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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 SUBSIDIARY

AND

PROVISION OF FINANCIAL ASSISTANCE TO A CONNECTED PERSON

THE DISPOSAL

On 2 August 2019, Zalljinfu Corporate Management, being an indirect wholly-owned subsidiary of the Company, and Zhong Bang Asset Management entered into the Disposal Agreement, pursuant to which Zalljinfu Corporate Management agreed to sell, and Zhong Bang Asset Management agreed to purchase, the Sale Interest at a total consideration of RMB198,000,000 (equivalent to approximately HK\$230,232,558).

SETTLEMENT OF THE CURRENT ACCOUNT PAYABLE

As at 30 June 2019, members of the Group were indebted to Hankoubei Guarantee for a sum of approximately RMB239,000,000 (equivalent to approximately HK\$277,906,977), being the Current Account Payable. Pursuant to the Disposal Agreement, Zalljinfu Corporate Management and Zhong Bang Asset Management agreed that the Current Account Payable will be set off against the Current Account Receivable, so that Zhong Bang Asset Management will owe to the Group a net sum of approximately RMB133,000,000 (equivalent to approximately HK\$154,641,163) which Zhong Bang Asset Management undertakes to repay to the Group within two months after completion of the Disposal.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Yan holds 99.95% equity interest in Zhong Bang Asset Management. Mr. Yan is an executive Director, co-chairman of the Board, 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 Disposal constitutes a connected transaction of the Company.

The Disposal

As the applicable percentage ratios in respect of the Disposal, on a standalone basis and when aggregated with the Previous Disposals, are less than 5% but more than 0.1%, the 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 Payable

Upon completion of the Disposal, Hankoubei Guarantee, being a direct wholly-owned subsidiary of 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 Payable owed by members of the Group to Hankoubei Guarantee will constitute financial assistance received by the Group from a connected person under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the settlement of the Current Account Payable are less than 5% but more than 0.1%, the financial assistance received 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 DISPOSAL

On 2 August 2019, Zalljinfu Corporate Management, being an indirect wholly-owned subsidiary of the Company, and Zhong Bang Asset Management entered into the Disposal Agreement, pursuant to which Zalljinfu Corporate Management agreed to sell, and Zhong Bang Asset Management agreed to purchase, the Sale Interest at a total consideration of RMB198,000,000 (equivalent to approximately HK\$230,232,558).

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

Date

2 August 2019

Parties

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

Assets to be disposed of

Pursuant to the Disposal Agreement, Zalljinfu Corporate Management agreed to sell, and Zhong Bang Asset Management agreed to purchase, the Sale Interest, being the entire equity interest in Hankoubei Guarantee.

Consideration

The total consideration for the Disposal of RMB198,000,000 (equivalent to approximately HK\$230,232,558) will be deposited by Zhong Bang Asset Management into a bank account designated by Zalljinfu Corporate Management, of which:

- (i) the Part Payment of RMB99,000,000 (equivalent to approximately HK\$115,116,279), being 50% of the total consideration for the Disposal, is payable by Zhong Bang Asset Management to Zalljinfu Corporate Management within three weeks after execution of the Disposal Agreement; and
- (ii) the remainder of RMB99,000,000 (equivalent to approximately HK\$115,116,279) 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 Disposal.

The total consideration for the 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 Hankoubei Guarantee as at 31 December 2018 in the amount of approximately RMB198,000,000 (equivalent to approximately HK\$230,232,558).

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

Completion

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

THE PREVIOUS DISPOSALS

Reference is made to the Previous Announcement of the Company dated 1 July 2019 in relation to the Previous Disposals. On 30 June 2019, (i) Zalljinfu Corporate Management and Zhong Bang Asset Management entered into a disposal agreement, pursuant to which Zalljinfu Corporate Management agreed to sell, and Zhong Bang Asset Management Agreed to purchase, the entire equity interest in Zalljinfu Information Technology (Wuhan) Co., Ltd.* (卓爾金服信息科技(武漢)有限公司) at a total consideration of RMB21,000,000 (equivalent to approximately HK\$24,418,605), and (ii) Zall Financial Services Group Co., Ltd.* (卓爾金融服務集團有限公司), being an indirect wholly-owned subsidiary of the Company, and Zhong Bang Asset Management entered into a disposal agreement, pursuant to which Zall Financial Services Group Co., Ltd.* agreed to sell, and Zhong Bang Asset Management agreed to

purchase, 35% equity interest in Zhong Bang Financial Leasing Co., Ltd.* (眾邦融資租賃有限公司) at a total consideration of RMB44,000,000 (equivalent to approximately HK\$51,162,791). Please refer to the Previous Announcement for further details of these transactions.

