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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)

**UPDATES ON INSIDE INFORMATION
NEW BUSINESS DEVELOPMENT**

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

Reference is made to the announcement of the Company dated 27 January 2017 (the “**Announcement**”) in relation to the Group’s branching out into the Supply Chain Management Business in the second half of 2016 through (i) Zall Development Wuhan; (ii) Wuhan Zall Heng; (iii) Zhenjiang Joy; (iv) Hong Kong Joy; (v) Zall Commerce; and (vi) Wuhan Zall Agriculture. Unless otherwise specified, capitalized terms used herein shall have the same meanings as those defined in the Announcement.

As stated in the Announcement, due to the nature of the Supply Chain Management Business and based on the then information available to the management of the Company and the preliminary review and assessment of the available unaudited consolidated management accounts of the Group for the year ended 31 December 2016, it was then expected that the Group’s consolidated revenue for the second half of 2016 would show a substantial increase from the first half of 2016. As a result, it was then 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.

The Board wishes to inform Shareholders and potential investors of the Company that, based on the latest discussion between the management of the Company and the auditor of the Company, taking into the consideration of the contractual arrangement and the involvement of the Company over Wuhan Zall Heng, it is expected that Wuhan Zall Heng, an entity of which the Company owned as

to 60% equity interest through its indirect wholly-owned subsidiary, Zall Development Wuhan, will be recognised as a joint venture of the Group on an equity accounting basis instead of as a non-wholly owned subsidiary of the Company from its date of incorporation (the “**Recognition**”). As a result of the Recognition, the financial results of Wuhan Zall Heng and its subsidiaries will not be consolidated to the financial results of the Group.

Accordingly, the Board wishes to inform the Shareholders and potential investors that, based on a further review and assessment of the latest unaudited consolidated management accounts of the Group for the year ended 31 December 2016 after taking into consideration of the financial effect of the Recognition, it is expected that the Group’s consolidated revenue for the year ended 31 December 2016 will remain at a similar level as for that for the year ended 31 December 2015.

The Company is still in the process of finalising the annual results of the Group for the year ended 31 December 2016. The information contained in this announcement is only based on an assessment by the management of the Company with reference to the information currently available, 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 year 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 year ended 31 December 2016 which is expected to be published on or about 31 March 2017.

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

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

Hong Kong, 29 March 2017

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