionally or unconditionally, the Second Completion Conditions (a), (b) and (c) above by giving written notice to Vendor D on or before the Second Long Stop Date. For avoidance of doubt, the parties shall proceed with the Second Completion, even though the Target Company D2 may own the equity interest representing less than 1.94% of the entire share capital in the Project Company immediately before the Second Completion.

Pre-completion restructuring

The Project Company are currently owned as to 26.17%, 16.57%, and 7.86% by three independent financial investors and 9.89% by certain members of the management of the Project Company (together, the “**Existing Shareholders**”). To facilitate the proposed acquisition of the Project Company by the Company, the Existing Shareholders will undergo a series of restructuring pursuant to which (i) two financial investors will transfer their equity interests in the Project Company to Vendor A and Vendor B, being the special purpose vehicles incorporated by the affiliates of each of the two financial investors, (ii) the third financial investor will transfer its equity interest to its ultimate beneficial owner, Vendor C, and (iii) the members of the management will transfer their equity interests in the Project Company to Vendor D, being the representative of the members of the management. The Existing Shareholders and the Vendors will obtain or make all relevant approvals and filings under the applicable laws and regulations. It is expected that the restructuring in relation to Vendor A and Vendor B will be completed within one month from the date of this announcement

and the restructuring in relation to Vendor C and Vendor D will take a longer time as it involves the regulatory approvals from PRC authorities. The restructuring is merely for the purpose of facilitating the proposed Acquisition and does not change the existing beneficial interests in the Project Company. Vendor A's affiliate originally acquired the equity interest in the Project Company at a consideration of approximately US\$29.8 million in 2012.

Completion

The First Completion and the Second Completion shall take place on the First Completion Date and the Second Completion Date respectively. Subject to the Early Target Company D1 Completion and the Escrow Arrangement (both as defined below), the Consideration Shares will be allotted and issued to Vendor A, Vendor B and Vendor C in its Respective Portion upon First Completion and the Consideration Shares will be allotted and issued to Vendor D its Respective Portion upon Second Completion.

Completion of sale and purchase of Target Shares D1 shall take place together with the First Completion, in the event that, on or before five Business Days prior to the First Completion Date, Target Company D1 has completed the acquisition of 7.95% equity interest in the Project Company (the "**Early Target Company D1 Completion**"). For avoidance of doubt, upon Early Target Company D1 Completion and subject to the Escrow Arrangement (as defined below), the Consideration Shares in respect of Target Shares D1 will be allotted and issued to Vendor D on the First Completion Date.

Following the First Completion, the Target Company A, Target Company B and Target Company C will become wholly-owned subsidiaries of the Company. Following the Second Completion, the Target Company D1 and Target Company D2 will become wholly-owned subsidiaries of the Company. Immediately after the First Completion, the Project Company will become a non-wholly owned subsidiary of the Company and the Target Group's financial results will be consolidated with the financial results of the Group.

The First Completion is subject to, among others, each of Vendor A, Vendor B and Vendor C having fully performed and complied with all the covenants and undertakings required to be performed or complied by it under the Acquisition Agreement on or before the First Completion Date (First Completion Condition (f)), if any of Vendor A, Vendor B and Vendor C fails to transfer the Target Shares A, the Target Shares B and the Target Shares C as contemplated under the Acquisition Agreement, the Company shall not be obliged to proceed with the First Completion.

Guarantee

Pursuant to the Acquisition Agreement,

- (i) Guarantor A has irrevocably and unconditionally guaranteed to the Purchaser the full and punctual performance by Vendor A of its obligations under the Acquisition Agreement; and
- (ii) Guarantor B has irrevocably and unconditionally guaranteed to the Purchaser the full and punctual performance by Vendor B of its obligations under the Acquisition Agreement.

Profit Target

Pursuant to the Acquisition Agreement, each of Vendor A, Vendor B and Vendor C, being the financial investors of the Project Company, covenants to the Purchaser that for the three financial years from 2017 to 2019, and Vendor D, being a representative of certain members of the existing management team of the Project Company, covenants to the Purchaser that for the five financial years from 2017 to 2021, the consolidated revenue of the Project Group (the “**Actual Revenue**”) and the consolidated net profit after taxation of the Project Group (the “**Actual Net Profit**”) as determined based on the audited consolidated financial statements of the Project Group prepared by the Purchaser’s auditors in accordance with the International Financial Reporting Standards shall meet the following target revenue of the Project Group (the “**Target Revenue**”) and target net profit of the Project Group (the “**Target Net Profit**”, together with the Target Revenue, the “**Target Performance**”) of the Project Group (the “**Performance Guarantee**”).

Financial year	Target Revenue	Target Net Profit
2017 FY	RMB30 billion	RMB110 million
2018 FY	RMB37.5 billion	RMB132 million
2019 FY	RMB46.875 billion	RMB158 million
2020 FY	RMB58.594 billion	RMB190 million
2021 FY	RMB73.242 billion	RMB228 million

The Performance Guarantee, together with the Lock-Up Undertaking as disclosed below, will provide the Company with a mechanism to adjust the Consideration following the completion of the Acquisition by reference to the actual performance of the Project Group for the next three or five (as the case may be) financial years. Unlike Vendor D, Vendor A, Vendor B and Vendor C are financial investors in the Project Company and following arm’s length negotiation, the Performance Guarantee provided by them would cover only three financial years. The Target Performance was determined by the Company taking into account the historical financial performance of the Project Group and reasonable prospects of Project Group’s business development and was reached after arm’s length negotiation between the parties. As such, the Company is of the view that the Target Performance is fair and reasonable and in the interest of the Company and its shareholders as a whole.

Lock-up Undertakings by the Vendors

Subject to the paragraph headed “Early release from the Lock-up Undertakings” below, the Vendors unconditionally and irrevocably undertake to the Company that, for the period from the First Completion Date to the date of publication of the 2019 annual report (in the case of Vendor A, Vendor B and Vendor C) or for the period from the Second Completion Date to the publication of the 2021 annual report of the Company (in the case of the Vendor D), without the prior consent of the Purchaser, will not directly or indirectly:

- (i) offer to sell, transfer, contract to sell or otherwise deal with any of such Consideration Shares or any interests therein; or

- (ii) enter into any swap or derivatives that transfer the economic effect of ownership of such Consideration Shares or any interests therein; or
- (iii) announce any intention to enter into or effect any such transactions described in (i) or (ii) above,

provided that the Vendors may, with the prior consent from the Company, pledge their respective Consideration Shares with the banks or other lending institutions for financing purposes. For the purposes of monitoring, implementing and enforcing the Lock-Up Undertakings, the certificates for the Consideration Shares, once issued, will be initially deposited with the Company in escrow and released to the Vendors in accordance with the terms set forth in the paragraph headed “Release from the Lock-Up Undertakings” or “Early release from the Lock-up Undertakings” (as the case may be) below (the “**Escrow Arrangement**”). For the avoidance of doubt, notwithstanding the Escrow Arrangement and the Company holding the share certificates in escrow, the Vendors or their designated parties will remain to be the legal and beneficial owners of the Consideration Shares and be entitled to vote at the general meetings of the Company and receive dividends subject to the Lock-Up Undertakings following First Completion or Second Completion (as the case may be).

The Company will, if the Acquisition materialises, publish for each financial year within the above guarantee period, an announcement and will also, based on the audited consolidated financial statements of the Project Group prepared by the Purchaser’s auditors, disclose in its next annual report whether or not the Performance Guarantee has been met, the financial performance of the Project Group, and where the Performance Guarantee is not met for any relevant financial years, the Company will refrain from releasing the Consideration Shares subject to the Lock-up Undertakings as provided in the Acquisition Agreement and described below.

The Company will set up an internal committee led by the chief financial officer and the company secretary of the Company to monitor the financial performance of the Project Group and compliance of the obligations under the Acquisition Agreement by the relevant Vendors and the Guarantors during each financial year. The Board (including the independent non-executive Directors, and members of the Audit Committee) will also monitor the compliance of the obligations under the Acquisition Agreement by the relevant Vendors and the Guarantors and will approve the release of the Consideration Shares in the manner consistent with the terms of the Acquisition Agreement.

Release from the Lock-Up Undertakings

Unless otherwise stated, subject to the extent of satisfaction of the Target Performance by the Project Group for the relevant financial years, the Consideration Shares should be released from the Lock-up Undertaking in the manners as set out in the following table. For the avoidance of doubt, where both the Target Revenue and Target Net Profit are satisfied, scenario (a) below applies. Where either or both of the Target Revenue and the Target Net Profit are not satisfied, scenarios (b), (c) and (d) below will apply. In the event that more than one or all of scenarios (b), (c) and (d), which are not mutually exclusive, are applicable, the relevant Vendor will have the discretion to elect to release the Consideration Shares based on the predetermined formula in any of the applicable scenarios.

I. Release from the Lock-Up Undertakings in respect of Vendor A, Vendor B and Vendor C:

No.	Release Conditions	Date of Release	Number of Consideration Shares to be released
(a) If both of the Target Revenue and Target Net Profit are satisfied for each relevant financial year:			
(1)	If both of the Target Revenue and Target Net Profit are satisfied for 2017 FY	on the date of the publication of the 2017 annual report of the Company	one third of the Consideration Shares
(2)	If both of the Target Revenue and Target Net Profit are satisfied for 2018 FY	on the date of the publication of the 2018 annual report of the Company	one third of the Consideration Shares
(3)	If half of the Target Revenue and Target Net Profit for 2019 FY are satisfied for the first half of 2019 FY	on the date of the publication of the 2019 interim report of the Company	one sixth of the Consideration Shares
(4)	If both of the Target Revenue and Target Net Profit are satisfied for 2019 FY	on the date of the publication of the 2019 annual report of the Company	all the remaining Consideration Shares
(b) If any or both of the Target Revenue and the Target Net Profit are not satisfied:			
(1)	if in the relevant financial year, the Achievement Ratio (being calculated based on the formula set out in Note 1 below) is 50% or above	on the date of the publication of the annual report of the Company for the relevant financial years	one third of the Consideration Shares x Achievement Ratio
(2)	if in the relevant financial year, the Achievement Ratio is below 50%	N/A	No Consideration Shares will be released

Without prejudice to (a) and (b) above, if any or both of the Target Revenue and the Target Net Profit are not satisfied for 2017 FY but the Actual Revenue and the Actual Net Profit for 2017 FY are higher than the Actual Revenue and the Actual Net Profit for 2016 FY respectively, the parties have agreed on an adjusted target revenue (the “Adjusted Target Revenue”) and adjusted target net profit (the “Adjusted Target Net Profit”) as follows:

The Adjusted Target Revenue and the Adjusted Target Net Profit are collectively, referred to as the “Adjusted Target Performance”.

