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ZALL卓尔智联

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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
DISPOSAL OF EQUITY INTEREST IN THE TARGET COMPANY**

THE DISPOSAL

On 28 September 2021 (after trading hours), the Sellers and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Sellers agreed to sell, and the Purchaser agreed to acquire, the Sale Shares (representing approximately 22.3% equity interest in the Target Company) at the Consideration of US\$45,500,000.00.

LISTING RULE IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceed 5% but are all less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Mr. Yan holds the entire equity interest in the Purchaser. Mr. Yan is an executive Director, co-chairman of the Board, co-chief executive officer and a controlling shareholder of the Company. Accordingly, the Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction of the Company under the Listing Rules. As one or more of the applicable percentage ratios in respect of the Disposal exceed 5%, the Disposal is subject to the reporting, announcement, circular, independent financial advice and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder. Sorrento Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder. As Mr. Yan is considered to have a material interest in the Disposal, Mr. Yan is required to abstain from voting on the relevant resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM. Save for the aforementioned and to the best knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Disposal and is required to abstain from voting on the resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

GENERAL

A circular containing, among other things, (i) details of the Disposal; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Disposal; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal; and (iv) the notice of EGM and the proxy forms will be despatched to the Shareholders on or before 21 October 2021.

Shareholders and potential investors of the Company should note that the Completion is subject to the satisfaction of the Conditions precedent set out in the Sale and Purchase Agreement and may or may not proceed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the shares of the Company.

On 28 September 2021 (after trading hours), the Sellers and the Purchaser entered into the Sale and Purchase Agreement, major terms of which are detailed below.

MAJOR TERMS OF THE SALE AND PURCHASE AGREEMENT

- | | | |
|---------------------------------|---|---|
| Subject matter | : | Subject to the terms of the Sale and Purchase Agreement (including but not limited to fulfillment of the Conditions), the Sellers agreed to sell, and the Purchaser agreed to purchase, the Sale Shares (representing approximately 22.3% equity interest in the Target Company). |
| Consideration and payment terms | : | The Consideration of US\$45,500,000.00 shall be settled in full by the Purchaser to the Sellers on the Completion Date by bank transfer via a licensed bank or any other methods agreed between the Purchaser and Sellers. |

Conditions precedent : Completion shall be conditional upon fulfilment of each of the following Conditions:

- (i) the Company having obtained approval from the Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the Listing Rules;
- (ii) the Sellers having obtained all their respective necessary waivers, consents, approval, permits and/or authorisations from any relevant governments, regulatory authorities and/or other relevant third parties in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder (including but not limited to the approval from the Shareholders of the Company); and
- (iii) the Purchaser and each of the Sellers having obtained all their respective board approval and the shareholders' approval in accordance with their articles of association and the relevant applicable laws in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder.

If any of the Conditions is not fulfilled on or before 5:00 p.m. on the Long Stop Date, (i) the Sellers and the Purchaser are not obliged to proceed to Completion; (ii) the terms of the Sale and Purchase Agreement shall cease to be effective; and (iii) each of the Sellers and the Purchaser shall not bear or be held accountable for any responsibility under the Sale and Purchase Agreement, and shall not make claims against each other, unless such claims arise from any previous violation of any provision of the Sale and Purchase Agreement.

Completion: : Upon fulfilment of all the Conditions on or before the Long Stop Date, Completion shall take place on the Completion Date.

BASIS OF CONSIDERATION

The Consideration was determined after arm's length negotiations among the Sellers and the Purchaser after having taken into account (i) that the Consideration is set at a premium when compared to the closing price of US\$1.49 per ADS of the Target Company on the NYSE as at 27 September 2021; and (ii) the carrying amount of the Sale Shares of approximately RMB11.75 per ADS (equivalent to approximately US\$1.82 per ADS) as at 30 June 2021.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Board considers that the main business and direction of the Target Company are not aligned with the Group and there is a lack of synergies. By cashing out on its investment in the Target Company, the Group can improve its liquidity and cash flow and devote more resources to its core business.

The Directors (excluding (i) the independent non-executive Directors, whose views will be provided after taking into account the advice of the Independent Financial Adviser; and (ii) Mr. Yan who is required to abstain from voting) are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms or better and are in the interests of the Company and its shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

Upon Completion, the Target Company will cease to be an associate of the Company and the Group will retain less than 2% equity interest in the Target Company.

The Group expects to record no gain or loss from the Disposal after deducting expenses in relation to the Disposal with reference to the negligible difference between the carrying amount of the Sale Shares as at 30 June 2021 and the Consideration. The actual gain or loss from the Disposal may be different from the above and subject to the review and final audit by the Company's auditors.

It is expected that the net proceeds from the Disposal will be used for paying off existing liabilities of the Group and as general working capital.

INFORMATION OF THE PARTIES

The Group

The Company is a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in 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 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. As at the date of this announcement, the Company is directly owned as to approximately 56.09% by the Purchaser.

