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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)

PROFIT WARNING

This announcement is made by Zall Smart Commerce Group Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company and potential investors that, based on the preliminary assessment of the Group’s latest unaudited management accounts, it is expected that the Group may record a significant increase of 70% to 90% in its revenue and a decrease of 50% to 70% in its profit for the six months ended 30 June 2019, as compared to those for the six months ended 30 June 2018.

Based on information currently available to the Board, the Board considers that the significant increase in revenue was primarily attributable to (i) completion of the acquisition of 52.48% equity interest in HSH International Inc. (“**HSH International**”) in March 2018, resulting in the consolidation of the financial results of HSH International for the full six months ended 30 June 2019, as compared to the consolidation of the financial results of HSH International for only around three months from March 2018 to June 2018 in the financial results of the Group for the six months ended 30 June 2018; (ii) establishment of Shanghai Zall Steel E-commerce Co., Ltd. (“**Zall Steel**”) in March 2018, resulting in the consolidation of the financial results of Zall Steel for the full six months ended 30 June 2019, as compared to the consolidation of the financial results of Zall Steel for only around three months from March 2018 to June 2018 in the financial results of the Group for the six months ended 30 June 2018; and (iii) the significant increase in revenue of Shenzhen Sinoagri E-commerce Co., Ltd.* (深圳市中農網有限公司) for the six months ended 30 June 2019, as compared to those for the six months ended 30 June 2018.

The acquisition of equity interest in HSH International and establishment of Zall Steel have driven a substantial growth in the revenue generated from the supply chain management business, trading and related value-added services of the Group (the “**Supply Chain Management and Trading Business**”), and also led to changes in the income portfolio of the Group. Nevertheless, as the Supply Chain Management and Trading Business is at its initial development stage, it is expected that the Supply Chain Management and Trading Business will have a relatively low profit margin as compared to the other business segments of the Group, and the revenue growth of the Supply Chain Management and Trading Business will not have significant impact on the Group’s profit for the six months ended 30 June 2019. The Board considers that the decrease in profit was mainly due to the recognition of the net unrealized loss on listed equity securities held by the Group as investment in the six months ended 30 June 2019 of approximately HKD807.3 million (equivalent to approximately RMB694.2 million), as compared to a net unrealized gain of RMB182.2 million for the six months ended 30 June 2018.

The Company has yet to finalize the interim results of the Group for the six months ended 30 June 2019. The information contained in this announcement is only based on a preliminary assessment by the management of the Company with reference to the information currently available including the unaudited management accounts of the Group, which have not been reviewed nor audited by the Company’s auditors or the audit committee of the Company and are subject to possible adjustments upon further review. The actual results of the Group will also be affected by other factors such as professional valuation on Group’s assets such as investment properties, goodwill and intangible assets resulting from acquisition of subsidiaries or associates for the six months ended 30 June 2019. As such, the actual results of the Group for the six months ended 30 June 2019 may be different from what is disclosed herein. The interim results announcement of the Company for the six months ended 30 June 2019 is expected to be published by the end of August 2019.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 1 August 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.

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.