Financial year	Adjusted Target Revenue	Adjusted Target Net Profit
2017 FY	the Actual Revenue for 2017 FY	the Actual Net Profit for 2017 FY
2018 FY	the Actual Revenue for 2017 FY x 125%	the Actual Net Profit for 2017 FY x 120%
2019 FY	the Actual Target Revenue for 2017 FY x 156.25%	the Actual Target Net Profit for 2017 FY x 144%

For the avoidance of doubt, if any or both of the Actual Revenue and the Actual Net Profit for 2017 FY are not higher than those for 2016 FY, scenario (c) and (d) as set out below will not be applicable.

No.	Release Conditions	Date of Release	Number of Consideration Shares to be released
(c)	For 2017 FY, if any or both of the Target Revenue and the Target Net Profit are not satisfied but the Adjusted Target Performance is satisfied:		
(1)	If any or both of the Target Revenue and Target Net Profit are not satisfied for 2017 FY but the Actual Revenue and the Actual Net Profit for 2017 FY are higher than the Actual Revenue and the Actual Net Profit for 2016 FY respectively	on the date of the publication of the 2017 annual report of the Company	two-ninth of the Consideration Shares
(2)	If both of the Adjusted Target Revenue and Adjusted Target Net Profit are satisfied for 2018 FY	on the date of the publication of the 2018 annual report of the Company	two-ninth of the Consideration Shares

No.	Release Conditions	Date of Release	Number of Consideration Shares to be released
(3)	If the Actual Revenue for the first half of 2019 FY reaches RMB23.438 billion and the Actual Net Profit for the first half of 2019 FY reaches RMB79 million	on the date of the publication of the 2019 interim report of the Company	one-ninth of the Consideration Shares
(4)	If both of the Adjusted Target Revenue and Adjusted Target Net Profit are satisfied for 2019 FY	on the date of the publication of the 2019 annual report of the Company;	two-ninth of the Consideration Shares
(d)	If the Target Performance for 2017 FY is not satisfied but the Adjusted Target Performance for 2017 FY is satisfied and the Adjusted Target Performance for 2018 FY and/or 2019 FY is not satisfied:		
(1)	if in the relevant financial year, the Adjusted Achievement Ratio (being calculated based on the formula set out in Note 2 below) is 50% or above	on the date of the publication of the annual report of the Company for the relevant financial years	two-ninth of the Consideration Shares x Adjusted Achievement Ratio
(2)	if in the relevant financial year, the Adjusted Achievement Ratio is below 50%	N/A	No Consideration Shares will be released

Note:

$$1. \quad \text{Achievement Ratio} = \frac{\text{Actual Revenue for the relevant financial year}}{\text{Target Revenue for the relevant financial year}} \times 50\% + \frac{\text{Actual Net Profit for the relevant financial year}}{\text{Target Net Profit for the relevant financial year}} \times 50\%$$

$$2. \quad \text{Adjusted Achievement Ratio} = \frac{\text{Actual Revenue for the relevant financial year}}{\text{Adjusted Target Revenue for the relevant financial year}} \times 50\% + \frac{\text{Actual Net Profit for the relevant financial year}}{\text{Adjusted Target Net Profit for the relevant financial year}} \times 50\%$$

Making-up mechanism

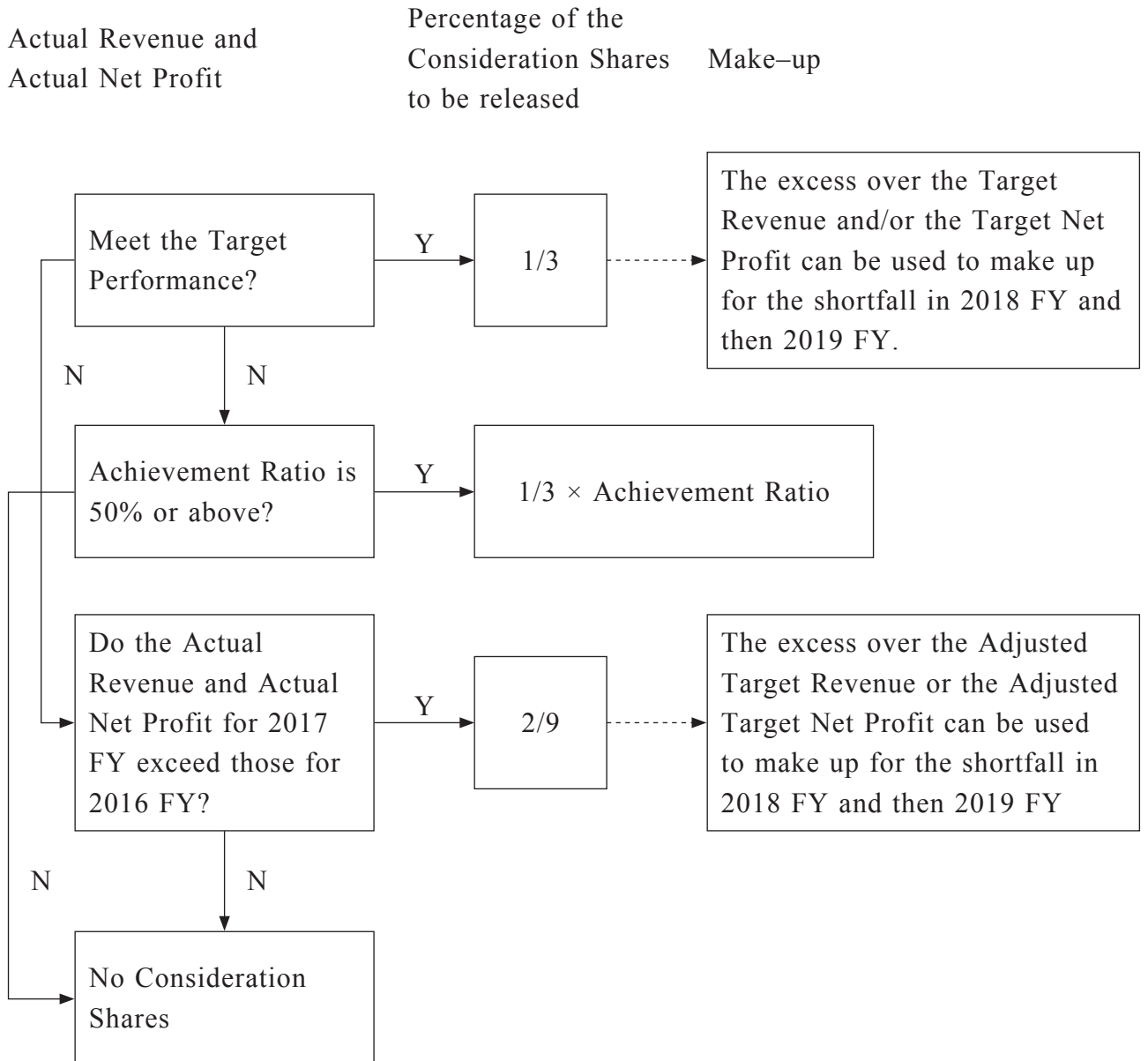
If the Actual Revenue and/or Actual Net Profit exceeds the relevant Target Revenue (or Adjusted Target Revenue) and/or the relevant Target Net Profit (or Adjusted Target Net Profit) in any financial year, the excess will be applied in the following order:

No.	Conditions for Making-up	Sequence for making-up by applying the excess	Date of release of the unreleased shares by applying the excess
(1)	If there is a shortfall in the previous financial year	the excess will be applied to make up for the shortfall of the Actual Revenue or Actual Net Profit in the previous financial year such that the Actual Revenue or Actual Net Profit in the previous financial year will be adjusted for the excess	on the date of the publication of the annual report of the Company for the current financial year
(2)	If there is no shortfall in the previous financial year or there is still excess after making up the shortfall in the previous financial year	the excess will be applied to make up for the shortfall of the Actual Revenue or Actual Net Profit in the financial year before the previous financial year such that the Actual Revenue or Actual Net Profit in the financial year before the previous financial year will be adjusted for the excess	on the date of the publication of the annual report of the Company for the current financial year
(3)	If there is no shortfall in any previous financial year or there is still excess after making up the shortfall in all previous financial years	the excess will be carried forward to make up for the shortfall of the Actual Revenue or Actual Net Profit in the next financial year, provided that the Actual Revenue or Actual Net Profit of the next financial year does not meet the Target Performance but still records a positive increase compared to its previous financial year, the Actual Revenue and/or Actual Net Profit in the next financial year will be adjusted for the excess	on the date of the publication of the annual report of the Company for the next financial year

No.	Conditions for Making-up	Sequence for making-up by applying the excess	Date of release of the unreleased shares by applying the excess
(4)	If there is no shortfall in the next financial year	the excess will be carried forward to make up for the shortfall of the Actual Revenue or Actual Net Profit in the financial year after the next financial year, provided that the Actual Revenue or Actual Net Profit of that financial year does not meet the Target Performance but still records a positive increase compared to its previous financial year, the Actual Revenue and/or Actual Net Profit in the financial year after the next financial year will be adjusted for the excess	on the date of the publication of the annual report of the Company for the financial year after the next financial year
(5)	If after applying the excess in accordance with (1), (2), (3) or (4) above, there is still a shortfall of the Actual Revenue or Actual Net Profit in any financial year between 2017 FY and 2019 FY	if the Actual Revenue for 2020 FY exceeds RMB58.594 billion and the Actual Net Profit for 2020 FY exceeds RMB190 million, the excess for 2020 FY can be used to make up for the shortfall of the Actual Revenue or Actual Net Profit in the previous financial year and the financial year before the previous financial year successively (if applicable)	on the date of the publication of the 2020 annual report of the Company

The flow chart below illustrates how the scenario (a), (b), (c) and (d) will be applicable for each financial year:

