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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)

**CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF STRATEGIC FRAMEWORK AGREEMENT WITH Z-BANK**

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Reference is made to the announcement of the Company dated 9 July 2018 in relation to the Previous Strategic Framework Agreement entered into between the Company and Z-Bank. The Previous Strategic Framework Agreement was expired on 31 December 2020.

On 11 March 2021, the Company entered into the Renewed Strategic Framework Agreement with Z-Bank, pursuant to which the parties agreed that the Previous Strategic Framework Agreement shall be renewed to facilitate the continuous development of the Trading Platforms and the provision of supply chain finance services by the Group and they shall continue to cooperate in respect of (i) provision of bank deposits service by Z-Bank to the Group; (ii) provision of Other Financial Services by Z-Bank to the Group; and (iii) referral of customers by the Group to Z-Bank for loan and credit facilities services.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Z-Bank is owned as to 30% by Zall Holdings Ltd., which in turn is held as to 99.95% by Mr. Yan, the controlling Shareholder, the co-chairman and an executive Director of the Company. Accordingly, Z-Bank is a connected person of the Company and the entering into of the Renewed Strategic Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios for the Proposed Deposit Caps in respect of the placing of deposits with Z-Bank under the Renewed Strategic Framework Agreement are more than 0.1% but are all less than 5%, the placing of deposits with Z-Bank under the Renewed Strategic Framework Agreement is subject to reporting, annual review and announcement requirements but exempt from circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

As the Directors currently expect that the aggregate fees and charges payable by the Group to Z-Bank for the provision of Other Financial Services under the Renewed Strategic Framework Agreement on an annual basis will be less than HK\$3,000,000, the provision of such services will fall within the de minimis threshold under Rule 14A.76(1)(c) of the Listing Rules and be fully exempt from all reporting, annual review, announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE RENEWED STRATEGIC FRAMEWORK AGREEMENT

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On 11 March 2021, the Company entered into the Renewed Strategic Framework Agreement with Z-Bank, pursuant to which the parties agreed that the Previous Strategic Framework Agreement shall be renewed to facilitate the continuous development of the Trading Platforms and the provision of supply chain finance services by the Group and they shall continue to cooperate in respect of (i) provision of bank deposits service by Z-Bank to the Group; (ii) provision of Other Financial Services by Z-Bank to the Group; and (iii) referral of customers by the Group to Z-Bank for loan and credit facilities services.

The principal terms of the Renewed Strategic Framework Agreement are as follows:

Term

The Renewed Strategic Framework Agreement is subject to the Company's compliance of all relevant requirements (including announcement and shareholders' approval requirements, if applicable) under the Listing Rules and of a term of three years from 1 January 2021 to 31 December 2023.

Services

Pursuant to the Renewed Strategic Framework Agreement,

- (a) the members of the Group shall open bank accounts and place deposits with Z-Bank and support the development of financial business of Z-Bank;
- (b) Z-Bank shall continue to support the business development of the Group by providing Other Financial Services to members of the Group;

- (c) regarding customer referral by the Group to Z-Bank (such customers shall be independently assessed and approved by Z-Bank) for loan and credit facilities services, the Company (for itself and on behalf of the members of the Group) agreed that:
- (i) they shall only refer customers which purchase goods through the Trading Platforms to Z-Bank. The loan and facilities, if so granted by Z-Bank to such customers, shall only be used for purchase of goods. The Group shall not be entitled to deduct any interests, fees or amounts from the proceeds provided by Z-Bank in favour of such customers;
 - (ii) they shall only introduce customers to Z-Bank which the Group consider as having repayment ability based on their trading patterns and past dealings with the Group;
 - (iii) they shall provide assistance to Z-Bank in collecting relevant credit information of customers and information relating to the use of loan proceeds as may be reasonably requested by Z-Bank;
 - (iv) they shall, based on the trading pattern of their customers, provide information to Z-Bank to facilitate its preparation of funds and funding need forecast for lending to the customers, and allow Z-Bank to access their data for the purpose of verifying such information in the manner which is in compliance with relevant laws and regulations;
 - (v) in the event that the customers introduced by the Group in breach of loan agreement or default in loan repayment, they shall assist Z-Bank, within two working days upon receipt of its notification, in recouping the outstanding principal and interest from such defaulting customers in the manner which is in compliance with relevant laws and regulations;
 - (vi) they shall provide storage and escrow services to Z-Bank in respect of goods pledged by customers in favour of Z-Bank;
 - (vii) Z-Bank shall give priority to customers introduced by the Group for providing loans and credit facilities subject to compliance of relevant laws, regulations and Z-Bank's internal credit policy. The terms and conditions of the financing services provided by Z-Bank to such customers shall be subject to definitive agreements; and
 - (viii) Z-Bank shall not provide any loan and credit facilities to the members of the Group.
- (d) Z-Bank is entitled to unilaterally suspend or terminate the cooperation with the Group in relation to the customers referral under the Renewed Strategic Framework Agreement, or enforce its rights under the Renewed Strategic Framework Agreement or any other relevant specific agreements and contracts to be entered into in the event that:
- (i) decree against the customers introduced by the Group are laid down by any competent government agency in the PRC, and such decree not having been discharged or the default concerned not having been duly remedied by the customers;

