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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)

CONNECTED TRANSACTIONS

DISPOSAL OF A GROUP OF SUBSIDIARIES AND 35% EQUITY INTEREST IN A SUBSIDIARY

AND

PROVISION OF FINANCIAL ASSISTANCE TO CONNECTED PERSONS

THE FIRST DISPOSAL

On 30 June 2019, Zalljinfu Corporate Management, being an indirect wholly-owned subsidiary of the Company, and Zhong Bang Asset Management entered into the First Disposal Agreement, pursuant to which Zalljinfu Corporate Management agreed to sell, and Zhong Bang Asset Management agreed to purchase, Sale Interest A at a total consideration of RMB21,000,000 (equivalent to approximately HK\$24,418,604).

Settlement of the Current Account Balance

As at 31 December 2018, the Disposal Group was indebted to members of the Group for a sum of approximately RMB350,000,000 (equivalent to approximately HK\$406,976,744), being the Current Account Balance. Pursuant to the First Disposal Agreement, Zalljinfu Corporate Management and Zhong Bang Asset Management have agreed that Zhong Bang Asset Management shall repay within six months after completion of the First Disposal the Current Account Balance to Zalljinfu Corporate Management.

THE SECOND DISPOSAL

On 30 June 2019, Zall Financial Services, being an indirect wholly-owned subsidiary of the Company, and Zhong Bang Asset Management entered into the Second Disposal Agreement, pursuant to which Zall Financial Services agreed to sell, and Zhong Bang Asset Management agreed to purchase, Sale Interest B at a total consideration of RMB44,000,000 (equivalent to approximately HK\$51,162,791).

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Yan indirectly holds 99.95% equity interest in Zhong Bang Asset Management. 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, Zhong Bang Asset Management is a connected person of the Company under Chapter 14A of the Listing Rules and the Disposals constitute connected transactions of the Company.

The First Disposal and the Second Disposal

As the applicable percentage ratio(s) in respect of each of the First Disposal and the Second Disposal, one a standalone basis and when aggregated with each other in accordance with Rules 14.22 and 14A.81 of the Listing Rules, exceed 0.1% but are less than 5%, each of the First Disposal and the Second Disposal is only 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.

Settlement of the Current Account Balance

Upon completion, each of the companies in the Disposal Group held by Zhong Bang Asset Management which is held as to 99.95% by Mr. Yan, will become a connected person of the Company. Accordingly, the outstanding Current Account Balance owed by the Disposal Group to members of the Group will constitute financial assistance provided by the Group to the Disposal Group under Chapter 14 of the Listing Rules and a connected transaction under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the settlement of the Current Account Balance are less than 5% but more than 0.1%, the financial assistance provided thereunder is only 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.

THE FIRST DISPOSAL

On 30 June 2019, Zalljinfu Corporate Management, being an indirect wholly-owned subsidiary of the Company, and Zhong Bang Asset Management entered into the First Disposal Agreement, pursuant to which Zalljinfu Corporate Management agreed to sell, and Zhong Bang Asset Management agreed to purchase, Sale Interest A at a total consideration of RMB21,000,000 (equivalent to approximately HK\$24,418,604).

The principal terms of the First Disposal Agreement are set forth below.

Date

30 June 2019

Parties

- (1) Zalljinfu Corporate Management; and
- (2) Zhong Bang Asset Management

Assets to be disposed of

Pursuant to the First Disposal Agreement, Zalljinfu Corporate Management agreed to sell, and Zhong Bang Asset Management agreed to purchase, Sale Interest A, being 100% equity interest in Zalljinfu Information Technology.

Consideration

The total consideration for the First Disposal of RMB21,000,000 (equivalent to approximately HK\$24,418,604) will be deposited by Zhong Bang Asset Management into a bank account designated by Zalljinfu Corporate Management, of which:

- (i) the Part Payment of RMB10,500,000 (equivalent to approximately HK\$12,209,302), being 50% of the total consideration for the First Disposal, is payable by Zhong Bang Asset Management to Zalljinfu Corporate Management within three weeks after execution of the First Disposal Agreement; and
- (ii) the remainder of RMB10,500,000 (equivalent to approximately HK\$12,209,302) is payable by Zhong Bang Asset Management to Zalljinfu Corporate Management within two weeks after completion of the industrial and commercial registration with relevant governmental authorities in respect of the First Disposal.

The total consideration for the First Disposal was determined after arm's length negotiations between Zalljinfu Corporate Management and Zhong Bang Asset Management with reference to, among others, the audited net asset value attributable to equity shareholders of Zalljinfu Information Technology as at 31 December 2018 in the amount of approximately RMB21,000,000 (equivalent to approximately HK\$24,418,604).