2017 FY

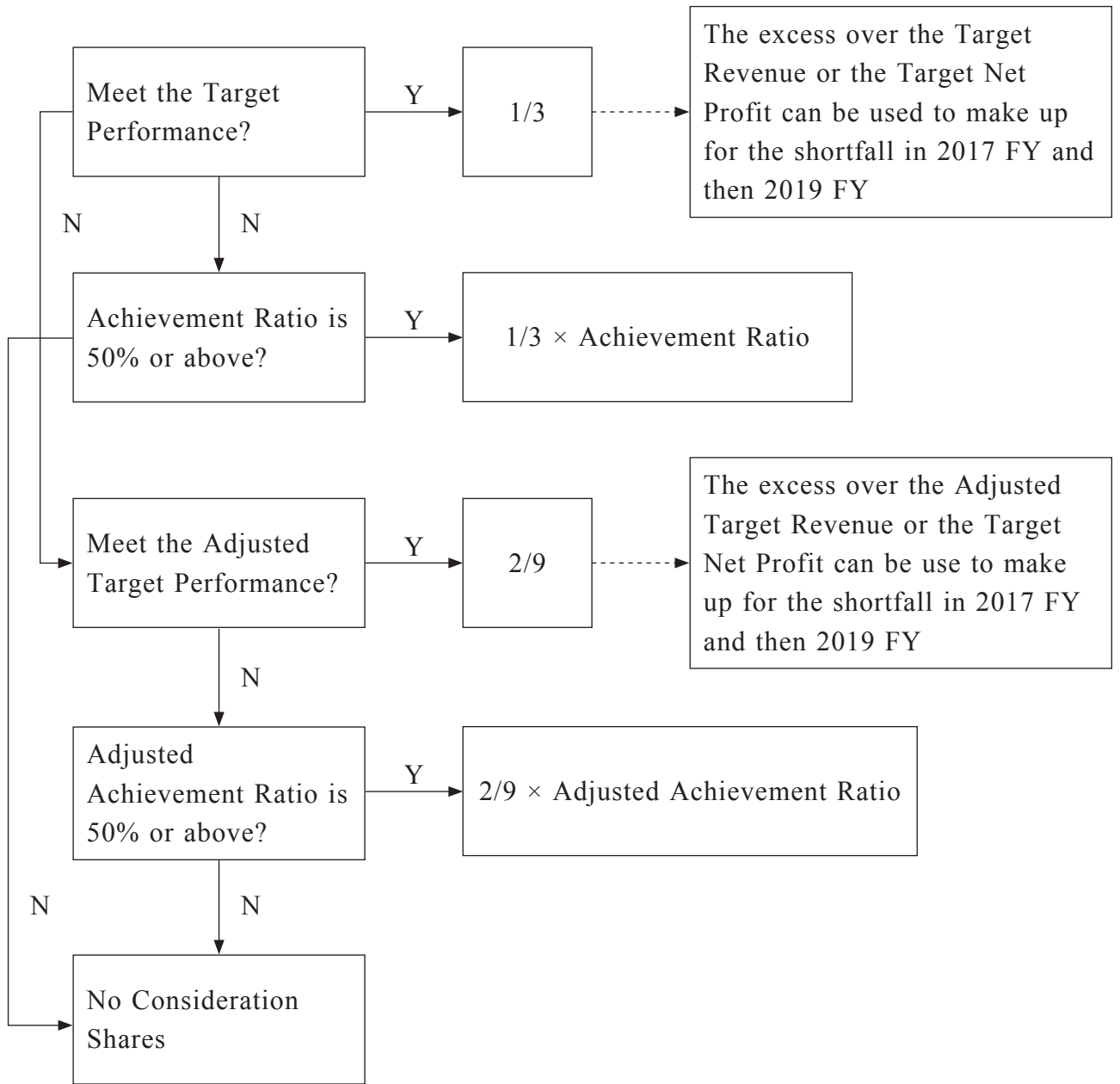


2018 FY

Actual Revenue and
Actual Net Profit

Percentage of the
Consideration Shares

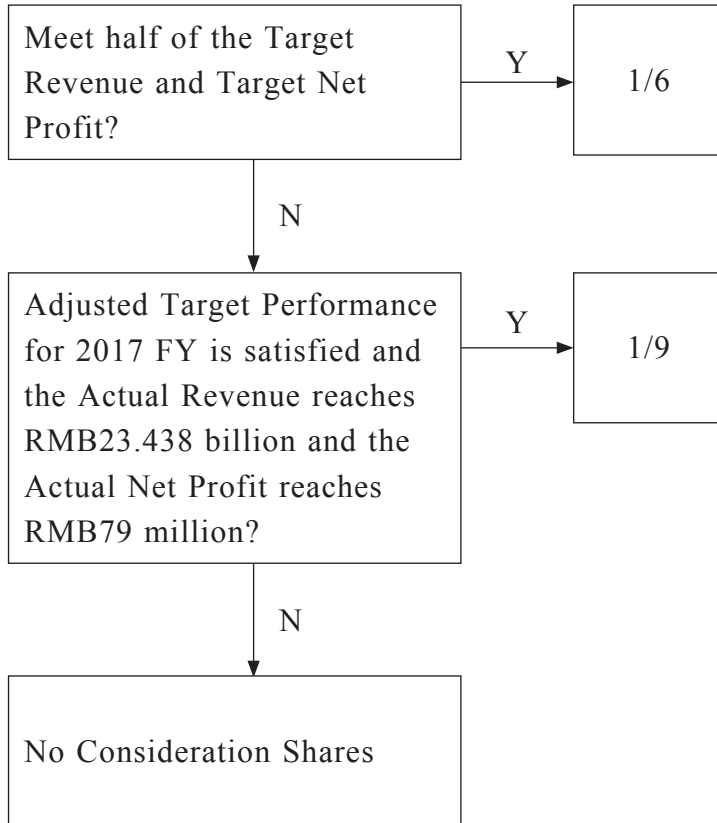
Make-up



2019 FY – half year

Actual Revenue and
Actual Net Profit

Percentage of the
Consideration Shares to be released

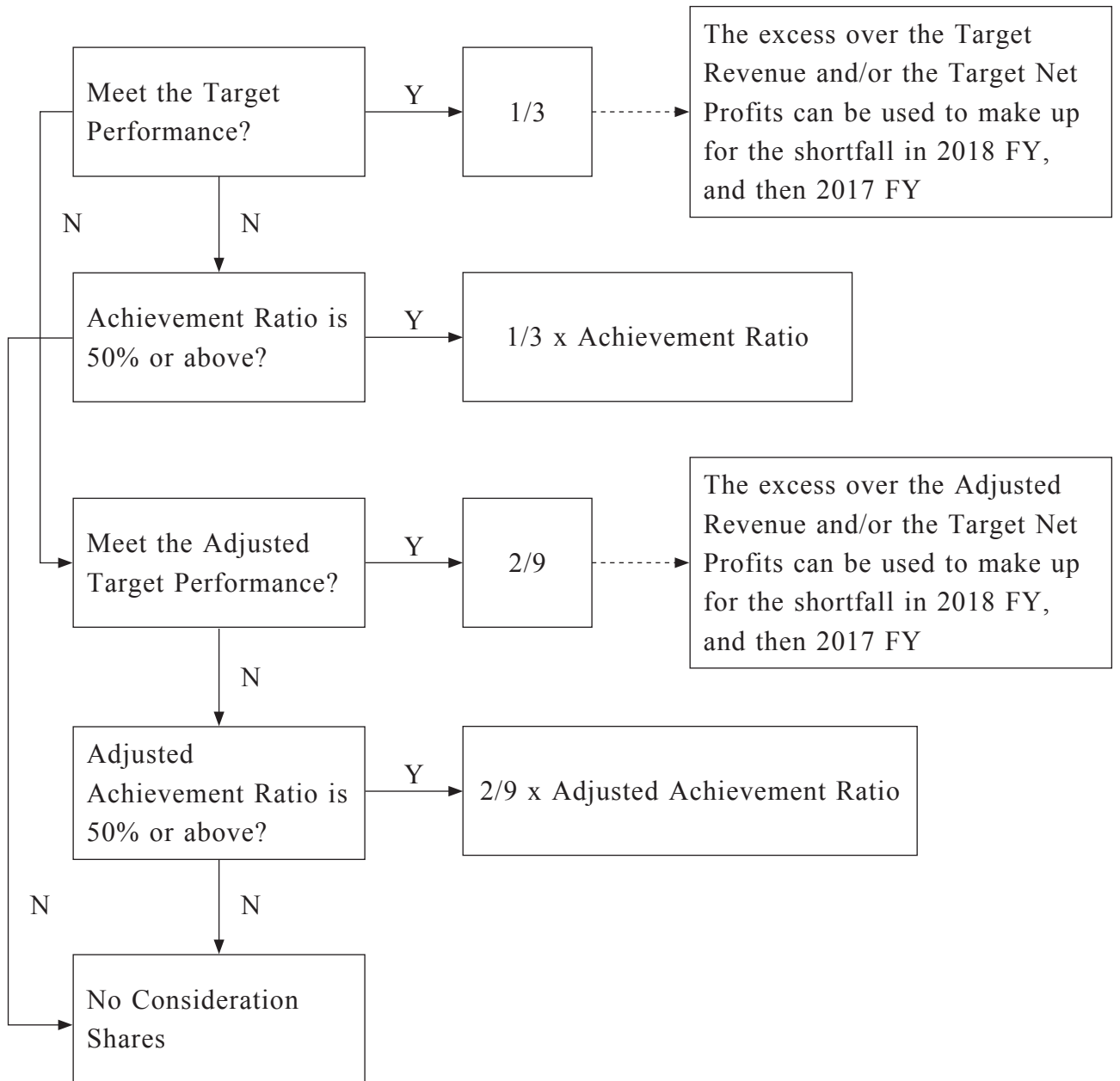


2019 FY

Actual Revenue and
Actual Net Profit

Percentage of the
Consideration shares

Make-up



II. Released from the Lock-up Undertakings for Vendor D:

No.	Release Conditions	Date of Release	Number of Consideration Shares to be released
(a)	If both the Target Revenue and Target Net Profit are satisfied for the relevant financial year:		
(1)	If both the Target Revenue and Target Net Profit are satisfied for each financial year from 2017 to 2021	on the date of the publication of each year's annual report of the Company from 2017 to 2021	One fifth of the Consideration Shares
(b)	If any or both of the Target Revenue and Target Net Profit are not satisfied:		
(1)	if in the relevant financial year, the Achievement Ratio for Vendor D (being calculated based on the formula set out in Note 1 below) is 50% or above	on the date of the publication of the annual report of the Company for the relevant financial years	One fifth of the Consideration Shares x Achievement Ratio for Vendor D
(2)	if in the relevant financial year, the Achievement Ratio for Vendor D is below 50%	N/A	No Consideration Shares will be released

Without prejudice to (a) and (b) above, if any or both of the Target Revenue and the Target Net Profit are not satisfied for 2017 FY but the Actual Revenue and Actual Net Profit for 2017 FY are higher than the Actual Revenue and Actual Net Profit for 2016 FY, the parties have agreed on an adjusted target revenue in respect of Vendor D (the “Adjusted Target Revenue for Vendor D”) and adjusted target net profit in respect of Vendor D (the “Adjusted Target Net Profit for Vendor D”) as follows:

The Adjusted Target Revenue for Vendor D and the Adjusted Target Net Profit for Vendor D are collectively, referred to as the “Adjusted Target Performance for Vendor D”.

