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**ZALL卓尔智联**

**Zall Smart Commerce Group Ltd.**

**卓爾智聯集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2098)**

**CONNECTED TRANSACTION  
DISPOSAL OF 86% EQUITY INTEREST IN ZALL MEDIA**

On 20 May 2021, the Seller and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Seller agreed to sell, and the Purchaser agreed to acquire, the Target Equity Interest (representing 86% equity interest in Zall Media) at the Consideration of RMB60,034,300.

**LISTING RULE IMPLICATIONS**

As at the date of this announcement, Mr. Yan holds 99.95% equity interest in the Purchaser. Mr. Yan is an executive Director, co-chairman of the Board, co-chief executive officer and a controlling shareholder (as defined under the Listing Rules) of the Company. Accordingly, the Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction of the Company.

As one or more of the applicable percentage ratios in respect of the Disposal is higher than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 20 May 2021, the Seller and the Purchaser entered into the Equity Transfer Agreement, major terms of which are detailed below.

**MAJOR TERMS OF THE EQUITY TRANSFER AGREEMENT**

- Subject matter : The Seller agreed to sell, and the Purchaser agreed to purchase, the Target Equity Interest (representing 86% equity interest in Zall Media).
- Consideration and payment terms : The Consideration of RMB60,034,300 shall be settled in full by the Purchaser to the designated bank account of the Seller within ten days upon the entering into of the Equity Transfer Agreement.

- Completion: : Completion of the Disposal shall take place upon all of the following procedures having been completed:
- (i) the Seller and the Purchaser have signed and sealed on the Equity Transfer Agreement;
  - (ii) the Consideration has been fully settled by the Purchaser; and
  - (iii) the Seller and the Purchaser have completed the handover of the management of Zall Media, including the common seal, constitutional documents and assets and financial related documents.
- Liability for default : Should any party be in breach of the Equity Transfer Agreement leading to the purpose under the Equity Transfer Agreement cannot be achieved, the non-defaulting party shall issue a notice to the defaulting party requiring the defaulting party to ratify the breach. If such breach has not been ratified within the time period stated in the notice, the defaulting party shall, on a daily basis, pay 0.01% of the Consideration to the non-defaulting party. The total amount of penalty payable by the defaulting party should not exceed 1% of the Consideration.
- Should the Equity Transfer Agreement fail to become effective due to the fault of any party to the agreement, the defaulting party shall be liable for the loss and damages caused by its fault.

## **BASIS OF CONSIDERATION**

The Consideration was determined after arm's length negotiations between the Seller and the Purchaser with reference to the valuation of Zall Media of approximately RMB69.9 million as at 30 April 2021 prepared by an independent valuer agreed by the Seller and the Purchaser.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Board considers that the online media advertising agency business operated by Zall Media is not the core business that the Group is focusing on. The disposal of Zall Media will allow the Group to concentrate its financial and management resources on its core business, hence would effectively reduce the Group's operating risks outside its main business.

The Directors (including the independent non-executive Directors but excluding Mr. Yan who has abstained from voting in the Board), are of the view that the terms of the Equity Transfer Agreement are fair and reasonable and the transaction contemplated thereunder is on normal commercial terms or better and is in the interests of the Company and its shareholders as a whole.

## **FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS**

Upon completion of the Disposal, Zall Media will cease to be a subsidiary of the Company and the Group will cease to have any interest in Zall Media. The financial results of Zall Media will no longer be consolidated into the financial statements of the Group.

With reference to the net assets of Zall Media of approximately RMB57.9 million as at 30 April 2021, the Group is expected to record a net gain of approximately RMB10.3 million from the Disposal after deducting expenses in relation to the Disposal. The actual gain or loss from the Disposal may be different from the above and subject to the review and final audit by the Company's auditor.

It is expected that the net proceeds from the Disposal will be used for re-investment for other potential investments and/or business opportunities that may arise and as general working capital of the Group.

