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ZALL卓尔

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)

PERFORMANCE GUARANTEE IN RELATION TO THE VERY SUBSTANTIAL ACQUISITION

This announcement is made by Zall Smart Commerce Group Ltd. (the “**Company**”) pursuant to Rule 14A.63 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Reference is made to the announcement of the Company dated 13 November 2016 and the circular of the Company dated 15 February 2017 (the “**Circular**”) in relation to the acquisition of the Target Companies. Unless otherwise stated, defined terms used in this announcement shall bear the same meanings as defined in the Circular.

PERFORMANCE GUARANTEE

Pursuant to the Acquisition Agreement, Vendor D covenants to the Purchaser, among others, that the consolidated revenue and the consolidated net profit after taxation of the Project Group as derived from activities in the ordinary and usual course of business of the Project Group and determined based on the audited consolidated financial statements of the Project Group shall meet the target revenue (the “**Target Revenue 2020**”) of RMB58,594,000,000 and target net profit (the “**Target Net Profit 2020**”) of RMB190,000,000 for the financial year ended 31 December 2020 (the “**Performance Guarantee 2020**”).

ACTUAL PERFORMANCE

Based on the financial information of the Project Group for the financial year ended 31 December 2020, the respective Actual Revenue is approximately RMB38,110,585,000, with a shortfall of approximately RMB20,483,415,000 as compared with the Target Revenue 2020, and the respective Actual Net Loss is approximately RMB34,337,000, with a shortfall of approximately RMB224,337,000 as compared with the Target Net Profit 2020. As the Actual Revenue and the Actual Net Profit for the financial year ended 31 December 2020 did not meet the Target Revenue 2020 and the Target Net Profit 2020 respectively, the Performance Guarantee 2020 was not fulfilled. Pursuant to the Acquisition Agreement, no Consideration Shares shall be released for the financial year ended 31 December 2020 as the Performance Guarantee 2020 was not fulfilled and the Achievement Ratio for the respective financial year was below 50% (i.e. 32.52%).

The Board (including the independent non-executive Directors) is of the view that, pursuant to the Acquisition Agreement, (i) the Performance Guarantee provides the Purchaser with a mechanism to adjust the Consideration and the Vendors with a mechanism to allow release of the Consideration Shares from the Lock-up Undertaking; (ii) Vendors have fulfilled their obligations in accordance with the Acquisition Agreement; and (iii) the Group is not provided with any option to sell any part of the entire equity interest of the Project Group back to any of the Vendors.

At the same time, as disclosed in the Circular, with respect to Vendor D, following the publication of the 2022 annual report of the Company, if there are still Consideration Shares which have not been released to them in accordance with the Acquisition Agreement, Vendor D must sell all such unreleased Consideration Shares to the public investors at a price and in such manner as requested by the Purchaser after taking into account the market conditions then subsisting (the “**Sale Condition**”), and the proceeds received from the sale of such unreleased Consideration Shares will be remitted to the Purchaser as compensation for the loss suffered by it. Therefore, the Board wishes to highlight that, whilst the Vendor is not put under any obligation for failing to fulfil the Performance Guarantee 2020, such failure may contribute to the triggering of the Sale Condition, as no Consideration Shares shall be released for the financial year ended 31 December 2020 as provided above.

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

Hong Kong, 27 April 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.