Financial year	Adjusted Target Revenue for Vendor D	Adjusted Target Net Profit for Vendor D
2017 FY	the Actual Revenue for Vendor D for 2017 FY	the Actual Net Profit for Vendor D for 2017 FY
2018 FY	the Actual Revenue for Vendor D for 2017 FY x 125%	the Actual Net Profit for Vendor D for 2017 FY x 120%
2019 FY	the Actual Revenue for Vendor D for 2017 FY x 156.25%	the Actual Net Profit for Vendor D for 2017 FY x 144%
2020 FY	the Actual Revenue for Vendor D for 2017 FY x 195.31%	the Actual Net Profit for Vendor D for 2017 FY x 172.80%
2021 FY	the Actual Revenue for Vendor D for 2017 FY x 244.14%	the Actual Net Profit for Vendor D for 2017 FY x 207.36%

For the avoidance of doubt, if any or both of the Actual Revenue and the Actual Net Profit for 2017 FY are not higher than those for 2016 FY, scenario (c) and (d) as set out below will not be applicable.

No.	Release Conditions	Date of Release	Number of Consideration Shares to be released
(c)	For 2017 FY, if any or both of the Target Revenue and the Target Net Profit are not satisfied but the Adjusted Target Performance for Vendor D is satisfied:		
(1)	If both of the Adjusted Target Revenue for Vendor D and Adjusted Target Net Profit for Vendor D are satisfied for 2017 FY	on the date of the publication of the 2017 annual report of the Company	Two-fifteenth of the Consideration Shares
(2)	If both of the Adjusted Target Revenue and Adjusted Target Net Profit are satisfied for 2018 FY	on the date of the publication of the 2018 annual report of the Company	Two-fifteenth of the Consideration Shares
(3)	If both of the Adjusted Target Revenue and Adjusted Target Net Profit are satisfied for 2019 FY	on the date of the publication of the 2019 annual report of the Company;	Two-fifteenth of the Consideration Shares

No.	Release Conditions	Date of Release	Number of Consideration Shares to be released
(4)	If both of the Adjusted Target Revenue and Adjusted Target Net Profit are satisfied for 2020 FY	on the date of the publication of the 2020 annual report of the Company	Two-fifteenth of the Consideration Shares
(5)	If both of the Adjusted Target Revenue and Adjusted Target Net Profit are satisfied for 2021 FY	on the date of on the publication of the 2021 annual report of the Company	Two-fifteenth of the Consideration Shares
(d)	If the Target Performance for 2017 FY is not satisfied but the Adjusted Target Performance for 2017 FY is satisfied and the Adjusted Target Performance for 2018 FY, 2019 FY, 2020 FY and/or 2021 FY is not satisfied:		
(1)	if in the relevant financial year, the Adjusted Achievement Ratio for Vendor D (being calculated based on the formula set out in Note 2 below) is 50% or above	on the date of the publication of the annual report of the Company for the relevant financial years	Two-fifteenth of the Consideration Shares x Adjusted Achievement Ratio for Vendor D
(2)	if in the relevant financial year, the Adjusted Achievement Ratio for Vendor D is below 50%	N/A	no Consideration Shares will be released

Note:

$$1. \quad \text{Achievement Ratio for Vendor D} = \frac{\text{Actual Revenue for the relevant financial year}}{\text{Target Revenue for the relevant financial year}} \times 50\% + \frac{\text{Actual Net Profit for the relevant financial year}}{\text{Target Net Profit for the relevant financial year}} \times 50\%$$

$$2. \quad \text{Adjusted Target Achievement Ratio for Vendor D} = \frac{\text{Actual Revenue for the relevant financial year}}{\text{Adjusted Target Revenue for the relevant financial year}} \times 50\% + \frac{\text{Actual Net Profit for the relevant financial year}}{\text{Adjusted Target Net Profit for the relevant financial year}} \times 50\%$$

Make-up mechanism

If the Actual Revenue and/or Actual Net Profit exceeds the relevant Target Revenue (or Adjusted Target Revenue for Vendor D) and/or the relevant Target Net Profit (or Adjusted Target Net Profit for Vendor D) in any financial year, the excess will be applied in the following order:

No.	Conditions for Making-up	Sequence for making-up by applying the excess	Date of release of the unreleased shares by applying the excess
(1)	If there is a shortfall in the previous financial year,	the excess will be applied to make up for the shortfall of the Actual Revenue or Actual Net Profit in the previous financial year such that the Actual Revenue or Actual Net Profit in the previous financial year will be adjusted for the excess	on the date of publication of the annual report of the Company for the current financial year
(2)	If there is no shortfall in the previous financial year or there is still excess after making up the shortfall in the previous financial year,	the excess will be applied to make up for the shortfall of the Actual Revenue or Actual Net Profit in the financial year before the previous financial year such that the Actual Revenue or Actual Net Profit in the financial year before the previous financial year will be adjusted for the excess	on the date of publication of the annual report of the Company for the current financial year
(3)	If there is no shortfall in any previous financial year or there is still excess after making up the shortfall in all previous financial years,	the excess will be carried forward to make up for the shortfall of the Actual Revenue or Actual Net Profit in the next financial year, provided that the Actual Revenue or Actual Net Profit of the next financial year does not meet the Target Performance but still records a positive increase compared to its previous financial year, the Actual Revenue and/or Actual Net Profit in the next financial year will be adjusted for the excess	on the date of the publication of the annual report of the Company for the next financial year

No. Conditions for Making-up	Sequence for making-up by applying the excess	Date of release of the unreleased shares by applying the excess
(4) If there is no shortfall in the next financial year,	the excess will be carried forward to make up for the shortfall of the Actual Revenue or Actual Net Profit in the financial year after the next financial year, provided that the Actual Revenue or Actual Net Profit of that financial year does not meet the Target Performance but still records a positive increase compared to its previous financial year, the Actual Revenue and/or Actual Net Profit in the financial year after the next financial year will be adjusted for the excess	on the date of the publication of the annual report of the Company for the financial year after the next financial year
(5) If after applying the excess in accordance with (1), (2), (3) or (4) above, there is still shortfall of the Actual Revenue or Actual Net Profit in any financial year between 2017 FY and 2021 FY,	if the Actual Revenue for 2022 FY exceeds RMB80.566 billion and the Actual Net Profit for 2022 FY exceeds RMB251 million, the excess for 2022 FY can be used to make up for the shortfall of the Actual Revenue or Actual Net Profit in the previous financial year and the financial year before the previous financial year successively (if applicable)	on the date of the publication of the 2022 annual report of the Company

Early release from the Lock-up Undertakings

1. If any of Vendor A, Vendor B or Vendor C requests to release any Consideration Shares from the Lock-Up Undertakings before the publication of the 2017 annual report of the Company, subject to the Cash Guarantee (as defined below), the Company may release not more than two thirds of the total Consideration Shares in its Respective Portion upon the request. In the meantime, Vendor A, Vendor B and/or Vendor C must charge a cash account(s) (“**Charged Account**”) with the cash level as the Purchaser thinks fit which must be not less than HK\$300 million and not more than HK\$400 million in favour of the Company (“**Cash Guarantee**”), and,

- A. if the Target Performance for 2017 FY is satisfied, Vendor A, Vendor B and/or Vendor C shall have the right to withdraw the cash and interests from the Charged Account upon the publication of the 2017 annual report of the Company. For the avoidance of doubt, the balance of the Consideration Shares shall only be released from the Lock-Up Undertaking when the number of Consideration Share to be released in accordance with the section headed “Release from the Lock-Up Undertakings” exceeds the actual number of the Consideration Shares already released at the request of each of Vendor A, Vendor B and Vendor C;
 - B. if the Target Performance for 2017 FY is not satisfied, the Vendor A, Vendor B and/or Vendor C shall only have the right to withdraw such portion of the cash and interests from the Charged Account as equal to its respective Achievement Ratio; and
 - C. if the Target Performance is not satisfied in any financial year, and the number of Consideration Shares to be released in accordance with the section headed “Release from the Lock-Up Undertakings” is less than the actual number of the Consideration Shares already released at the request of Vendor A, Vendor B and/or Vendor C (the difference is defined as “**Shortfall Consideration Shares**”), then on the date of the publication of the 2019 annual report of the Company, each of Vendor A, Vendor B and Vendor C has the option to choose to (i) return the Shortfall Consideration Shares to the Company or (ii) pay an amount equal to the value of the Shortfall Consideration Shares calculated at the Issue Price of HK\$4.19 per Consideration Share. After receipt of the Shortfall Consideration Shares by or the payments made to the Company, the Cash Guarantee shall be released.
2. If Vendor D requests to release any Consideration Shares from the Lock-Up Undertakings before the publication of the 2017 annual report of the Company, the Company may release not more than 36% of the total Consideration Shares in its Respective Portion, and,
- A. for the avoidance of doubt, the balance of the Consideration Shares shall only be released from the Lock-Up Undertakings when the number of Consideration Share to be released in accordance with the section headed “Release from the Lock-Up Undertakings” exceeds the actual number of the Consideration Shares already released at the request of Vendor D; and
 - B. if the Target Performance is not satisfied in any financial year, and the number of Consideration Shares to be released in accordance with the section headed “Release from the Lock-Up Undertakings” is less than the actual number of the Consideration Shares already released at the request of Vendor D (the difference is defined as “**Shortfall Consideration Shares for Vendor D**”), then on the date of the publication of the 2022 annual report of the Company, Vendor D has the option to choose to (i) return the Shortfall Consideration Shares for Vendor D to the Company or (ii) pay an amount equal to the value of the Shortfall Consideration Shares for Vendor D calculated at the Issue Price of HK\$4.19 per Consideration Shares.

3. In the event that any of the followings occurs, the Purchaser shall at the written request of the Vendor Group procure the Company to release immediately all the Consideration Shares which have not been released:
 - A. any merger event, including (i) the Company merges with or into, or enter into any legally binding share swap arrangement with, any entity, or (ii) any general offer is made in respect of issued share capital of the Company, which will constitute change of control of the Company;
 - B. Zall Development Investment Company Limited, being the controlling Shareholder of the Company, ceases to hold, directly or indirectly, beneficially 51% or more of the issued ordinary shares of the Company (the “**Potential Change of Control**”);
 - C. the Company becomes insolvent, including voluntary or involuntary liquidation, winding-up or bankruptcy; or
 - D. disposal event, including the Company, directly or indirectly, disposes of its equity interest in the Project Company, such that the Company will no longer be the largest shareholder of the Project Company.

