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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)

**PERFORMANCE GUARANTEE
IN RELATION TO
THE VERY SUBSTANTIAL ACQUISITION**

This announcement is made by Zall Smart Commerce Group Ltd. (the “**Company**”) pursuant to Rule 14A.63 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Reference is made to the announcement of the Company dated 13 November 2016 and the circular of the Company dated 15 February 2017 (the “**Circular**”) in relation to the acquisition of the Target Companies. Unless otherwise stated, defined terms used in this announcement shall bear the same meanings as defined in the Circular.

PERFORMANCE GUARANTEE

Pursuant to the Acquisition Agreement, each of Vendor A, being a connected person of the Company, Vendor B and Vendor C covenants to the Purchaser, among others, that the consolidated revenue and the consolidated net profit after taxation of the Project Group as derived from activities in the ordinary and usual course of business of the Project Group and determined based on the financial statements of the Project Group shall meet the target revenue (the “**Target Revenue 2018**”) of RMB37,500,000,000 and target net profit (the “**Target Net Profit 2018**”) of RMB132,000,000 for the financial year ended 31 December 2018 (the “**Performance Guarantee 2018**”).

ACTUAL PERFORMANCE

Based on the financial information of the Project Group for the financial year ended 31 December 2018, the Actual Revenue is approximately RMB34,976,345,000, with a shortfall of approximately RMB2,523,655,000 as compared with the Target Revenue 2018, and the Actual Net Profit is approximately RMB53,387,000, with a shortfall of approximately RMB78,613,000 as compared with the Target Net Profit 2018. As the Actual Revenue for the financial year ended 31 December 2018 and the Actual Net Profit for the financial year ended 31 December 2018 did not meet the Target Revenue 2018 and the Target Net Profit 2018 respectively, the Performance Guarantee 2018 was not fulfilled. The Consideration will hence be adjusted such that the Consideration Shares to be released for the financial year ended 31 December 2018 shall be one third of the Consideration Shares to be multiplied by the Achievement Ratio for the financial year ended 31 December 2018, being 70.22%, according to the Acquisition Agreement.

The Board (including the independent non-executive Directors) is of the view that, pursuant to the Acquisition Agreement, (i) the Performance Guarantee provides the Company with a mechanism to adjust the Consideration and the Vendors with a mechanism to allow release of the Consideration Shares from the Lock-up Undertaking, and the failure to fulfil the Performance Guarantee 2018 does not put the Vendors under any obligation, and (ii) the Group is not provided with any option to sell any part of the entire equity interest of the Target Companies back to any of the Vendors.

At the same time, as disclosed in the Circular, with respect to Vendor A, Vendor B and Vendor C, following the publication of the 2020 annual report of the Company, if there are still Consideration Shares which have not been released to them in accordance with the Acquisition Agreement, each of Vendor A, Vendor B and Vendor C must sell all such unreleased Consideration Shares to the public investors at a price and in such manner as requested by the Purchaser after taking into account market conditions then subsisting (the “**Sale Condition**”), and the proceeds received from the sale of such unreleased Consideration Shares will be remitted to the Purchaser as compensation for the loss suffered by it. Therefore, the Board wishes to highlight that, whilst the Vendors are not put under any obligation for failing to fulfil the Performance Guarantee 2018, such failure may contribute to the triggering of the Sale Condition, as part of the Consideration Shares are not released for the financial year ended 31 December 2018 as provided above.

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

Hong Kong, 26 April 2019

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