## **INFORMATION OF THE PARTIES**

### **The Group**

The Company is a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in (i) the construction and operation of B2B e-commerce platforms for the trading of, among others, consumer goods, agricultural products, chemicals, plastic raw materials, and black and non-ferrous metals; and (ii) the provision of related services such as finance, logistics, cross-border trading, warehousing and supply chain management in the PRC. The Group is also engaged in the development and operation of large-scale, consumer product-focused wholesale shopping malls in the PRC.

### **The Purchaser**

Zall Venture is a company established under the laws of the PRC with limited liability and principally engages in the provision of venture capital consulting services and venture management services for venture enterprises.

As at the date of this announcement, the Purchaser is held as to 99.95% by Mr. Yan, who is the ultimate beneficial owner of the Purchaser.

### **Zall Media**

Zall Media is a company established in the PRC with limited liability and is an indirect non-wholly-owned subsidiary of the Company. Zall Media principally engages in the provision of online advertising and integrated marketing solutions consulting services in the PRC.

As at the date of this announcement, Zall Media is owned as to 86%, 3.6324%, 3.6324%, 3.6317%, 1.7414% and 1.3621% by the Company, Liu Yan (劉焱), Zhao Xiangdong (趙向東), Chen Zuotao (陳作濤), Chen Cheng (陳程) and Qi Zhiping (齊志平), respectively.

Set out below is the unaudited financial information of Zall Media for the year ended 31 December 2019 and the financial information of Zall Media for the year ended 31 December 2020 which is obtained from the Group's audited consolidated financial statements:

	<b>For the year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	32,486	10,711
Net profit before taxation	8,334	2,050
Net profit after taxation	6,210	1,967

The net asset value of Zall Media as at 30 April 2021 was approximately RMB57,871,000.

### **LISTING RULE IMPLICATIONS**

As at the date of this announcement, Mr. Yan holds 99.95% equity interest in the Purchaser. Mr. Yan is an executive Director, co-chairman of the Board, co-chief executive officer and a controlling shareholder (as defined under the Listing Rules) of the Company. Accordingly, the Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction of the Company.

As one or more of the applicable percentage ratios in respect of the Disposal is higher than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements and is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Save for Mr. Yan who has material interest in the Disposal and has therefore abstained from voting on the relevant Board resolutions in relation to the Disposal to avoid actual or perceived conflict of interests, to the best knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the other Directors have material interest in the Disposal and/or is required to abstain from voting on the relevant Board resolutions.

### **DEFINITIONS**

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Board”	the board of Directors
“Company”	Zall Smart Commerce Group Ltd. (卓爾智聯集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2098)

“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of RMB60,034,300 payable by the Purchaser in relation to the Disposal
“Director(s)”	the directors of the Company
“Disposal”	the disposal the Target Equity Interest by the Seller to the Purchaser pursuant to the terms and conditions of the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement (股權轉讓協議) dated 20 May 2021 entered into between the Seller and the Purchaser in relation to the Disposal
“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
“Mr. Yan”	Mr. Yan Zhi (閻志先生), an executive Director, co-chairman of the Board, co-chief executive officer and a controlling shareholder of the Company
“percentage ratio(s)”	has the same meaning and definition in the Listing Rules
“PRC”	the People’s Republic of China, which for the sole purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser” or “Zall Venture”	Wuhan Zall Venture Investment Co., Ltd.* (武漢卓爾創業投資有限公司), a company established under the laws of the PRC with limited liability and is owned as to 99.95% by Mr. Yan as at the date of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	Zall Smart Commerce Group Co., Ltd.* (卓爾智聯集團有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Equity Interest”	86% equity interest in Zall Media held by the Seller as at the date of this announcement

“Zall Media”

Wuhan Zall Digital Media Technology Co., Limited\* (武漢卓爾數字傳媒科技有限公司), a company established under the laws of the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company as at the date of this announcement

“%”

per cent.

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

Hong Kong, 20 May 2021

*As at the date of this announcement, the Board comprises seven members, of which Mr. Yan, Dr. Gang Yu, Mr. Wei Zhe, David and Mr. Qi Zhiping are executive Directors; Mr. Cheung Ka Fai, Mr. Wu Ying and Mr. Zhu Zhengfu are independent non-executive Directors.*

\* *For identification purposes only*