The Company has agreed to immediately release all the Consideration Shares to Vendors in the event of the occurrence of scenario A and scenario B above for the following reasons:

- (a) the occurrence of scenario A or scenario B may trigger a general offer of the Company, which the Vendors (or their respective designated parties) being the Shareholders should be entitled to accept the offer;
- (b) following the Acquisition, the Project Company’s business prospects and development (including whether the Target Performance can be satisfied) will, to a great extent, depend on the business strategy and objective of the Company. In entering into the Acquisition Agreement, the Vendors have relied on the mutual trust and consensus reached with the existing controlling shareholder and the management team of the Company and the ownership and management continuity of the Company is instrumental to the Vendors achieving the Target Performance. If there is a Change of Control, the foundation for the Target Performance may cease to exist; and as at the date of this announcement, Zall Development Investment Company Limited, being the controlling Shareholder of the Company, holds approximately 70.19% of the issued ordinary shares of the Company. Following the negotiation between the Company and the Vendors, it was agreed that in the event the shareholding of the controlling Shareholder of the Company is reduced from 70.19% to less than 51%, it will be a strong indication that there will be change in control of the Company and a possible management movement of the Company. This may in turn lead the Company’s change of business strategy with respect to the business of the Project Company and impact on the possibility of the Target Performance being achieved.

In light of the above, the Board is of view that the above arrangement is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Sale of the Consideration Shares

With respect to Vendor A, Vendor B and Vendor C, following the publication of the 2020 annual report of the Company, if there are still Consideration Shares which have not been released to them in accordance with the paragraph headed “Release from the Lock-Up Undertakings”, each of Vendor A, Vendor B and Vendor C must sell all such unreleased Consideration Shares to the public investors at a price and in such manner as requested by the Purchaser after taking into account the market conditions (including without limitation the then market price of Shares) then subsisting. The proceeds received from the sale of such unreleased Consideration Shares will be remitted to the Purchaser as compensation for the loss suffered by it.

With respect to Vendor D, following the publication of the 2022 annual report of the Company, if there are still Consideration Shares which have not been released to him in accordance with the paragraph headed “Release from the Lock-Up Undertakings”, Vendor D must sell all such unreleased Consideration Shares to the public investors at a price and in such manner as requested by the Purchaser after taking into account the market conditions (including without limitation the then market price of Shares) then subsisting. The proceeds received from the sale of such unreleased Consideration Shares will be remitted to the Purchaser as compensation for the loss suffered by it.

It is expected that the Purchaser will endeavour to dispose the unreleased Consideration Shares through a placing agent at a price that the Company thinks fit but in any event not lower than 80% of the then market price of the Shares to the public investors within 3 months following the publication of the 2020 annual report of the Company (in respect of the unreleased Consideration Shares to Vendor A, Vendor B and Vendor C) or the 2022 annual report of the Company (in respect of the unreleased Consideration Shares to Vendor D). Given the historical financial performance of the Project Company, the growth prospects of e-commerce B2B industry as well as the thorough releasing mechanism as described under the paragraph headed “Release from the Lock-Up Undertakings”, the Company believes that the likelihood of the Consideration Shares being unreleased by the end of the relevant guarantee period is very low. In the event such circumstances occur, the number of the unreleased Consideration Shares would not be significant to the Company. Therefore, the Board is confident that the unreleased Consideration Shares would be able to be sold within the abovementioned 3 months timeframe.

The Company has agreed to allot and issue the Consideration Shares at the First Completion and the Second Completion (as the case may be) as opposed to allotting and issuing the Consideration Shares only when the relevant performance targets are satisfied for the following reasons:

- (c) 100% of the Target Companies will be transferred to the Company and the Consideration should be satisfied in full upon completion of the transfer of the Target Companies;

- (d) following the First Completion, the Target Companies and the Project Company will become subsidiaries of the Company and the financial results of the Target Group will be consolidated in the financial results of the Group and the Company will enjoy the benefits of the performance of the Project Company;
- (e) if the Consideration Shares are not issued in full, the trading price of the Shares may not reflect the true value of the Shares as further Consideration Shares may be issued which will create uncertainty to the performance of the Shares and in turn hinder any potential equity fundraising of the Company in the future; and
- (f) the interest of the Company is protected by the Lock-up Undertakings and the undertakings with respect to the performance targets described above.

Other Undertakings

Pursuant to the Acquisition Agreement, it was agreed between the parties, among others, as follows:

- (a) The chairman of the Project Company shall remain to be Mr. Wei for the period from the First Completion Date till the end of 2022 FY or any other date as agreed between the Parties, and the Company shall procure other parties to assist with the formation and operation of the board of the Target Companies and any company in the Project Group by Mr. Wei (including but not limited to the nomination, appointment and removal of directors).
- (b) The Company will arrange a fee in the amount of RMB20 million each for the year of 2020 and 2021 for research and development and marketing of new products, and such amount shall not affect the Target Performance for the relevant financial years.
- (c) The Company undertakes that:
 - (i) its 2017 annual report shall be issued on or before 30 April 2018;
 - (ii) its 2018 annual report shall be issued on or before 30 April 2019;
 - (iii) its 2019 annual report shall be issued on or before 30 April 2020;
 - (iv) its 2020 annual report shall be issued on or before 30 April 2021; and
 - (v) its 2021 annual report shall be issued on or before 30 April 2022.
- (d) The Purchaser agrees and undertakes that upon Second Completion, assets which are not in the balance sheet and the relevant accounts of the Target Companies but are kept as properties shall be kept by the Purchaser for 12 months since Second Completion as instructed by the Vendors,

and shall use its best endeavours to assist the Vendors to dispose of or sell the relevant assets, and such proceeds of sale shall belong to the Vendors. Once the above 12-month period expires, the Purchaser shall have the right to freely dispose of or sell the relevant assets and keep the proceeds of sale to itself.

Management Shares and Management Options

Pursuant to the Acquisition Agreement, the Company shall and the Purchaser shall procure the Company to within one hundred and eighty days from the date of the Acquisition Agreement (if First Completion occurs within one hundred and eighty days from the date of the Acquisition Agreement) or one hundred and eighty days from the First Completion Date (if First Completion occurs after one hundred and eighty days from the date of the Acquisition Agreement), grant the Management Options to the Core Management Team.

The Management Shares and the Management Options shall be subject to the same Lock-Up Undertaking and release from the Lock-Up Undertakings as those applied to Vendor D. However, for the avoidance of doubt, if any person from the Core Management Team is required to resign involuntarily from the Project Company, they will still be entitled to the Management Shares and the Management Options, which will be released in five equal installments upon the publication of the annual report of the Company for each financial year ended 2017 to 2021 regardless of the Target Performance, provided that if that person voluntarily resigns from the Project Company, such person shall not be entitled to any Management Shares or Management Options which have not been released.

The aggregate of the Management Shares and the Option Shares represents approximately 0.5% of the existing issued share capital of the Company as at the date of the Acquisition Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each member of the Core Management Team is independent of the Company and the connected persons of the Company.

The Management Shares will be allotted and issued under the Specific Mandate and the Management Options will be granted under the Share Option Scheme.

Service Agreement

As one of the Conditions, the Company will enter into the Service Agreement with Mr. Wei, pursuant to which Mr. Wei, being an independent non-executive Director as at the date of this announcement will be re-designated as an executive Director subject to First Completion and with effect from the First Completion Date. The Company will appoint an additional independent non-executive Director and a member of each of the audit committee, the nomination committee and the remuneration committee as soon as possible after the EGM and in any event before the First Completion. Further announcement in relation to the change of Directors and appointment of new independent and non-executive Director will be issued prior to First Completion.

Pursuant to the Service Agreement, Mr. Wei will be appointed as an executive Director for a term from the First Completion Date till 31 December 2019, subject to retirement by rotation and re-election in accordance with the articles of association of the Company. Mr. Wei will be entitled to remuneration of RMB1.2 million annually payable in twelve months and discretionary bonus. In addition, as part of the remuneration package for Mr. Wei's contribution to the Company, subject to satisfaction by the Project Group of the Target Performance for any of the three financial years from 2017 to 2019 in the paragraph headed "Profit Target" above, the Company will allot and issue the Incentive Shares to Mr. Wei within the two weeks after the date on which the annual report for the relevant financial year is published.

Lock-up of the Incentive Shares

Pursuant to the Service Agreement, subject to the paragraph headed "Release of the Incentive Shares", Mr. Wei will undertake to the Company that for so long as the Incentive Shares, if issued, remain listed on the Stock Exchange, without the prior written consent of the Company, he will not, at any time during the period commencing from the First Completion Date till 31 December 2022 sell, offer to sell, contract or agree to sell, transfer or dispose of, or agree to transfer or dispose of, any Incentive Shares. For the purposes of the monitoring, implementing and enforcing the abovementioned lock-up arrangement, the certificates of the Incentive Shares, once issued, will be initially deposited with the Company in escrow and released to Mr. Wei in accordance with the terms set forth in the paragraph headed "Release of the Incentive Shares" below (the "**Incentive Shares' Lock-Up**").

Release of the Incentive Shares

If the Project Group satisfies the Target Performance for any one of the three financial years from 2017 to 2019 in the paragraph headed "Profit Target" above, all of the Incentive Shares will be allotted and issued to Mr. Wei upon the publication of that year's annual report of the Company, of which up to three-fifths of the Consideration Shares will be immediately released from the Incentive Shares' Lock-Up upon issue and the remaining Incentive Shares will be released in equal instalments upon the publication of the annual report of the Company for each of the following financial years up to 2021. By way of illustration, if the Project Group satisfies the Target Performance for 2017 FY, all of the Incentive Shares will be allotted and issued to Mr. Wei upon the publication of 2017's annual report of the Company, of which one-fifth of the Incentive Shares will be immediately released from the Incentive Shares' Lock-Up upon issue and the remaining Incentive Shares will be released from the Incentive Shares' Lock-Up in equal instalments upon the publication of the annual report of the Company for each of the following four financial years from 2018 to 2021, regardless of whether the Target Performance for 2018 FY or 2019 FY is met or not. If the Project Group does not satisfy the Target Performance for 2017 FY but satisfies the Target Performance for 2018 FY, all of the Incentive Shares will be allotted and issued to Mr. Wei upon the publication of 2018's annual report of the Company, of which two-fifths of the Incentive Shares will be immediately released from the Incentive Shares' Lock-Up upon issue and the remaining Incentive Shares will be released

from the Incentive Shares' Lock-Up in equal instalments upon the publication of the annual report of the Company for each of the following three financial years from 2019 to 2021, regardless of whether the Target Performance for 2019 FY is met or not. If none of the Target Performance for 2017 FY, 2018 FY and 2019 FY is met, no Incentive Shares will be allotted and issued to Mr. Wei.

Incentive Shares

The Incentive Shares will represent approximately 0.1% of the existing issued share capital of the Company as at the date of the Acquisition Agreement and 0.09% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares and the Management Shares (assuming there will be no other allotment and issue of new Shares).

Based on the Issue Price of HK\$4.19 per Share as quoted on the Stock Exchange on the date of this announcement, the value of the Incentive Shares will be HK\$45,025,740.