After payment of the Part Payment, Zhong Bang Asset Management shall use its best endeavours to assist in completing the change of registration procedures in relation to the First Disposal including but not limited to completing the industrial and commercial registration with relevant governmental authorities. If change of registration procedures in relation to the First Disposal were not completed within one year after the execution by both parties of the First Disposal Agreement, Zalljinfu Corporate Management shall return to Zhong Bang Asset Management any amount of the consideration that Zhong Bang Asset Management has paid for the First Disposal plus the interest accrued thereon at the prevailing bank lending rate.

Completion

The First Disposal shall be completed after payment of the Part Payment and completion of the change of registration procedures with relevant governmental authorities for the First Disposal.

Settlement of the Current Account Balance

As at 31 December 2018, the Disposal Group was indebted to members of the Group for a sum of approximately RMB350,000,000 (equivalent to approximately HK\$406,976,744), being the Current Account Balance. Pursuant to the First Disposal Agreement, Zalljinfu Corporate Management and Zhong Bang Asset Management have agreed that Zhong Bang Asset Management shall repay within six months after completion of the First Disposal the Current Account Balance to Zalljinfu Corporate Management.

THE SECOND DISPOSAL

On 30 June 2019, Zall Financial Services, being an indirect wholly-owned subsidiary of the Company, and Zhong Bang Asset Management entered into the Second Disposal Agreement, pursuant to which Zall Financial Services agreed to sell, and Zhong Bang Asset Management agreed to purchase, Sale Interest B at a total consideration of RMB44,000,000 (equivalent to approximately HK\$51,162,791).

The principal terms of the Second Disposal Agreement are set forth below.

Date

30 June 2019

Parties

- (1) Zall Financial Services; and
- (2) Zhong Bang Asset Management

Assets to be disposed of

Pursuant to the Second Disposal Agreement, Zall Financial Services agreed to sell, and Zhong Bang Asset Management agreed to purchase, Sale Interest B, being 35% equity interest in Zhong Bang Financial Leasing.

Consideration

The total consideration for the Second Disposal of RMB44,000,000 (equivalent to approximately HK\$51,162,791) will be deposited by Zhong Bang Asset Management into a bank account designated by Zall Financial Services after the approval from relevant regulatory authorities having been obtained.

The total consideration for the Second Disposal was determined after arm's length negotiations between Zall Financial Services and Zhong Bang Asset Management with reference to, among others, the audited net asset value of Zhong Bang Financial Leasing as at 31 December 2018 in the amount of approximately RMB126,000,000 (equivalent to approximately HK\$146,511,628).

Completion

The Second Disposal shall be completed after payment of the total consideration for the Second Disposal by Zhong Bang Asset Management, Zall Financial Services having obtained the approval of relevant regulatory authorities and completion of the change of registration procedures with relevant governmental authorities for the Second Disposal.

INFORMATION ON ZALLJINFU INFORMATION TECHNOLOGY, HFS, ZHONG BANG COMMERCIAL FACTORING, JIUYU ASSET MANAGEMENT, ZHUOJIA ASSET MANAGEMENT AND ZHONG BANG FINANCIAL LEASING

Zalljinfu Information Technology is a company established in the PRC with limited liability and, prior to completion of the First Disposal, a wholly-owned subsidiary of the Company indirectly held through Zalljinfu Corporate Management. Its principal business is investment holding. As at the date thereof, Zalljinfu Information Technology held (i) 90% equity interest in HFS, (ii) the entire equity interest in Zhong Bang Commercial Factoring, (iii) the entire equity interest in Jiuyu Asset Management, (iv) the entire equity interest in Zhuojia Asset Management and (v) 65% equity interest in Zhong Bang Financial Leasing. The remaining 35% equity interest in Zhong Bang Financial Leasing was held by Zall Financial Services.

HFS is a company established in the PRC with limited liability. It principally engages in financial information services, investment consulting, economic information consulting, application software development and the provision of technical services.

Jiuyu Asset Management is a company established in the PRC with limited liability. It principally engages in asset management.

Zhong Bang Commercial Factoring is a company established in the PRC with limited liability. It principally engages in insurance agent and related consulting business and guarantee business.

Zhong Bang Financial Leasing is a company established in the PRC with limited liability. It principally engages in the provision of finance leasing service.

Zhuojia Asset Management is a company established in the PRC with limited liability. It principally engages in asset management.

