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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)

**INSIDE INFORMATION
NEW BUSINESS DEVELOPMENT**

This announcement is made by Zall Group Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wish to inform shareholders (“**Shareholders**”) and potential investors of the Company that, as part of its business development strategies, the Group has branched out into the business of supply chain management and other related value-added businesses (the “**Supply Chain Management Business**”) in the second half of 2016 through its below subsidiaries:

- (i) Zall Development (Wuhan) Co., Ltd* (卓爾發展(武漢)有限公司)(“**Zall Development Wuhan**”), an indirect wholly owned subsidiary of the Company;
- (ii) Zall Heng Supply Chain Management (Wuhan) Co., Ltd.*(卓恒供應鏈管理(武漢)有限公司) (“**Wuhan Zall Heng**”), an indirect 60% owned subsidiary of Zall Development Wuhan;
- (iii) Zhenjiang Joy Supply Chain Management Co., Ltd. *(鎮江卓恒供應鏈管理有限公司) (“**Zhenjiang Joy**”), a direct wholly owned subsidiary of Wuhan Zall Heng;
- (iv) Hong Kong Joy Resources Investment Co., Ltd. *(香港卓恒資源投資有限公司)(“**Hong Kong Joy**”), a direct wholly owned subsidiary of Wuhan Zall Heng;
- (v) Zall Commerce Supply Chain Management (Wuhan) Co., Ltd.*(卓爾雲商供應鏈管理(武漢)有限公司) (“**Zall Commerce**”), an indirect wholly owned subsidiary of the Company; and
- (vi) Wuhan Agriculture Supply Chain Management Co., Ltd.* (武漢卓農匯供應鏈管理有限公司) (“**Wuhan Zall Agriculture**”), an indirect wholly owned subsidiary of Zall Development Wuhan.

* for identification purposes only

Of the aforesaid subsidiaries of the Group, (i) Wuhan Zall Heng, Zhenjiang Joy and Hong Kong Joy are principally engaged in the provision supply chain management services and solutions for the supply of non-ferrous metals, (ii) Zall Commerce is principally engaged in developing the Group's various supply chain business platforms, and (iii) Wuhan Zall Agriculture is principally engaged in supply chain management businesses relating to the agriculture commodity products.

Owing to the Group's rapid development of e-commerce business, Zallgo and commodity market business has led to a substantial concentration of transaction parties. As a result, the need for supply chain management service develops rapidly with the demand for synchronisation of information along the supply chain, and the Group has established various above-mentioned companies to commence such kind of business. The Group serves as a supply chain service provider and trader for up-stream suppliers and down-stream customers through Supply Chain Management Business, which in turn results into a substantial growth of integrated businesses of online trading and services, symbolising the initial success of the Company's internet-oriented and intelligence-oriented transformation. In the same time, it also causes changes to the income portfolio of the Company. Given the characteristics of initial development of e-commerce and Supply Chain Management Business, it is expected to generate higher revenue but lower profit margin.

The Board is of view the development of Supply Chain Management Business will enable the Group to establish deeper connections between both supply and demand sides of the supply chain, engage in various business aspects such as trading, logistics, storage, delivery and financing, enhance efficiency of integrated services, and in the same time, consolidate and optimise flows of commodities, capital and information of supply chain which facilitate trading enterprises to enhance intelligent trading, reduce consolidated cost and strengthen competitiveness. The development of convenient and efficient Supply Chain Management Business of the Group, which is based on core trading functions, further incurs synergy for the Group which will: (a) substantially increase the reliance on the trading platform to expand the competitive advantages of the platform and further leverage on the function of transactions concentration; (b) achieve stable profit from such service and enhance the Group's profitability by providing services in segments such as intelligent logistic, supply chain finance services and intelligent cloud storage management; (c) perform data mining and establish big-data platform by utilizing supply chain information, develop innovative derivative products and lead the trend of intelligent trading service of the industry; (d) solidify the trading and service capability of various aspects such as non-ferrous metal, consumer goods wholesaling and agriculture commodity products, so as to further optimise the Zall's global intelligent trading service chain. In view of the aforesaid, the Directors are of the view that the development of the Supply Chain Management Business are in the interest of the Group and the Shareholders as a whole.

Due to the nature of the Supply Chain Management Business as described above and based on the current information available to the management, and the preliminary review and assessment of the latest unaudited consolidated management accounts of the Group for the year ended 31 December 2016 (the “**Management Accounts**”), it is expected that the Group’s consolidated revenue for the second half of 2016 will show a substantial increase from the first half of 2016. As a result, it is expected that the Group’s consolidated revenue for the full year ended 31 December 2016 based on continuing operations will increase by over 200% to 250% from RMB1,029.5 million for the year ended 31 December 2015. At the same time, it is expected that the Supply Chain Management Business will have no significant impact on the Group’s consolidated profit for the financial year ended 31 December 2016.

The Company has yet to finalise the annual results of the Group for the twelve months ended 31 December 2016. The information contained in this announcement is only based on a preliminary assessment by the management of the Company with reference to the information currently available including the Management Accounts, which have not been reviewed nor audited by the Company’s auditors or the audit committee of the Company, and the actual results of the Group for the twelve months ended 31 December 2016 may be different from what is disclosed herein. Shareholders and potential investors of the Company are advised to read carefully the annual results announcement of the Company for the twelve months ended 31 December 2016 which is expected to be published before the end of March 2017.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 27 January 2017

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