Listing rules implications in relation to the allotment and issue of the Incentive Shares to Mr. Wei

As at the date of this announcement, Mr. Wei is an independent non-executive Director, and therefore, a connected person of the Company. The allotment and issue of the Incentive Shares to Mr. Wei contemplated under the Service Agreement will constitute non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules and thus are subject to reporting, announcement and the Independent Shareholders' approval requirements.

Reasons for the allotment and issue of the Incentive Shares

The proposed allotment and issue of the Incentive Shares to Mr. Wei is to provide incentive for and to reward the potential contribution of Mr. Wei to the Company and the Target Group.

The Directors (save for Mr. Wei, who has material interest in the allotment and issue of the Incentive Shares, abstained from voting at the relevant board meeting) are of the view that the allotment and issue of the Incentive Shares will provide an incentive to retain or otherwise maintain the on-going relationship with Mr. Wei whose contributions are or will be beneficial to the long-term growth and development of the Group. In this regard, the Directors (save for Mr. Wei, who has material interest in the allotment and issue of the Incentive Shares, abstained from voting at the relevant board meeting) consider that the terms and conditions of the Service Agreement (including the allotment and issue of the Incentive Shares) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Consultancy Agreement

As one of the Conditions, the Company will enter into the Consultancy Agreement with VKC, pursuant to which VKC as the consultant will provide E-commerce development related services in PRC to the Company at the consultancy fee which will be satisfied by the allotment and issue of the VKC Consultancy Service Consideration Shares to VKC, subject to First Completion and with effect from the First Completion Date.

Pursuant to the Consultancy Agreement, VKC as the consultant will, at the request and direction of the Company, provide strategic advice and consultancy service to the Company and its major subsidiaries regarding E-commerce development services in China by way of provision of the development strategy, business cooperation opportunities, relevant acquisition targets and relationship networking. In particular, VKC will assist the Project Group to achieve the Performance Target through its provision of the consultancy service. VKC will also be responsible for providing the staff necessary or appropriate to perform its obligations under the Consultancy Agreement and be responsible for all salaries or fees paid to its partners, principals, employees, consultants, agents, representatives or other third parties in connection with the provisions of the abovementioned E-commerce development related services.

Terms of the Consultancy Agreement

The term of the Consultancy Agreement (“**Term**”) is three years commencing from the First Completion Date.

Lock-Up of VKC Consultancy Service Consideration Shares

Pursuant to the Consultancy Agreement, subject to the paragraph headed “Release of VKC Consultancy Service Consideration Shares”, VKC undertakes to the Company that for so long as the VKC Consultancy Service Consideration Shares remain listed on the Stock Exchange, without the prior written consent of the Company, it will not, and will procure that none of its affiliates will, at any time during the Term to sell, offer to sell, contract or agree to sell, transfer or dispose of, or agree to transfer or dispose of, any VKC Consultancy Service Consideration Shares. For the purposes of the monitoring, implementing and enforcing the abovementioned lock-up arrangement, the certificates of the VKC Consultancy Service Consideration Shares, once issued, will be initially deposited with the Company in escrow and released to VKC in accordance with the terms set forth in the paragraph headed “Release of the VKC Consultancy Service Consideration Shares” below (“**VKC Consultancy Service Consideration Shares’ Lock-Up**”).

Release of VKC Consultancy Service Consideration Shares

If the Project Group satisfies the Target Performance for any one of the three financial years from 2017 to 2019 in the paragraph headed “Profit Target” above, all of the VKC Consultancy Service Consideration Shares will be allotted and issued to VKC upon the publication of that year’s annual report of the Company, of which up to three-fifths of the Consideration Shares will be immediately released from the VKC Consultancy Service Consideration Shares’ Lock-Up upon issue and the remaining VKC Consultancy Service Consideration Shares will be released in equal instalments upon the publication of the annual report of the Company for each of the following financial years up to 2021.

VKC Consultancy Service Consideration Shares

The VKC Consultancy Service Consideration Shares represent approximately 0.4% of the existing issued share capital of the Company as at the date of the Acquisition Agreement and 0.37% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares and the Management Shares (assuming there will be no other allotment and issue of new Shares of the Company).

Based on the Issue Price of HK\$4.19 per Share as quoted on the Stock Exchange on the date of this announcement, the value of VKC Consultancy Service Consideration Shares will be approximately HK\$180,090,390.

Reasons for entering into the Consultancy Agreement

VKC is set up as the investment manager of Guarantor A. It is principally engaged in managing the portfolio in such a way to achieve the investment return and development strategy. VKC is a private equity fund focusing on investments in internet, e-commerce and B2B services sectors in China. It has invested in over twenty-five e-commerce businesses in the PRC since 2011 and has accumulated extensive expertise and network in the industry. The Company has, on the other hand, been adjusting its principal business activities with increasingly focusing on e-commerce. The Consultancy Agreement will reinforce the Group’s strategic transformation to an e-commerce enterprise in a sustainable way. The Directors (save for Mr. Wei, who has material interest in the Consultancy Agreement, abstained from voting at the relevant board meeting) consider that the proposed cooperation with VKC will be crucial to the growth of the Group’s e-commerce business, which has high potential to be one of the Group’s main profit streams. The proposed allotment and issue of the VKC Consultancy Service Consideration Shares to VKC is to provide incentive for and to compensate the service of VKC to the Target Group.

The number of the VKC Consultancy Service Consideration Shares are determined after arm's length negotiation between the parties to the Consultancy Agreement taking into account of the following factors:

- (a) the management team of VKC has proven track record in the e-commerce industry, and will play an essential role in the Company's strategic transformation to an e-commerce enterprise;
- (b) the issue of the VKC Consultancy Service Consideration Shares is conditional on the satisfaction of the Performance Target by the Project Group in any one of the financial years from 2017 to 2019, which if the Project Group fails to satisfy the Performance Target in all of 2017 FY, 2018 FY and 2019 FY, no VKC Consultancy Service Consideration Shares will be issued;
- (c) the consultancy service fee will be settled by allotment and issue of the VKC Consultancy Service Consideration Shares in five years and thus will not have adverse impact on the cash flow of the Company for its continuing business operation; and
- (d) VKC will assist the smooth integration of the businesses of the Project Company after completion of the Acquisition, which will demonstrate synergistic effect with the Company's future businesses and operations.

In light of above, the Directors (save for Mr. Wei, who has material interest in the Consultancy Agreement, abstained from voting at the relevant board meeting) consider that the terms and conditions of the Consultancy Agreement (including the consultancy fee which will be satisfied by the allotment and issue of VKC Consultancy Service Consideration Shares) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Listing Rules implication in relation to the issue of the VKC Consultancy Service Consideration Shares to VKC

As at the date of this announcement, VKC is a company controlled by Mr. Wei, an independent non-executive Director. Therefore, VKC is an associate of Mr. Wei and connected person of the Company. The issue of VKC Consultancy Service Consideration Shares to VKC contemplated under the Consultancy Agreement will constitute non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules and thus are subject to reporting, announcement and the Independent Shareholders' approval requirements.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the transactions contemplated under the Consultancy Agreement (including the allotment and issue of VKC Consultancy Service Consideration Shares) and no Shareholder and his associates are therefore required to abstain from voting at the EGM in respect of the resolutions approving, among others, the allotment and issue of VKC Consultancy Service Consideration Shares and the transactions contemplated thereunder.

ZALL DEVELOPMENT INVESTMENT IRREVOCABLE UNDERTAKING

On 28 October 2016, Zall Development Investment, the controlling shareholder of the Company, undertook to the Company and the Vendor Group that it will, and Mr. Yan Zhi, by whom Zall Development Investment is wholly owned, undertook to the Company and the Vendor Group that he shall procure Zall Development Investment to, vote in favour of the resolutions approving the transactions contemplated under the Acquisition Agreement at the EGM.

RANKING OF THE CONSIDERATION SHARES, THE MANAGEMENT SHARES, THE OPTION SHARES, VKC CONSIDERATION AND THE INCENTIVE SHARES

The Consideration Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects among themselves and with the then existing issued Shares.

The Management Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the then existing issued Shares.

The Option Shares, when allotted and issued following the exercise of the Management Options, will rank *pari passu* in all respects among themselves and with the then existing issued Shares.

The Incentive Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the then existing issued Shares.

The VKC Consultancy Service Consideration Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the then existing issued Shares.

SPECIFIC MANDATE TO ISSUE THE CONSIDERATION SHARES, THE INCENTIVE SHARES, VKC CONSULTANCY SERVICE CONSIDERATION SHARES AND THE MANAGEMENT SHARES AND GRANT OF THE MANAGEMENT OPTIONS

The Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares and the Management Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

The Management Options will be granted under the Share Option Scheme.

APPLICATION FOR LISTING

An application will be made by the Company to the listing committee of the Stock Exchange for the grant of the approval for the listing of, and permission to deal in, the Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares and the Management Shares prior to the First Completion Date.

INFORMATION ON THE COMPANY AND THE PURCHASER

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.

The Purchaser is an investment holding company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company.

INFORMATION ON THE GUARANTORS AND THE VENDORS GROUP

Guarantor A is a limited partnership incorporated in Cayman Islands. Vendor A is an investment holding company incorporated in the British Virgin Islands and is a subsidiary of Guarantor A. The Target Company A is an investment holding company incorporated in the British Virgin Islands and is wholly owned by Vendor A.

Guarantor B is a limited partnership incorporated in Cayman Islands. Vendor B is an investment holding company incorporated in the British Virgin Islands and is a subsidiary of Guarantor B. The Target Company B is an investment holding company incorporated in the British Virgin Islands and is wholly owned by Vendor B.

Vendor C is a citizen of New Zealand.

Vendor D is a citizen of Hong Kong.

INFORMATION ON THE TARGET GROUP

The Target Companies together own, directly or indirectly, approximately 60.49% equity interests in the Project Company. Other than holding the equity interests in the Project Company, each of the Target Companies does not have any other business.

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 2014 and 31 December 2015 respectively:

Business segment	As at 31 December 2014		As at 31 December 2015	
	Revenue <i>(RMB '000)</i>	% contribution to total revenue	Revenue <i>(RMB '000)</i>	% contribution to total revenue
Income from trading				
Sugar	6,866,070	93.89	12,442,600	97.73
Cocoon & Silk	220,760	3.02	135,390	1.07
Kiwi	—	—	18,420	0.14
Apple	96,280	1.32	—	—
Sub-total	7,183,110	98.23	12,596,410	98.94
Income from supply chain finance and other service charges				
Sugar	56,440	0.77	73,150	0.57
Cocoon & Silk	30,760	0.42	27,530	0.22
Apple	3,390	0.05	3,780	0.03
Timber	1,220	0.02	3,310	0.03
Others	790	0.01	3,120	0.02
Sub-total	92,600	1.27	110,890	0.87
Other income				
Information system	26,480	0.36	16,710	0.13
Others	10,470	0.14	7,200	0.06
Sub-total	36,950	0.50	23,910	0.19
Total	7,312,660	100	12,731,210	100
— Revenue from financial statements	7,312,660		12,731,210	
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 and 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 Target Group

Each of the Target Companies was incorporated in 2016. Thus, no financial information was available for the financial years ended 31 December 2014 and 2015.

