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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 TRANSACTION**

### **ACQUISITION OF THE ENTIRE INTEREST IN CCTC (TAICANG)**

#### **THE ACQUISITION**

On 12 November 2019, CCTC Technology, being an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with Huazhong Cotton Trade Centre, pursuant to which Huazhong Cotton Trade Centre agreed to sell and CCTC Technology agreed to purchase the Equity Interest, being the entire equity interest in CCTC (Taicang), at a total consideration of RMB30,964,000 (equivalent to approximately HK\$36,005,000).

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Mr. Yan holds 99.95% equity interest in Huazhong Cotton Trade Centre. 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, Huazhong Cotton Trade Centre is a connected person of the Company under Chapter 14A of the Listing Rules and the Acquisition constitutes a connected transaction of the Company.

As the applicable percentage ratios in respect of the Acquisition are less than 5% but more than 0.1%, the Acquisition 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 ACQUISITION**

On 12 November 2019, CCTC Technology, being an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with Huazhong Cotton Trade Centre, the principal terms of which are set forth below:

### **Date**

12 November 2019

### **Parties**

Vendor : Hubei Huazhong Cotton Trade Centre Co. Ltd.\* (湖北華中棉紡交易中心有限公司)

Purchaser : CCTC Technology (Wuhan) Co. Ltd.\* (華棉網科技(武漢)有限公司)

### **Assets to be acquired**

Huazhong Cotton Trade Centre agreed to sell and CCTC Technology agreed to purchase the Equity Interest, being the entire equity interest in CCTC (Taicang).

### **Consideration**

The total consideration for the Acquisition amounted to RMB30,964,000 (equivalent to approximately HK\$36,005,000) which was determined after arm's length negotiation between the Huazhong Cotton Trade Centre and CCTC Technology with reference to the audited net assets value of CCTC (Taicang) as at 30 September 2019 in the amount of approximately RMB30,964,000 (equivalent to approximately HK\$36,005,000). The Consideration shall be payable by CCTC Technology to Huazhong Cotton Trade Centre within one month from the date of the Acquisition Agreement.

### **Vendor's obligations**

After payment of the Consideration, Huazhong Cotton Trade Centre shall use its best endeavours to assist in completing the change of registration procedures in relation to the Acquisition including but not limited to completing the industrial and commercial registration with relevant governmental authorities.

If the change of registration procedures in relation to the Acquisitions were not effected within one year after the execution of the Acquisition Agreement, Huazhong Cotton Trade Centre shall return to CCTC Technology any amount of the Consideration that CCTC Technology has paid for the Acquisition plus interest accrued thereon at the People's Bank of China interest rate applicable to loans with a term within one year (including a term of one year).

Huazhong Cotton Trade Centre was indebted to CCTC (Taicang) for a sum of approximately RMB30,571,000 (equivalent to approximately HK\$35,548,000) as at 30 September 2019, being the Current Account Receivable. Huazhong Cotton Trade Centre undertakes to repay CCTC (Taicang) the Current Account Receivable within one month from the date of the Acquisition Agreement.

### **Completion**

The Acquisition shall be considered as completed subject to payment of the Consideration, settlement of the Current Account Receivable and completion of the change of registration procedures with relevant governmental authorities for the Acquisition.

### **Non-competition undertakings**

Huazhong Cotton Trade Centre undertakes that, among others, upon the completion of the Acquisition, Huazhong Cotton Trade Centre, its subsidiaries, its holding companies and its ultimate beneficial owner(s) shall not conduct or commence any business activities which relate to the principal business of CCTC (Taicang), including online sales of textile raw materials and products, warehousing services and distribution of cotton raw materials and products.

## **INFORMATION OF THE COMPANIES**

### **Information of the Group and CCTC Technology**

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.

CCTC Technology is a company established in the PRC with limited liability in September 2019 and is an indirect wholly-owned subsidiary of the Company. CCTC Technology principally engages in software development and the warehousing and sales of textile raw materials and products.