SETTLEMENT OF THE CURRENT ACCOUNT PAYABLE

As at 30 June 2019, members of the Group were indebted to Hankoubei Guarantee for a sum of approximately RMB239,000,000 (equivalent to approximately HK\$277,906,977), being the Current Account Payable. Pursuant to the Disposal Agreement, Zalljinfu Corporate Management and Zhong Bang Asset Management agreed that the Current Account Payable will be set off against the Current Account Receivable, so that Zhong Bang Asset Management will owe to the Group a net sum of approximately RMB133,000,000 (equivalent to approximately HK\$154,641,163) which Zhong Bang Asset Management undertakes to repay to the Group within two months after completion of the Disposal.

INFORMATION ON HANKOUBEI GUARANTEE

Hankoubei Guarantee is a company established in the PRC with limited liability and, prior to completion of the Disposal, a wholly-owned subsidiary of the Company indirectly held through Zalljinfu Corporate Management. Its principal business is the provision of all kinds of guarantee services.

Set out below is the audited financial data of Hankoubei Guarantee, for the two financial years ended 31 December 2017 and 2018:

	For the year ended 31 December 2018	For the year ended 31 December 2017
Revenue	RMB3,582,000 (equivalent to approximately HK\$4,165,000)	RMB5,851,000 (equivalent to approximately HK\$6,803,000)
Net profit/(loss) before taxation	RMB(4,816,000) (equivalent to approximately HK\$(5,600,000))	RMB714,000 (equivalent to approximately HK\$830,000)
Net profit/(loss) after taxation	RMB(4,816,000) (equivalent to approximately HK\$(5,600,000))	RMB683,000 (equivalent to approximately HK\$794,000)

The audited net asset value of Hankoubei Guarantee as at 31 December 2018 is approximately RMB198,000,000 (equivalent to approximately HK\$230,232,558).

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.

FINANCIAL EFFECTS OF THE DISPOSAL

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

Based on the audited financial statements of Hankoubei Guarantee as at 31 December 2018, it is estimated that the Group will record no gain or loss in relation to the Disposal by reference to the negligible difference between the total consideration for the Disposal and the carrying value of the net assets of Hankoubei Guarantee as at 31 December 2018.

The Board currently intends to apply the net proceeds from the Disposal (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 AGREEMENT

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 Hankoubei Guarantee is not a supply chain finance business that the Group is focusing on. This business is loss-making with relatively high credit risks. The divestiture of Hankoubei Guarantee will effectively reduce 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, though the Disposal is not in the ordinary and usual course of business of the Group, the terms of the 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 holds 99.95% equity interest in Zhong Bang Asset Management. Mr. Yan is an executive Director, co-chairman of the Board, 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 Disposal constitutes a connected transaction of the Company.

The Disposal

As the applicable percentage ratios in respect of the Disposal, on a standalone basis and when aggregated with the Previous Disposals, are less than 5% but more than 0.1%, the 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 Disposal and has therefore abstained from voting on the relevant resolution of the Board for approving the Disposal, none of the other Directors has material interest in the Disposal or is required to abstain from voting on the relevant resolution.

Settlement of the Current Account Payable

Upon completion of the Disposal, Hankoubei Guarantee, being a direct wholly-owned subsidiary of 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 Payable owed by members of the Group to Hankoubei Guarantee will constitute financial assistance received by the Group from a connected person under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the settlement of the Current Account Payable are less than 5% but more than 0.1%, the financial assistance received thereunder by members of the Group 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 Payable and has therefore abstained from voting on the relevant resolution of the Board for approving the Disposal, none of the other Directors has material interest in the settlement of the Current Account Payable 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 Payable”	the amount of approximately RMB239,000,000 (equivalent to approximately HK\$277,906,977) due from the members of the Group to Hankoubei Guarantee as at 30 June 2019
“Current Account Receivable”	the amount of approximately RMB372,000,000 (equivalent to approximately HK\$432,558,140) due from subsidiaries of Zhong Bang Asset Management to members of the Group as at 30 June 2019
“Director(s)”	the directors of the Company
“Disposal”	the disposal of the Sale Interest by Zalljinfu Corporate Management pursuant to the terms of the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement dated 2 August 2019 entered into between Zalljinfu Corporate Management and Zhong Bang Asset Management in relation to the Disposal
“Group”	the Company and its subsidiaries
“Hankoubei Guarantee”	Wuhan Hankoubei Guarantee Investment Company Limited* (武漢漢口北擔保投資有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company prior to the Disposal
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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, chief executive officer and a controlling shareholder (as defined under the Listing Rules) of the Company
“Part Payment”	the part payment of RMB99,000,000 (equivalent to approximately HK\$115,116,279) out of the total consideration for the 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
“Previous Announcement”	the announcement of the Company dated 1 July 2019 in relation to the disposals of a group of subsidiaries and of 35% equity interest in a subsidiary of the Company to Zhong Bang Asset Management
“Previous Disposals”	the disposals of a group of subsidiaries and of 35% equity interest in a subsidiary of the Company to Zhong Bang Asset Management, the details of which are provided in the Previous Announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	the entire equity interest in Hankoubei Guarantee
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 Disposal
“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 Disposal
“%”	per cent

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

Hong Kong, 2 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.

** For identification purposes only*