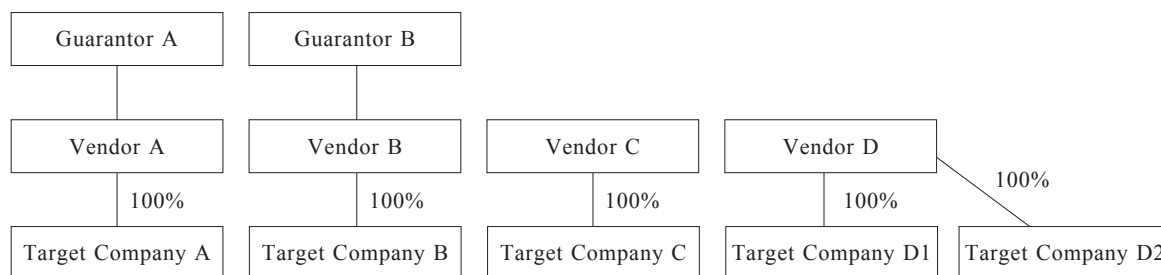
As at the date of this announcement, the principal assets of the Target Companies were the investment of approximately 60.49% equity interest of the Project Company. Set out below is the audited and consolidated financial information of the Project Company for each of the two financial years ended 31 December 2014 and 2015, which were prepared in accordance with the China Accounting Standards for Business Enterprises:

	For the year ended 31 December 2014	For the year ended 31 December 2015
	<i>Approximately RMB'000</i>	<i>Approximately RMB'000</i>
Before tax profit	48,345	53,864
After tax profit	36,909	44,356
Net assets	597,890	580,081

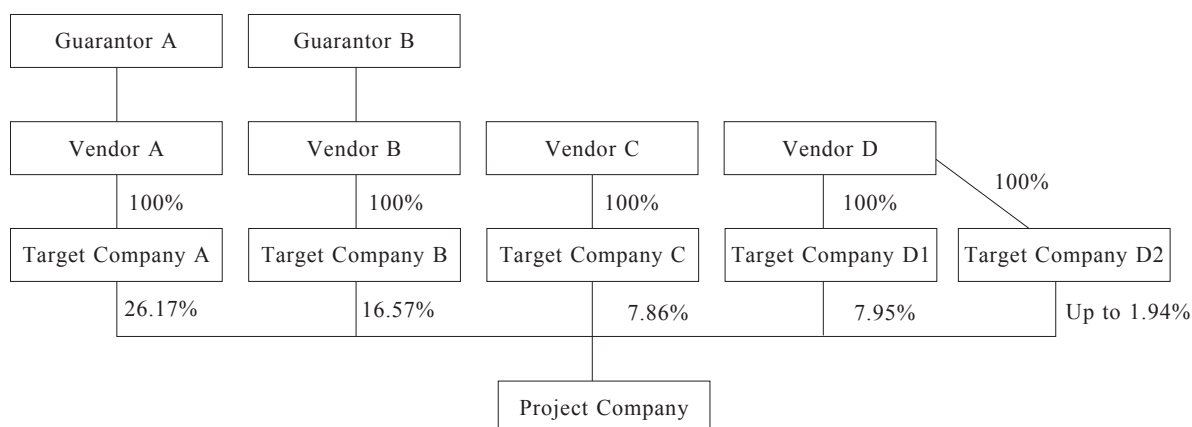
An accountants' report on the Target Group (including the Project Group) prepared in compliance with the requirements of the Listing Rules will be included in the circular to be despatched to the Shareholders.

Shareholding structure of the Target Group

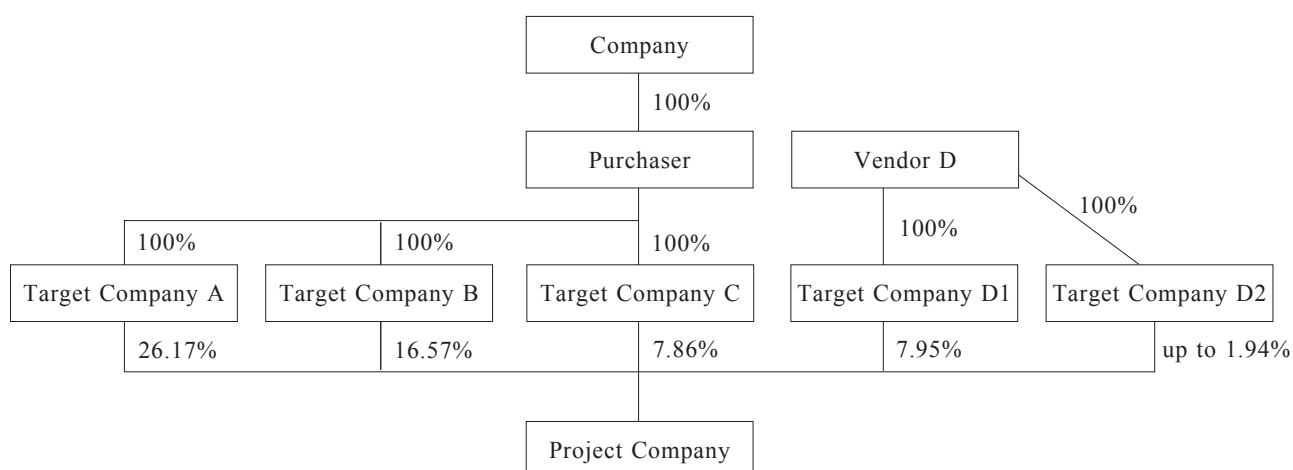
(a) Group structure of the Target Group as at the date of this announcement:



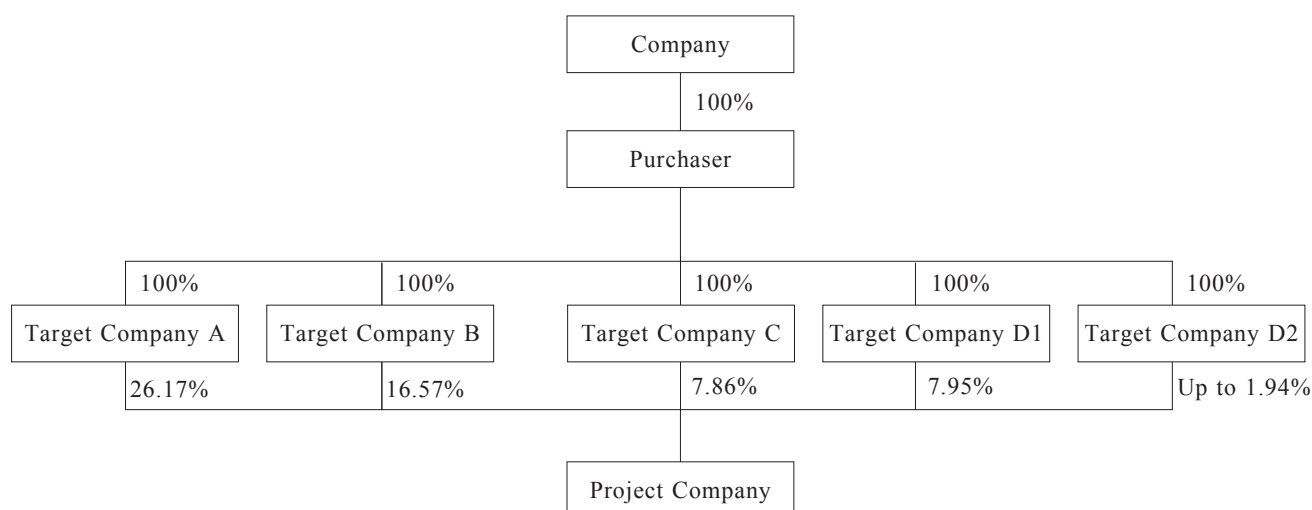
(b) Group structure of the Target Group immediately before First Completion:



(c) Group structure of the Target Group immediately after First Completion but before Second Completion:



(d) Group structure of the Target Group immediately after Second Completion:



INFORMATION ON VKC

VKC, being a company incorporated in Cayman Islands with limited liability, is set up as the investment manager of Guarantor A. It is principally engaged in managing the portfolio in such a way to achieve investment return and development strategy.

EFFECT ON THE SHAREHOLDING STRUCTURE

The following table sets out the effect of the issue of the Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares and the Management Shares on the shareholding structure of the Company based on the issued share capital and shareholding structure of the Company as at the date of this announcement, the enlarged shareholding structure of the Company immediately after the Completion (assuming there is no other allotment and issue of new Shares of the Company) and immediately after the allotment and issue of the Management Shares (assuming there is no other allotment and issue of new Shares of the Company):

	As at the date of this announcement		Immediately upon the allotment and issue of all the Consideration Shares, the Incentive Shares and VKC Consultancy Service Consideration Shares		Immediately upon the allotment and issue of the Management Shares	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Zall Development Investment Company Limited (<i>Note 1</i>)	7,542,545,268	70.19%	7,542,545,268	66.06%	7,542,545,268	65.75%
Vendor A or its designated parties	—	—	267,489,000	2.34%	267,489,000	2.33%
Vendor B or its designated parties	—	—	169,410,000	1.48%	169,410,000	1.48%
Vendor C or its designated parties	—	—	80,328,000	0.70%	80,328,000	0.70%

	As at the date of this announcement		Immediately upon the allotment and issue of all the Consideration Shares, the Incentive Shares and VKC Consultancy Service Consideration Shares		Immediately upon the allotment and issue of the Management Shares	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Vendor D or its designated parties	—	—	101,094,000	0.89%	101,094,000	0.88%
Mr. Wei	—	—	10,746,000	0.09%	10,746,000	0.09%
VKC	—	—	42,981,000	0.38%	42,981,000	0.37%
Core Management Team	—	—	—	—	53,727,000	0.47%
Public Shareholders	3,203,032,482	29.81%	3,203,032,482	28.05%	3,203,032,482	27.92%
	<u>10,745,577,750</u>	<u>100%</u>	<u>11,417,625,750</u>	<u>100%</u>	<u>11,471,352,750</u>	<u>100%</u>

Note:

- As at the date of this announcement, Zall Development Investment Company Limited is a company wholly-owned by Mr. Yan Zhi, co-chairman of the Company and executive Director.

Upon Completion, the Purchaser will hold approximately 60.49% of the entire equity interest of the Target Group and will have the right to appoint four out of the seven directors of the board of directors of the Project Company, to be exercised by Mr. Wei on behalf of the Purchaser. Accordingly, the Target Companies will become wholly-owned subsidiaries of the Company and the Target Group's financial results will be consolidated into the consolidated financial statements of the Company.