### **Information of Huazhong Cotton Trade Centre**

Huazhong Cotton Trade Centre is a company established in the PRC with limited liability and principally engages in the warehousing, e-commerce and sales of cotton textile raw materials and products. Huazhong Cotton Trade Centre is indirectly held as to 99.95% by Mr. Yan, who is the ultimate beneficial owner of Huazhong Cotton Trade Centre.

## **Information of CCTC (Taicang)**

CCTC (Taicang) is a company established in the PRC with limited liability and is a direct wholly-owned subsidiary of the Huazhong Cotton Trade Centre since its establishment. CCTC (Taicang) principally engages in online sales of textile raw materials and products, warehousing services and distribution of cotton raw materials and products.

Set out below is the unaudited financial data of CCTC (Taicang) since its date of establishment (i.e. 21 June 2018) up to 31 December 2018:

	<b>For the period since establishment up to 31 December 2018</b> <i>RMB'000</i>
<b>Revenue</b>	619,220
<b>Net profit before taxation</b>	438
<b>Net profit after taxation</b>	433

The unaudited net asset value of CCTC (Taicang) as at 31 December 2018 is approximately RMB30,433,000 (equivalent to approximately HK\$35,388,000).

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

The Group focuses on providing supply chain management and trading services, e-commerce services, financial services, warehousing and logistics services for its customers in the online and offline markets. Following the completion of the transactions contemplated under the Acquisition Agreement, CCTC (Taicang) shall become an indirect wholly-owned subsidiary of the Company. Given the background of CCTC (Taicang)'s principal business activities in the online sales, warehousing and distribution of cotton textile raw materials and products, the Board is of the view that the Acquisition can enhance the Group's existing business, in particular, in the areas of e-commerce and trading services in the textile industry. In addition, the Board considers that CCTC (Taicang)'s business can expand the Group's client base and foster the growth of the Group in the long run.

The Directors (including the independent non-executive Directors) are of the view that, the terms of the Acquisition 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 Huazhong Cotton Trade Centre. 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, Huazhong Cotton Trade Centre is a connected person of the Company under Chapter 14A of the Listing Rules and the Acquisition constitutes a connected transaction of the Company.

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

## DEFINITIONS

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

“Acquisition”	the acquisition of the Equity Interest by CCTC Technology pursuant to the terms of the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 12 November 2019 entered into between Huazhong Cotton Trade Centre and CCTC Technology in relation to the Acquisition
“Board”	the board of Directors
“CCTC (Taicang)” or “Target Company”	CCTC (Taicang) Cotton Co. Ltd.* (華棉所(太倉)棉紡有限公司), a company established under the laws of PRC and a direct wholly-owned subsidiary of the Huazhong Cotton Trade Centre as at the date of this announcement
“CCTC Technology”	CCTC Technology (Wuhan) Co. Ltd.* (華棉網科技(武漢)有限公司), a company established under the laws of PRC and an indirect wholly-owned subsidiary of the Company
“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”	has the meaning ascribed to it under the Listing Rules

“Consideration”	the total consideration for the Acquisition (being RMB30,964,000 (equivalent to approximately HK\$36,005,000))
“Current Account Receivable”	the amount of approximately RMB30,571,000 (equivalent to approximately HK\$35,548,000) due from Huazhong Cotton Trade Centre and/or its group to CCTC (Taicang) as at 30 September 2019
“Director(s)”	the directors of the Company
“Equity Interest”	the entire equity interest in CCTC (Taicang) as at the date of this announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Huazhong Cotton Trade Centre”	Hubei Huazhong Cotton Trade Centre Co. Ltd.* (湖北華中棉紡交易中心有限公司), a company established in the PRC with limited liability and is held as to 99.95% by Mr. Yan
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“percentage ratio(s)”	having the same meaning and definition in the Listing Rules
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	the Stock Exchange of Hong Kong Limited

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

Hong Kong, 12 November 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*