Set out below is the audited consolidated financial data of Zalljinfu Information Technology and its subsidiaries, for the two financial years ended 31 December 2017 and 2018:

	For the year ended 31 December 2018 <i>RMB'000</i>	For the year ended 31 December 2017 <i>RMB'000</i>
Revenue	91,114 (equivalent to approximately HK\$105,947)	85,118 (equivalent to approximately HK\$98,974)
Net profit/(loss) before taxation	(51,506) (equivalent to approximately HK\$(59,891))	(1,142) (equivalent to approximately HK\$(1,328))
Net profit/(loss) after taxation	(41,639) (equivalent to approximately HK\$(48,417))	(493) (equivalent to approximately HK\$(573))

The audited net asset value of Zalljinfu Information Technology as at 31 December 2018 is approximately RMB70,000,000 (equivalent to approximately HK\$81,395,349).

Set out below is the audited financial data of Zhong Bang Financial Leasing for the two financial years ended 31 December 2017 and 2018:

	For the year ended 31 December 2018 <i>RMB'000</i>	For the year ended 31 December 2017 <i>RMB'000</i>
Revenue	2,229 (equivalent to approximately HK\$2,592)	10,629 (equivalent to approximately HK\$12,359)
Net profit/(loss) before taxation	2,660 (equivalent to approximately HK\$3,093)	(3,325) (equivalent to approximately HK\$(3,866))
Net profit/(loss) after taxation	2,658 (equivalent to approximately HK\$3,091)	(2,493) (equivalent to approximately HK\$(2,899))

The audited net asset value of Zhong Bang Financial Leasing as at 31 December 2018 is approximately RMB126,000,000 (equivalent to approximately HK\$146,511,628).

INFORMATION ON ZHONG BANG ASSET MANAGEMENT

Zhong Bang Asset Management is a company established in the PRC with limited liability and principally engages in asset and investment management. It is indirectly held as to 99.95% by Mr. Yan.

INFORMATION ON THE GROUP

The Company is an investment holding company and the Group is a leading developer and operator of large-scale consumer product focused wholesale shopping malls in the PRC. The Group also provides supply chain management and trading services, e-commerce services, financial services, warehousing and logistics services for its customers in the online and offline markets.

Zalljinfu Corporate Management is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company which principally engages in the provision of investment consulting services, business information consulting services, logistics management services, and business management services and computer software and hardware research and development and sales.

Zall Financial Services is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company which principally engages in provision of all kinds of financial services for customers of the Group.

FINANCIAL EFFECTS OF THE DISPOSALS

Upon completion of the Disposals, the Group will cease to have any interest in each of the companies in the Disposal Group, and the financial results of each of the aforementioned companies will no longer be consolidated into the financial statements of the Group.

Based on the audited financial statements of the Disposal Group as at 31 December 2018, it is estimated that the Group will recognise a gain of approximately RMB0.4 million in relation to the Disposals. The gain is to be calculated by reference to the difference between the total consideration for the Disposals and the carrying value of the net assets of the Disposal Group as at 31 December 2018.

The Board currently intend to apply the net proceeds from the Disposals (after deducting relevant costs and expenses in connection with the Disposals) as general working capital and for funding future business development opportunities of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE DISPOSAL AGREEMENTS

The Group's financial services will focus on supply chain finance business and will be completed through various supply chain platform subsidiaries. The operational business of the Disposal Group is not a supply chain finance business that the Group is focusing on. These businesses are loss-making with relatively high gearing and credit risks. The divestiture of the Disposal Group will effectively reduce the Group's debt ratio and the Group's market or financial risks outside the main business, enabling the Group to invest more resources in its core business.

The Directors (including the independent non-executive Directors) are of the view that, the terms of the First Disposal and the Second Disposal Agreement are on normal commercial terms and fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Yan indirectly holds 99.95% equity interest in Zhong Bang Asset Management. 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, Zhong Bang Asset Management is a connected person of the Company under Chapter 14A of the Listing Rules and the Disposals constitute connected transactions of the Company.

The First Disposal and the Second Disposal

As the applicable percentage ratio(s) in respect of each of the First Disposal and the Second Disposal, one a standalone basis and when aggregated with each other in accordance with Rules 14.22 and 14A.81 of the Listing Rules, exceed 0.1% but are less than 5%, each of the First Disposal and the Second Disposal is only 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 First Disposal and the Second Disposal and has therefore abstained from voting on the relevant resolutions of the Board for approving the First Disposal and the Second Disposal, none of the other Directors has material interest in the First Disposal or the Second Disposal or is required to abstain from voting on the relevant resolution.