- (ii) the customers introduced by the Group be involved in any material litigation or any event which has material adverse effect on the society; or
 - (iii) the aggregate amount of defaulted indebtedness exceeds 4% of the loan and credit facilities amount provided by Z-Bank to customers of the Group; and
- (e) the Company is entitled to unilaterally suspend or terminate the cooperation with Z-Bank under the Renewed Strategic Framework Agreement if it becomes aware that any loss of capital in the deposits placed with Z-Bank occurred.

Price determination

The interest rate for deposits placed by the Group with Z-Bank shall be negotiated on an arm's length basis with regard to interest rates offered by normal commercial banks in the PRC from time to time for comparable or same type of deposits. In any case, the interest rate for deposits shall not be lower than those prescribed by the People's Bank of China for same type of deposits.

The service fees charged by Z-Bank for the provision of Other Financial Services are determined according to the fee rates fixed by the People's Bank of China or CBRC. If such fixed fee rates are not available, the service fees will be negotiated on arm's length basis taking into account the prevailing market conditions and the fee rates charged by other normal commercial banks in the PRC for comparable services.

The Group will not receive any fee from Z-Bank for referring customers to Z-Bank.

HISTORICAL AMOUNTS AND DEPOSIT CAPS

Set out below are (i) the historical maximum daily balance (including interests accrued thereon) of deposits placed by the Group with Z-Bank and (ii) the historical deposit caps under the Previous Strategic Framework Agreement:

Historical maximum daily balance of deposits and deposit caps		
For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ended 31 December 2020
approximately RMB407 million (Cap: RMB1,000 million)	approximately RMB594 million (Cap: RMB1,600 million)	approximately RMB130 million (Cap: RMB2,300 million)

PROPOSED DEPOSIT CAPS AND BASIS

The proposed maximum daily balance (including interests accrued thereon) of deposits placed by the Group with Z-Bank (i.e the Proposed Deposit Caps) is RMB300 million for each of the three years ending 31 December 2021, 2022 and 2023.

In determining the Proposed Deposit Caps, the Company has taken into account (i) the historical maximum daily balance of deposits placed by the Group with Z-Bank; (ii) the cashflow of the Group; (iii) risk control in selecting providers of deposit services; and (iv) the anticipated financial needs of the Group during the term of the Renewed Strategic Framework Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE RENEWED STRATEGIC FRAMEWORK AGREEMENT

Having considered, among others, (i) the continuously growing demand of supply chain financing services of its customers of the Trading Platforms operated by the Group; (ii) the introduction of Z-Bank to its customers would in turn benefit the Group due to anticipated increase in purchasing power of its customers (and thus increase in transactions amounts) on the Trading Platforms; (iii) the synergy and previous satisfactory relationship between the Company and Z-Bank; (iv) there is no restriction under the Renewed Strategic Framework Agreement on the Group to place deposits with other independent commercial banks in the PRC and the Group is at its sole discretion to decide which bank to place its deposits with according to the relevant interest rates and other terms offered by the banks; and (v) Z-Bank is prepared to continue to offer interest rates and other terms to the Group which shall be no less favourable than those currently offered by Z-Bank to its customers who are independent third parties, the Directors (including all independent non-executive Directors but excluding Mr. Yan who have abstained from voting on the relevant Board resolution(s)) are of the view that the entering into of the Renewed Strategic Framework Agreement and the transactions contemplated thereunder (including the Proposed Deposit Caps) are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Save for Mr. Yan who have abstained from voting on the relevant Board resolution(s) due to his material interest in the Renewed Strategic Framework Agreement, to the best knowledge of the Company having made all reasonable enquiries, none of the other Directors is required to abstain from voting on the relevant Board resolution(s).