The Purchaser

The Purchaser is a company incorporated under the laws of the British Virgin Islands with limited liability and principally operates as an investment holding company. As at the date of this announcement, the Purchaser is directly wholly-owned by Mr. Yan.

The Target Company

The Target Company is a company incorporated in the Cayman Islands with limited liability and an associate of the Company as at the date of this announcement, the shares of which are listed on the NYSE (stock code: LITB). The Target Company is an international online retail company that delivers products to over 140 countries and regions with headquarters in the PRC.

Set out below is the financial information of the Target Company for the years ended 31 December 2019 and 2020 obtained from its 2020 annual report:

	For the year ended	
	31 December	
	2020	2019
	US\$'000	US\$'000
	(Audited)	(Audited)
Revenue	398,151	243,626
Net profit before taxation	16,764	1,171
Net profit after taxation	13,346	1,058

The unaudited net asset value of the Target Company as at 30 June 2021 was approximately US\$61,124,000 (equivalent to approximately RMB394,867,000).

LISTING RULE IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceed 5% but are all less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Mr. Yan holds the entire equity interest in the Purchaser. Mr. Yan is an executive Director, co-chairman of the Board, co-chief executive officer and a controlling shareholder of the Company. Accordingly, the Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction of the Company under the Listing Rules. As one or more of the applicable percentage ratios in respect of the Disposal exceed 5%, the Disposal is subject to the reporting, announcement, circular, independent financial advice and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder. Sorrento Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder. As Mr. Yan is considered to have a material interest in the Disposal, Mr. Yan is required to abstain from voting on the relevant resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM. Save for the aforementioned and to the best knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Disposal and is required to abstain from voting on the resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

GENERAL

A circular containing, among other things, (i) details of the Disposal; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Disposal; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal; and (iv) the notice of EGM and the proxy forms will be despatched to the Shareholders on or before 21 October 2021.

Shareholders and potential investors of the Company should note that the Completion is subject to the satisfaction of the Conditions precedent set out in the Sale and Purchase Agreement and may or may not proceed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

“ADS”	American Depositary Shares, each of which represents two ordinary shares in the Target Company
“Board”	the board of Directors
“Company”	Zall Smart Commerce Group Ltd. (卓爾智聯集團有限公司), 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)
“Completion”	the completion of the sale and purchase of the Sale Shares in accordance with the Sale and Purchase Agreement
“Completion Date”	a date falling on or before the last day of the third month upon all Conditions having been fulfilled
“Condition(s)”	the condition(s) precedent of the Sale and Purchase Agreement as set out in the section headed “Major Terms of the Sale and Purchase Agreement — Conditions precedent” in this announcement

“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of US\$45,500,000.00 payable by the Purchaser in relation to the sale and purchase of the Sale Shares
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“Disposal”	the disposal the Sale Shares by the Sellers to the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely, Mr. Cheung Ka Fai, Mr. Wu Ying and Mr. Zhu Zhengfu
“Independent Financial Adviser”	Sorrento Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal
“Independent Shareholder(s)”	Shareholders other than Mr. Yan
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2022
“Mr. Yan”	Mr. Yan Zhi (閻志先生), an executive Director, co-chairman of the Board, co-chief executive officer and a controlling shareholder of the Company

“NYSE”	the New York Stock Exchange
“percentage ratio(s)”	has the same meaning and definition in the Listing Rules
“PRC”	the People’s Republic of China, which for the sole purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Zall Development Investment Company Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and is directly wholly-owned by Mr. Yan as at the date of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the Sale and Purchase Agreement dated 28 September 2021 entered into among the Sellers and the Purchaser in relation to the sale and purchase of the Sale Shares
“Sale Shares”	50,000,000 shares in the Target Company (equivalent to 25,000,000 ADS and representing approximately 22.3% equity interest in the Target Company) held by the Sellers as at the date of this announcement
“Seller I”	Zall Cross-border E-commerce Investment Company Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and is wholly-owned by the Company as at the date of this announcement
“Seller II”	Zall Development (HK) Holding Company Limited, a company incorporated under the laws of Hong Kong with limited liability and is wholly-owned by the Company as at the date of this announcement
“Sellers”	Seller I and Seller II
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	LightInTheBox Holding Co., Ltd., a company incorporated in the Cayman Islands with limited liability and an associate of the Company as at the date of this announcement, the shares of which are listed on the NYSE (stock code: LITB)
“US\$”	United States dollars, the lawful currency of the United States of America

“%”

per cent.

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

Hong Kong, 28 September 2021

For illustration purpose only, US\$ is converted into RMB at an exchange rate of US\$1.00 = RMB6.46 in this announcement.

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. Yu Wei and Mr. Xia Lifeng are executive Directors; Mr. Cheung Ka Fai, Mr. Wu Ying and Mr. Zhu Zhengfu are independent non-executive Directors.