Settlement of the Current Account Balance

Upon completion, each of the companies in the Disposal Group held by Zhong Bang Asset Management which is held as to 99.95% by Mr. Yan, will become a connected person of the Company. Accordingly, the outstanding Current Account Balance owed by the Disposal Group to members of the Group will constitute financial assistance provided by the Group to the Disposal Group under Chapter 14 of the Listing Rules and a connected transaction under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the settlement of the Current Account Balance are less than 5% but more than 0.1%, the financial assistance provided thereunder is only 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 settlement of the Current Account Balance and has therefore abstained from voting on the relevant resolution of the Board for approving the First Disposal, none of the other Directors has material interest in the settlement of the Current Account Balance or is required to abstain from voting on the relevant resolution.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Zall Smart Commerce Group Ltd., 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(s)”	has the meaning ascribed to it under the Listing Rules
“Current Account Balance”	the amount of approximately RMB350,000,000 (equivalent to approximately HK\$406,976,744) due from the Disposal Group to members of the Group
“Director(s)”	the directors of the Company
“Disposal Agreements”	the First Disposal Agreement and the Second Disposal Agreement
“Disposal Group”	Zalljinfu Information Technology, HFS, Zhong Bang Commercial Factoring, Jiuyu Asset Management, Zhuojia Asset Management and Zhong Bang Financial Leasing
“Disposals”	the First Disposal and the Second Disposal
“First Disposal”	the disposal of the Sale Interest A by Zalljinfu Corporate Management pursuant to the terms of the First Disposal Agreement
“First Disposal Agreement”	the sale and purchase agreement dated 30 June 2019 entered into between Zalljinfu Corporate Management and Zhong Bang Asset Management in relation to the First Disposal
“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 PRC
“HFS”	Harvest Financial Information Services (Hangzhou) Co.,Ltd * (嘉實金融信息服務(杭州)有限公司), a company established in the PRC with limited liability and held as to 90% by the Company prior to the First Disposal

“Jiuyu Asset Management”	Hangzhou Jiuyu Asst Management Co., Ltd.* (杭州九魚資產管理有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company prior to the First Disposal
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Mr. Yan”	Mr. Yan Zhi, being 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
“Part Payment”	the part payment of RMB10,500,000 (equivalent to approximately HK\$12,209,302) out of the total consideration for the First Disposal
“percentage ratio(s)”	percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Taiwan, Hong Kong and Macau Special Administrative Region of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest A”	the entire equity interest in Zalljinfu Information Technology
“Sale Interest B”	35% equity interest in Zhong Bang Financial Leasing
“Sale Interests”	Sale Interest A and Sale Interest B
“Second Disposal”	the disposal of the Sale Interest B by Zall Financial Services pursuant to the terms of the Second Disposal Agreement
“Second Disposal Agreement”	the sale and purchase agreement dated 30 June 2019 entered into between Zall Financial Services and Zhong Bang Asset Management in relation to the Second Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zall Financial Services”	Zall Financial Services Group Co., Ltd.* (卓爾金融服務集團有限公司), a company established in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company and the vendor in the Second Disposal

“Zalljinfu Corporate Management”	Zalljinfu Corporate Management (Wuhan) Co., Ltd.* (卓爾金服企業管理(武漢)有限公司), a company established in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company and the vendor in the First Disposal
“Zalljinfu Information Technology”	Zalljinfu Information Technology (Wuhan) Co., Ltd.* (卓爾金服信息科技(武漢)有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Zhong Bang Asset Management”	Zhong Bang Asset Management Co., Ltd.* (眾邦資產管理有限公司), a company established in the PRC with limited liability and held as to 99.95% by Mr. Yan and the purchaser in the Disposals
“Zhong Bang Commercial Factoring”	Zhong Bang Commercial Factoring Co., Ltd.* (眾邦商業保理有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company prior to the First Disposal
“Zhong Bang Financial Leasing”	Zhong Bang Financial Leasing Co., Ltd.* (眾邦融資租賃有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company prior to the Disposals
“Zhuojia Asset Management”	Zhuojia Asset Management Co., Ltd.* (卓嘉資產管理有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company prior to the First Disposal
“%”	per cent

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

Hong Kong, 1 July 2019

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. 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.

For the purpose of this announcement, unless otherwise indicated, the conversion of RMB into HK\$ is based on the exchange rate of RMB0.86 = HK\$1.00. Such rate is for the purpose of illustration only and does not constitute a representation that any amount in question in RMB or HK\$ has been or could have been or may be converted at such or another rate or at all.

* For identification purposes only