INTERNAL CONTROL MEASURES IN RELATION TO PLACING OF DEPOSITS WITH Z-BANK

The Company has adopted the following internal control measures to ensure that the interest rates offered by Z-Bank for deposits placed by the Group are no less favourable than those offered by independent commercial banks in the PRC to the Group for comparable or same type of deposits and the maximum daily balance of deposits (including interests accrued thereon) placed by the Group shall not exceed the Proposed Deposit Caps:

- (a) the Group will closely monitor the maximum balance of the deposits on a daily basis to ensure that such balance does not exceed the Proposed Deposit Caps;
- (b) the deposits will be placed by the Group on a voluntary and non-exclusive basis. Before making its decision as to which bank to place its deposits with, the Group will take into account and compare interest rates and other terms offered by Z-Bank with those offered by independent commercial banks in the PRC for similar types of deposits;
- (c) the independent non-executive Directors will conduct annual review of the continuing connected transactions under the Renewed Strategic Framework Agreement to ensure that such transactions have been conducted in the ordinary and usual course of business of the Group, on normal or better commercial terms, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole;

- (d) the Company will engage external auditors to conduct annual review of the continuing connected transactions under the Renewed Strategic Framework Agreement in accordance with the Listing Rules; and
- (e) the Board will oversee the Company's internal control measures in relation to the Renewed Strategic Framework Agreement on an ongoing basis.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Z-Bank is owned as to 30% by Zall Holdings Ltd., which in turn is held as to 99.95% by Mr. Yan, the controlling Shareholder, the co-chairman and an executive Director of the Company. Accordingly, Z-Bank is a connected person of the Company and the entering into of the Renewed Strategic Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio for the Proposed Deposit Caps in respect of the placing of deposits with Z-Bank under the Renewed Strategic Framework Agreement are more than 0.1% but are all less than 5%, the placing of deposits with Z-Bank under the Renewed Strategic Framework Agreement is subject to reporting, annual review and announcement requirements but exempt from circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Directors currently expect that the aggregate fees and charges payable by the Group to Z-Bank for the provision of Other Financial Services on an annual basis will be less than HK\$3,000,000, the provision of such services will fall within the de minimis threshold under Rule 14A.76(1)(c) of the Listing Rules and therefore be fully exempt from all reporting, annual review, announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION ON THE PARTIES

The Group

The Company is an investment holding company. The Group is principally engaged in (i) the construction and operation of B2B e-commerce platforms for the trading of, among others, consumer goods, agricultural products, chemicals, plastic raw materials, and black and non-ferrous metals; and (ii) the provision of related services such as finance, logistics, cross-border trading, warehousing and supply chain management in the PRC. The Group is also engaged in the development and operation of large-scale, consumer product-focused wholesale shopping malls in the PRC.

Z-Bank

Z-Bank is a privately owned commercial bank licensed by CBRC, the headquarters of which is located in Wuhan, Hubei Province, the PRC. Z-Bank commenced business in 2017 and is principally engaged in the provision of online and offline banking services, targeting particularly micro, small and medium enterprises and individuals involving in supply chain network transactions. It is owned as to 30% by Zall Holdings Ltd., which in turn is held as to 99.95% by Mr. Yan. To the best of the Director's knowledge, information and belief having made all reasonable enquiries, other shareholders of Z-Bank are not connected persons of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“B2B”	business to business
“Board”	the board of Directors
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“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 in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Yan”	Mr. Yan Zhi, the controlling shareholder, the co-chairman and an executive Director of the Company
“Other Financial Services”	fund settlement, payment and other financial services provided by Z-Bank to the Group under the Renewed Strategic Framework Agreement
“percentage ratio(s)”	has the meaning ascribed to it under Rule 14.07 of the Listing Rules
“PRC”	the People's Republic of China, which for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan

“Proposed Deposit Caps”	the proposed maximum daily balance of the deposits (including interests accrued thereon) placed by the Group with Z-Bank on any given day during the term of the Renewed Strategic Framework Agreement as set out in the section headed “Proposed Deposit Caps and Basis” in this announcement
“Previous Strategic Framework Agreement”	the strategic framework agreement dated 9 July 2018 entered into between the Company and Z-Bank
“Renewed Strategic Framework Agreement”	the strategic framework agreement dated 11 March 2021 entered into between the Company and Z-Bank
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trading Platform(s)”	e-commerce B2B trading platform(s) operated by the Group
“Z-Bank”	武漢眾邦銀行股份有限公司 (Wuhan Zhongbang Bank Co., Ltd.*) a licenced bank in Wuhan, Hubei Province, the PRC
“Zall Holdings Ltd.”	卓爾控股有限公司 (Zall Holdings Ltd.*), a company established in the PRC with limited liability and held as to 99.95% by Mr. Yan Zhi
“%”	per cent.

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

Hong Kong, 11 March 2021

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 and Ms. Min Xueqin are executive Directors; Mr. Cheung Ka Fai, Mr. Wu Ying and Mr. Zhu Zhengfu are independent non-executive Directors.

* For identification purpose only