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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)

CONTINUING CONNECTED TRANSACTIONS LEASE AGREEMENT

LEASE AGREEMENT

The Board is pleased to announce that on 3 November 2017, North Hankou Trade Market (as landlord), a wholly-owned subsidiary of the Company, entered into the Lease Agreement with Wuhan Zall Yueting in respect to the Premises for a term of three years commencing from 3 November 2017 to 2 November 2020.

LISTING RULES IMPLICATION

As at the date of this announcement, entire equity interest of Wuhan Zall Yueting is directly wholly owned by Wuhan Zall Culture & Tourism, which is held as to 99.95% by Mr. Yan Zhi, the controlling Shareholder, the co-chairman and an executive Director. Accordingly, Wuhan Zall Yueting is an associate of Mr. Yan Zhi and is therefore a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules, and the entering into of the Lease Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

References are made to the Company's announcements dated 23 December 2016 and 18 May 2017 relating to Prior Lease A and Prior Lease B, respectively. Given that the Lease Agreement and the Prior Leases were entered into by the Group within a 12-month period with the same party, or parties who are connected with one another, the transactions contemplated thereunder shall be aggregated for the purpose of Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the annual caps for the Lease Agreement and the Prior Leases are, when aggregated and, on an annual basis, more than 0.1% but less than 5%, the Lease Agreement is subject to the reporting, annual review and announcement requirements but are exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 3 November 2017, North Hankou Trade Market (as landlord), a wholly-owned subsidiary of the Company, entered into the Lease Agreement with Wuhan Zall Yueting in respect to the Premises for a term of three years commencing from 3 November 2017 to 2 November 2020. The principal terms of the Lease Agreement are set out below:

LEASE AGREEMENT

- Date** : 3 November 2017
- Parties** : (1) North Hankou Trade Market, as landlord
(2) Wuhan Zall Yueting, as tenant
- Leased Premises** : the Premises
- Area** : 23,347.2 square metres
- Usage** : The Premises is to be used for hotel purposes.
- Rent and other outgoings** : Wuhan Zall Yueting shall pay the rentals and property management fee per calendar month as follows:
- From 3 November 2017 to 2 November 2018: Monthly rentals of RMB2,334,720 (RMB100 per square metres) and property management fee of RMB116,736 (RMB5 per square metres)
- From 3 November 2018 to 2 November 2019: Monthly rentals of RMB2,568,192 (RMB110 per square metres) and property management fee of RMB116,736 (RMB5 per square metres)
- From 3 November 2019 to 2 November 2020: Monthly rentals of RMB2,801,664 (RMB120 per square metres) and property management fee of RMB116,736 (RMB5 per square metres)
- The rent and property management fee shall be paid on an annual basis prior to 19 October of each year.
- Option to renew** : Wuhan Zall Yueting shall have right of priority over renewal of the Lease Agreement with North Hankou Trade Market upon the expiration of its term.

Annual Caps : Based on the monthly rental and property management fee payable under the Lease Agreement, the annual caps for the transaction contemplated under the Lease Agreement for each of the relevant periods shall be as follows:

2017	2018	2019	2020
RMB4,739,482	RMB29,868,851	RMB32,670,515	RMB29,378,560

INTERNAL CONTROL

The parties may re-negotiate the amount of the rents and other fees payable during the term of the Lease Agreement with reference to the prevailing market rents for similar premises in the same or nearby areas or similar locations in the PRC, provided that the total rents and other fees payable shall not exceed the respective proposed annual caps, and the terms shall be on normal commercial terms and no less favourable to the Group than those available from independent third parties.

In the event where the parties re-negotiate the amount of the rents and other fees under the Lease Agreement, the Company will adopt the following measures in order to ensure that the transactions under the Lease Agreement will be on normal commercial terms and no less favourable to the Group than those available from independent third parties:

- (a) the Group will obtain the market rents and other fees payable for similar premises in the same or nearby areas or similar locations in the PRC;
- (b) the Group will negotiate and agree on the new rents and/or other fees payable with reference to the proposed annual caps and the market rents;
- (c) the Group has an internal system to trace, monitor and evaluate the transaction amounts under the Lease Agreement regularly to ensure that the proposed annual caps will not be exceeded; and
- (d) the Group will comply with the annual review requirements in respect of the transactions contemplated under the Lease Agreement in accordance with Chapter 14A of the Listing Rules, such as engaging the Company's auditor to conduct annual review and having the independent non-executive Directors to review the transactions contemplated under the Lease Agreement and give opinions/confirmations in the Company's annual reports.

