

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

**SUBSCRIPTION OF NEW SHARES
UNDER GENERAL MANDATE**

The Board is pleased to announce that on 30 May 2017, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue, an aggregate of 357,141,000 Subscription Shares, at a Subscription Price of HK\$4.2 per Subscription Share on the Completion Date.

The Subscription Shares represent:

- (a) approximately 3.32% of the existing total issued Shares as at the date of this announcement; and
- (b) approximately 3.22% of the total issued Shares as enlarged by the allotment and issue of the Subscription Shares (assuming that there will not be any change in the issued share capital of the Company between the date of this announcement and the Completion Date save for the allotment and issue of the Subscription Shares).

The Subscription Shares will be allotted and issued under the General Mandate.

Completion of the Subscription is conditional upon the listing committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares.

Shareholders and potential investors should note that Completion is subject to the fulfillment of the condition precedent under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

THE SUBSCRIPTION AGREEMENT

The Board is pleased to announce that on 30 May 2017, the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Subscriber conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue, an aggregate of 357,141,000 Subscription Shares, at a Subscription Price of HK\$4.2 per Subscription Share on the Completion Date.

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

Date

30 May 2017

Parties

- (i) the Company, as issuer; and
- (ii) the Subscriber.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner(s) are independent of the Company and connected persons of the Company. The Subscriber will not become a substantial shareholder (as defined in the Listing Rules) of the Company immediately upon completion of the Subscription.

Subject Matter

Pursuant to the Subscription Agreement, the Subscriber conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue, an aggregate of 357,141,000 Subscription Shares at a Subscription Price of HK\$4.2 per Subscription Share on the Completion Date.

The Subscription Shares represent:

- (a) approximately 3.32% of the existing total issued Shares as at the date of this announcement; and
- (b) approximately 3.22% of the total issued Shares as enlarged by the allotment and issue of the 357,141,000 Subscription Shares (assuming that there will not be any change in the issued share capital of the Company between the date of this announcement and the Completion Date save for the allotment and issue of the Subscription Shares).

The aggregate nominal value of the Subscription Shares is HK\$1,189,279.53.

Subscription Price

The Subscription Price of HK\$4.2 per Subscription Share represents:

- (a) a discount of approximately 10.26% to the closing price of HK\$4.68 per Share as quoted on the Stock Exchange on 29 May 2017, being the last trading day immediately prior to the date of the Subscription Agreement; and
- (b) a discount of approximately 8.02% to the average closing price of approximately HK\$4.566 per Share as quoted on the Stock Exchange for the last five trading days up to and including 29 May 2017, being the date immediately prior to the date of the Subscription Agreement.

The Subscription Price was determined after arm's length negotiations between the Subscriber and the Company with reference to, among others, the current market conditions, the recent trading performance of the Shares and business prospects of the Group. The Directors consider that the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and are on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

Conditions Precedent

Pursuant to the Subscription Agreement, the Completion is conditional upon the listing committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares.

In the event that the above condition is not fulfilled on or before the Long Stop Date, the Company shall have a right to serve a written notice to the Subscriber to terminate all rights and obligations of the parties under the Subscription Agreement.

Completion

Completion under the Subscription Agreement will take place on the Completion Date.

Ranking of the Subscription Shares

The Subscription Shares, when allotted, issued and fully paid, will rank pari passu in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

General Mandate to allot and issue the Subscription Shares

The Subscription Shares will be allotted and issued pursuant to the General Mandate. Under the General Mandate, the Directors are authorized to allot and issue up to 2,149,115,550 Shares, being 20% of the total number of Shares in issue of the Company as at the date of the annual general meeting held on 18 May 2017, which was 10,745,577,750 Shares.

As at the date of this announcement, no Shares have been allotted and issued under the General Mandate. The General Mandate is sufficient for the allotment and issue of the Subscription Shares. As such, the allotment and issue of the Subscription Shares is not subject to Shareholders' approval at a general meeting.

Application for listing

An application will be made by the Company to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

INFORMATION OF THE SUBSCRIBER

The Subscriber is an exempted company incorporated with limited liability and registered as a segregated portfolio company under the laws of the Cayman Islands participating in OBOR Innovation Technology Fund SP, a segregated portfolio of OBOR Global Innovation Fund SPC. Its ultimate beneficial owners are independent third parties to the Company.