REASONS FOR THE 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 Acquisition, abstained from voting at the relevant board meeting) are of the view that the Acquisition can strengthen the Group existing e-commerce 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 acquisition marks the further development of the Group's e-commerce and supply chain finance businesses.

The Directors (save for Mr. Wei, who has material interest in the Acquisition, abstained from voting at the relevant board meeting) consider that the terms of the Acquisition and the Acquisition 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 Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules.

As at the date of this Announcement, Guarantor A is a limited partnership whose general partner is controlled by Mr. Wei, an independent non-executive Director. Vendor A is a subsidiary of Guarantor A. Therefore, Guarantor A and Vendor A are regarded as associates of Mr. Wei under the Chapter 14A of the Listing Rules and the connected persons of the Company. Accordingly, the transactions contemplated under the Acquisition Agreement also constitutes a connected transaction for the Company under Rule 14A of the Listing Rules and are subject to the requirements of reporting, announcement, circular and Independent Shareholders' approval under Chapter 14 and Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition and no Shareholder and his associates are therefore required to abstain from voting at the EGM in respect of the resolutions approving the Acquisition, the allotment and issue of the Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares, the Management Shares and the grant of the Management Options.

GENERAL

The IBC, comprising Mr. Cheung Ka Fai and Mr. Wu Ying, independent non-executive Director, for the purpose of making a recommendation to the Independent Shareholders in respect of the transactions contemplated under the Transaction Documents, including the Acquisition, the allotment and issue of the Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares, the Management Shares and the grant of the Management Options has been established in compliance with Rule 14A.41 of the Listing Rules. The Independent Financial Adviser will be appointed by the Company to advise IBC and the Independent Shareholders with respect to the Acquisition.

A circular containing, among other things, further details about the transactions contemplated under the Transaction Documents, including the Acquisition, the allotment and issue of the Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares and the Management Shares and the grant of the Management Options, a letter of advice from the Independent Financial Adviser 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 31 December 2016.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 1:00 p.m. on 28 October 2016 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 14 November 2016.

Shareholders and potential investors should note that completion of the Acquisition is subject to the fulfillment of the conditions under the Acquisition Agreement and the Acquisition Agreement 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:

“Acquisition”	the proposed acquisition of the Total Target Shares pursuant to the terms and conditions of the Acquisition Agreement;
“Acquisition Agreement”	the agreement dated 28 October 2016 entered into among the Vendors, the Guarantors, the Purchaser and the Company in relation to the Acquisition;
“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the Board of Directors of the Company;
“Business Day(s)”	a day(s) on which banks are open for business in Hong Kong and the PRC (excluding Saturdays, Sundays and public holidays);
“Circular”	the circular of the Company to be dispatched to the Shareholders in relation to, among other things, the Acquisition Agreement and the transactions contemplated thereunder;

“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 persons”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the consideration payable for the Total Target Shares under the Acquisition Agreement;
“Consideration Shares”	up to 618,321,000 Shares to be allotted and issued by the Company to the Vendors or their designated parties at the Issue Price of HK\$4.19 each as the Consideration for the Total Target Shares;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Consultancy Agreement”	the consultancy agreement to be entered into between the Company and VKC on or before the First Completion;
“Core Management Team”	the core management personnel of the Project Company, comprising Mr. Sun Wei (孫煒) (CEO), Mr. Qi Zhiping (齊志平) (vice chairman) and other senior management to be appointed in writing by the above persons before the dispatch of the Circular;
“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 Acquisition Agreement and the transactions contemplated thereunder;
“First Completion”	the first completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement;
“First Completion Condition(s)”	the condition(s) precedent to the First Completion of the Acquisition Agreement;
“First Completion Date”	the fifth Business Day after all the First Completion Conditions have been satisfied or waived or otherwise designated under the Acquisition Agreement, or as agreed by the Parties in written form;
“First Long Stop Date”	30 April 2017 (or such later date as may be agreed between the parties);
“Group”	the Company and its subsidiaries from time to time;

“Guarantor A”	Vision Knight Capital (China) Fund I, L.P., a limited partnership incorporated in Cayman Islands;
“Guarantor B”	Greenwoods Bloom Fund, L.P., a limited partnership incorporated in Cayman Islands;
“Guarantors”	collectively, Guarantor A and Guarantor B;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“IBC”	an independent board committee of the Board comprising all the independent non-executive Directors other than Mr. Wei established for the purpose of advising the Independent Shareholders on the Acquisition;
“Incentive Shares”	the restricted shares of the Company to be issued to Mr. Wei by the Company pursuant to the terms and condition of the director’s service agreement between the Company and Mr. Wei, which represents 0.1% of the total issued share capital of the Company as of the date of this announcement;
“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company to advise the IBC and the Independent Shareholders with respect to, among others, the Acquisition;
“Independent Shareholders”	Shareholders who are not interested in or involved in the Acquisition Agreement and the transactions contemplated thereunder;
“Issue Price”	the issue price of HK\$4.19 per Share;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Lock-Up Undertakings”	the Lock-Up Undertaking for Vendor A, Vendor B and Vendor C and the Lock-Up Undertaking for Vendor D as provided in the Acquisition Agreement;
“Management Options”	the options to be granted by the Company to the Core Management Team pursuant to the Acquisition Agreement, which entitle the option holders to subscribe for 45,667,950 Options Shares at the exercise price determined in accordance with the Share Option Scheme;

“Management Shares”	8,059,050 Shares to be allotted and issued by the Company to the Core Management Team free of charge pursuant to the Acquisition Agreement as recognition for the contribution made by such persons to the Company and the Project Group;
“Management Team”	the existing management team of the Project Company;
“Mr. Wei”	Mr. Wei Zhe, David, an independent non-executive director of the Company;
“Option Shares”	an aggregate of up to 45,667,950 Shares to be issued pursuant to the Management Options;
“PRC”	the People’s Republic of China which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan;
“Project Company”	深圳市中農網股份有限公司 (Shenzhen Agricultural Product E-commerce Joint Stock Company*), a company established in the PRC with limited liability;
“Project Group”	Project Company and its subsidiaries;
“Purchaser”	Zall Development (BVI) Holding Company Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company;
“Purchaser Group”	includes the Purchaser and the Company, and the “ Purchaser Group Company ” means any member of the Purchaser Group;
“Respective Portion”	the respective proportion of each Vendor in respect of the Consideration as set out in the Acquisition Agreement, and the summation of each Vendor’s Respective Portion is 100%;
“RMB”	Renminbi, the lawful currency of the PRC;
“Second Completion”	the second completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement;
“Second Completion Condition(s)”	the condition(s) precedent to Second Completion of the Acquisition Agreement;

“Second Completion Date”	the fifth Business Day after all the Second Completion Conditions have been satisfied or otherwise designated under the Acquisition Agreement, or as agreed by the Parties in written form, but in no event earlier than the First Completion Date;
“Second Long Stop Date”	31 October 2017 (or such later date as may be agreed between the parties);
“Service Agreement”	the service agreement to be entered into between Mr. Wei and the Company on or before the First Completion, pursuant to which Mr. Wei will be re-designated as an executive Director of the Company;
“Shareholder(s)”	shareholders of the Company;
“Share Option Scheme”	the share option scheme adopted by the Company on 20 June 2011;
“Shares”	ordinary shares of HK\$0.00333 each of the Company;
“Specific Mandate”	the specific mandate for the allotment and issue of the Consideration Shares, the Incentive Shares, VKC Consultancy Service Consideration Shares, the Management Shares and the Option Shares, which is subject to the approval by the Independent Shareholders voting by way of poll at the EGM;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Companies”	collectively, Target Company A, Target Company B, Target Company C, Target Company D1 and Target Company D2;
“Target Company A”	Superu Company Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company after the Acquisition;
“Target Company B”	Perfect International Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company after the Acquisition;
“Target Company C”	Sweet Returns Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company after the Acquisition;

“Target Company D1”	Ronald Development International Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company after the Acquisition;
“Target Company D2”	Sweet Returns Investment Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company after the Acquisition;
“Target Group”	the Target Companies and its subsidiaries;
“Target Shares A”	one issued share of the Target Company A, representing the entire issued shares of the Target Company A as at the date of this Announcement;
“Target Shares B”	one issued share of the Target Company B, representing the entire issued shares of the Target Company B as at the date of this Announcement;
“Target Shares C”	one issued share of the Target Company C, representing the entire issued shares of the Target Company C as at the date of this Announcement;
“Target Shares D1”	one issued share of the Target Company D1, representing the entire issued shares of the Target Company D1 as at the date of this Announcement;
“Target Shares D2”	one issued share of the Target Company D2, representing the entire issued shares of the Target Company D2 as at the date of this Announcement;
“Total Target Shares”	all of Target Shares A, Target Shares B, Target Shares C, Target Shares D1 and Target Shares D2;
“Transaction Documents”	the transaction documents which include (i) the Acquisition Agreement; (ii) the Consultancy Agreement; (iii) the Service Agreement; and (iv) any other documents as designated by the Purchaser Group and the Vendor Group from time to time;
“US\$”	the lawful currency of the United States of America;
“Vendor Group”	includes all the Vendors, the “ Vendor Group Company ” means any member of the Vendor Group;

“Vendors”	collectively, the Vendor A, Vendor B, Vendor C and Vendor D;
“Vendor A”	EJC Group Limited, a company with limited liability incorporated in the British Virgin Islands;
“Vendor B”	Great Morning Holding Limited, a company with limited liability incorporated in the British Virgin Islands;
“Vendor C”	CHAN Kit;
“Vendor D”	CHAN Nanjula Wai Po (陳慧寶) ;
“VKC”	Vision Knight Capital Management Company Limited, a company incorporated in Cayman Islands with limited liability and a company controlled by Mr. Wei;
“VKC Consultancy Service Consideration Shares”	an aggregate of 42,981,000 Shares of the Company, to be allotted and issued to VKC pursuant to the Consultancy Agreement;
“Zall Development Investment”	Zall Development Investment Company Limited, the controlling shareholder of the Company and a company wholly owned by Mr. Yan Zhi;
“2016 FY”	the financial year ended 31 December 2016;
“2017 FY”	the financial year ended 31 December 2017;
“2018 FY”	the financial year ended 31 December 2018;
“2019 FY”	the financial year ended 31 December 2019;
“2020 FY”	the financial year ended 31 December 2020;
“2021 FY”	the financial year ended 31 December 2021;

“2022 FY” the financial year ended 31 December 2022; and

“%” per cent.

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

Hong Kong, 13 November 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 of the Company; Mr. Cheung Ka Fai, Mr. Wu Ying and Mr. Wei Zhe, David, as independent non-executive directors of the Company.

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