By implementing the above measures, the Directors (including the independent non-executive Directors) consider that the Company has sufficient internal control and procedures to ensure that any new rental and other fees to be agreed under the Lease Agreement will be on normal commercial terms and no less favourable to the Group than those available from independent third parties.

REASONS FOR AND BENEFITS OF THE ENTERING INTO THE LEASE AGREEMENT

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 terms of the Lease Agreement, including the rents and property management fee received from Wuhan Zall Yueting under the Lease Agreement, were entered into on an arm's length negotiations with reference to the prevailing market rent for comparable premises in the vicinity. The Premises is located at B-1 to 17th Floor, D2 of Foreign Trading Building, No.88 North Hankou Road, Panlongcheng, Huangpi District, Wuhan, Hubei Province, PRC and the leasing of the Premises to Wuhan Zall Yueting would generate additional rental income for the Group.

The Board (including the independent non-executive Directors) is of the opinion that, (i) the terms of the Lease Agreement are on normal commercial terms and are fair and reasonable (ii) the amount of the annual caps is fair and reasonable, and (iii) the transactions contemplated under the Lease Agreement are and will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE TENANT

Wuhan Zall Yueting is a company established in the PRC with limited liability and is principally engaged in hotel operations.

LISTING RULES IMPLICATION

As at the date of this announcement, the entire equity interest of Wuhan Zall Yueting is wholly owned by Wuhan Zall Culture & Tourism, which is held as to 99.95% by Mr. Yan Zhi, the controlling Shareholder, the co-chairman and an executive Director. Accordingly, Wuhan Zall Yueting is an associate of Mr. Yan Zhi and is therefore a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules, and the entering into of the Lease Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

References are made to the Company's announcements dated 23 December 2016 and 18 May 2017 relating to Prior Lease A and Prior Lease B, respectively. Given that the Lease Agreement and the Prior Leases were entered into by the Group within a 12-month period with the same party, or parties who are connected with one another, the transactions contemplated thereunder shall be aggregated for the purpose of Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the annual caps for the Lease Agreement and the Prior Leases are, when aggregated and, on an annual basis, more than 0.1% but less than 5%, the lease contemplated under the Lease Agreement is subject to the reporting, annual review and announcement requirements but are exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Board”	the board of Directors
“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 person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Prior Leases”	Prior Lease A and Prior Lease B
“Prior Lease A”	the lease agreement dated 23 December 2016 between Zall Investment Group Co., Ltd.* (卓爾投資集團有限公司) (as landlord), a company established in the PRC and a wholly-owned subsidiary of the Company, and Wuhan Zall Yuexi (as tenant), with respect to the leasing of certain premises of the Group
“Prior Lease B”	the lease agreement dated 18 May 2017 between North Hankou Trade Market (as landlord) and Wuhan Z-Bank Ltd.* (武漢眾邦銀行股份有限公司) (as tenant), a company established in the PRC with limited liability which is directly owned by Zall Holdings Ltd.* (卓爾控股有限公司), a company established in the PRC with limited liability and held as to 99.95% by Mr. Yan Zhi, with respect to the leasing of certain premises of the Group
“Premises”	the properties with an aggregate area of 23,347.2 square metres located at B-1 to 17th Floor, D2 of Foreign Trading Building, No.88 North Hankou Road, Panlongcheng, Huangpi District, Wuhan, Hubei Province, PRC* (中國湖北省武漢市黃坡區盤龍城漢口北大道88號外貿大廈D2棟負一層至十七層)
“RMB”	Renminbi, the lawful currency of the PRC
“Lease Agreement”	the lease agreement dated 3 November 2017 entered into between North Hankou Trade Market and Wuhan Zall Yueting in relation to the Premises

“Shareholders”	Holders of the Shares
“Shares”	shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wuhan Zall Yueting”	Wuhan Zall Yueting Hotel Co., Ltd.* (武漢卓爾悅廷酒店有限公司), a company established in the PRC and is principally engaged in hotel operations
“Wuhan Zall Culture & Tourism”	Wuhan Zall Culture & Tourism Group Ltd.* (武漢卓爾文旅集團有限公司), a company established in the PRC with limited liability and held as to 99.95% by Mr. Yan Zhi
“North Hankou Trade Market”	Wuhan North Hankou Trade Market Investment Co., Ltd.* (武漢漢口北商貿市場投資有限公司), a company established in the PRC principally engaged in property development in the PRC and a wholly-owned subsidiary of the Company
“%”	per cent.

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

Hong Kong, 3 November 2017

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

* *for identification purposes only*