The Subscriber is principally engaged in investing in any equity or debt, including but not limited to convertible bonds, other investment funds or other financial instruments issued by underlying companies.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

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.

The Directors consider that the Subscription will broaden the shareholder base of the Company and enhance the Company's profile. Further, the Subscription will strengthen the Company's capital base and financial position while reducing the level of gearing, saving finance costs which thereby enhances the Company's market competitiveness.

Upon Completion, the gross and net proceeds (after deducting related costs and expenses from the Subscription which will be borne by the Company) from the Subscription are estimated to be approximately HK\$1.5 billion. The Company intends to apply the net proceeds from the Subscription to repay certain debt of the Group and as general working capital of the Group. The net price of each Subscription Share will be approximately HK\$4.2.

In view of the above, the Directors consider that, the terms of the Subscription Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not carried out any equity fund raising activities during the 12 months immediately preceding the date of this announcement.

EFFECT OF THE SUBSCRIPTION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (a) as at the date of this announcement; and (b) immediately after Completion (assuming there will not be any change in issued share capital of the Company between the date of this announcement and the Completion Date save for the allotment and issue of the Subscription Shares):

Shareholders	As at the date of this announcement		Immediately after Completion (assuming there will not be any change in the issued share capital of the Company between the date of this announcement and the Completion date)	
	Number of Share	%	Number of Share	%
Zall Development Investment Company Limited (Note 1)	7,542,545,268	70.19	7,542,545,268	67.93
Rich Unicorn Holdings Limited (Note 2)	949,224,000	8.83	949,224,000	8.55
The Subscriber	—	—	357,141,000	3.22
Other public Shareholders	<u>2,253,808,482</u>	<u>20.98</u>	<u>2,253,808,482</u>	<u>20.30</u>
Total	<u>10,745,577,750</u>	<u>100.00</u>	<u>11,102,718,750</u>	<u>100.00</u>

Notes:

1. As at the date of this announcement, Zall Development Investment Company Limited is a company wholly-owned by Mr. Yan Zhi, Mr. Yan Zhi is deemed to be interested in 7,542,545,268 Shares currently held by Zall Development Investment Company Limited. In addition, 56,613,000 Shares are held directly by Mr. Yan Zhi.

2. As at the date of this announcement, Rich Unicorn Holdings Limited is a company wholly-owned by Fullshare Holdings Limited, which is in turn owned as to 58.76% by Magnolia Wealth International Limited, which in turn is wholly owned by Mr. Ji Changqun. Mr. Ji Changqun also directly owns 6% of Fullshare Holdings Limited.

Shareholders and potential investors should note that Completion is subject to the fulfillment of the condition precedent under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day(s)”	any day(s) (excluding Saturday, Sunday and public holiday) on which banks are generally open for business in Hong Kong
“Company”	Zall Group Ltd. (卓爾集團股份有限公司) (Stock Code: 2098), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Subscription pursuant to the terms and conditions of the Subscription Agreement
“Completion Date”	the day on which the completion of Subscription takes place, which shall be the 18th Business Day after the date on which the condition precedent to the Subscription Agreement is fulfilled or such other date as the Company and the Subscriber may agree in writing
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution passed at the Company’s annual general meeting on 18 May 2017 to allot and issue up to 2,149,115,550 Shares, representing 20% of the total number of Shares in issue on the date of annual general meeting
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	20 June 2017 or such other date as may be agreed between the parties to the Subscription Agreement
“PRC”	the People’s Republic of China, which for the purposes of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.00333 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	OBOR Global Innovation Fund SPC – OBOR Innovation Technology Fund SP, an exempted company incorporated with limited liability and registered as a segregated portfolio company under the laws of the Cayman Islands participating in OBOR Innovation Technology Fund SP, a segregated portfolio of OBOR Global Innovation Fund SPC. The ultimate beneficial owners of the Subscriber are independent third parties to the Company.
“Subscription”	the subscription for the Subscription Shares by the Subscriber pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the agreement dated 30 May 2017 entered into between the Company and the Subscriber in connection with the subscription of the Subscription Shares by the Subscriber
“Subscription Price”	HK\$4.2 per Subscription Share
“Subscription Shares”	an aggregate of 357,141,000 new Shares to be subscribed by the Subscriber pursuant to the Subscription Agreement at an aggregate consideration of approximately HK\$1.5 billion

“substantial shareholder” has the meaning ascribed to it under the Listing Rules

“%” per cent.

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

Hong Kong, 31 May 2017

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