

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect about this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Zall Smart Commerce Group Ltd., you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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  
AND  
NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



Unless the context otherwise requires, all capitalised terms used in this circular have the meanings set out in the section headed “Definitions” of this circular.

A letter from the Board is set out on pages 4 to 10 of this circular. A letter from the Independent Board Committee is set out on page 11 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 12 to 22 of this circular.

A notice convening the EGM to be held at Suite 2101, 21/F, Two Exchange Square, Central, Hong Kong on Wednesday, 10 November 2021 at 10:30 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you are able to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company’s Hong Kong share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as practicable and in any event not later than 48 hours before the time designated for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting should you so wish and in such event the relevant form of proxy shall be deemed to be revoked.

**PRECAUTIONARY MEASURES AT THE EXTRAORDINARY GENERAL MEETING**

Please see page ii of this circular for measures being taken to try to prevent and control the spread of the Novel Coronavirus Pneumonia (COVID-19) at the EGM, including:

- compulsory body temperature checks
- submission of health declaration form
- mandatory wearing of a face mask for each attendee
- no provision of refreshment

**Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company reminds Shareholders that they may appoint the chairman of the EGM as their proxy to vote on the relevant resolution at the meeting as an alternative to attending the EGM in person.**

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## PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

In view of the present COVID-19 pandemic and recent requirements (if any) for prevention and control of its spreading, to safeguard the health and safety of Shareholders who might be attending the EGM in person, the Company will implement the following precautionary measures at the EGM:

- (i) Seating at the venue of the EGM (“**EGM Venue**”) will be arranged so as to allow for appropriate social distancing. As a result, there will be limited capacity for Shareholders to attend the EGM. The Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding;
- (ii) At the entrance of the EGM Venue, a compulsory body temperature check will be conducted on every person attending the EGM. Any person with a body temperature of over 37.3 degrees Celsius, or any individual who has any flu-like symptoms or is otherwise unwell will not be admitted to the EGM Venue;
- (iii) Submission of health declaration forms by all attendees at the entrance of the EGM Venue.
- (iv) Every Shareholder or proxy is required to wear face mask at the EGM Venue;
- (v) No food or beverages will be provided at the EGM Venue.

To the extent permitted by the laws of Hong Kong, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue so as to ensure the health and safety of the attendees at the EGM.

Subject to the development of the COVID-19 situation, the Company may implement additional precautionary measures as and when appropriate.

In the interest of all stakeholders’ health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance at the EGM is not necessary for the purpose of exercising voting rights. As an alternative to attending the EGM in person, Shareholders are encouraged to consider appointing the chairman of the EGM as their proxy to vote on the relevant resolution at the EGM by submitting the form of proxy with voting instructions inserted.

The form of proxy for the EGM is enclosed with this circular. Alternatively, the form of proxy can be downloaded from the Company’s website at [www.zallcn.com](http://www.zallcn.com) and the HKEXnews website at [www.hkexnews.hk](http://www.hkexnews.hk).

If you are not a registered Shareholder (i.e. if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks, brokers or custodians (as the case may be) to assist you in the appointment of proxy.

## DEFINITIONS

*In this circular, unless the context otherwise requires, the following expressions shall have the meanings set out below:*

“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 “Sale and Purchase Agreement — Conditions precedent” in this circular
“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 of 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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

## DEFINITIONS

“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
“Latest Practicable Date”	19 October 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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 circular 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 Latest Practicable Date
“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

## DEFINITIONS

“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 Latest Practicable Date
“Sellers”	Seller I and Seller II
“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 Latest Practicable Date
“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 Latest Practicable Date
“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 Latest Practicable Date, 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.

*Unless otherwise stated, in the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.*

# 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)

*Executive Directors:*

Mr. Yan Zhi

(Co-chairman and Co-chief executive officer)

Dr. Gang Yu (Co-chairman)

Mr. Wei Zhe, David

Mr. Qi Zhiping (Co-chief executive officer)

Mr. Yu Wei

Mr. Xia Lifeng

*Registered office:*

Cricket Square

Hutchins Drive

P. O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

*Principal place of business in Hong Kong:*

Suite 2101, 21/F

Two Exchange Square

Central

Hong Kong

*Independent Non-Executive Directors:*

Mr. Cheung Ka Fai

Mr. Wu Ying

Mr. Zhu Zhengfu

21 October 2021

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
DISPOSAL OF EQUITY INTEREST IN THE TARGET COMPANY  
AND  
NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 28 September 2021 in relation to the Disposal. Pursuant to the requirements under the Listing Rules, the Company will seek the Independent Shareholders' approval in relation to the Sale and Purchase Agreement and the Disposal at the EGM.

The purpose of this circular is to provide you with (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) a notice of EGM.

## LETTER FROM THE BOARD

### SALE AND PURCHASE AGREEMENT

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.

- 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.



## LETTER FROM THE BOARD

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 of approximately 22% when compared to the closing price of US\$1.49 per ADS of the Target Company on the NYSE as at 27 September 2021, which falls within the range of the lowest closing price and highest closing price of ADS of the Target Company and is above the average closing price of ADS of the Target Company during the period from 27 September 2019 to 27 September 2021; (ii) the liquidity of ADS of the Target Company during the period from 27 September 2019 to 27 September 2021 was low; (iii) it is impracticable for the Group to sell the entire block of Sale Shares in the open market; and (iv) 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 and the Consideration (i.e. the Sale Shares are sold at US\$1.82 per ADS) and that the Group shall record no loss on the disposal of the Sale Shares. The Board therefore considers that the Consideration is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the construction and operation of B2B e-commerce platforms and consumer product-focused wholesale trading and supply chain management and trading business. The Group has accumulated extensive experience in the e-commerce business over the past few years and developed its own B2B platforms matrix for the wholesale and commodities trading of, among other things, consumer goods, agricultural products, chemicals, plastic raw materials, and black and non-ferrous metals, and its supply chain management and trading business has grown significantly.

## **LETTER FROM THE BOARD**

The Target Company is one of the earliest and leading cross-border e-commerce operators in the PRC which operates using a B2C model as a retailer and delivers consumer products such as apparel, household goods and electronic products directly to end customers around the world via its website and mobile application.

In 2016, the Group became the single largest shareholder of the Target Company by holding approximately 30% shareholding interest in the Target Company as it had aimed to take advantage of the Target Company's extensive experience in the e-commerce industry while the Group was at its early stage of development in digital transformation business and a new comer in the e-commerce industry. After exploring and gaining experience in the e-commerce industry over the past few years, the Company has formulated its own strategic direction and committed to becoming the world's leading digital trading platform based on the trading scenarios the Group had faced in the past. Going forward, the Group will continue to develop its own B2B platform and further expand into other sectors through organic development or merger and acquisition when it comes across potential opportunities.

After having taken into account the differences in the business model, market segments and target customer between the Group and the Target Company as described above, the Board considers that the main business and strategic 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.

### **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 approximately 90% and not more than 10% of the net proceeds from the Disposal will be used for (i) paying off part of the existing liabilities of the Group which comprise third party borrowing and borrowing from financial institution; and (ii) as general working capital such as payment of daily operational and other expenses. The Company expects to fully utilise the net proceeds from the Disposal by the end of December 2021 for repayment of existing liabilities of the Group and as and when appropriate for usage of general working capital, respectively.

## LETTER FROM THE BOARD

### 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 the Sale and Purchase Agreement, 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 the Sale and Purchase Agreement, 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 the Sale and Purchase Agreement, 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:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>
	<i>US\$'000</i>	<i>US\$'000</i>
	(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).

## **LETTER FROM THE BOARD**

### **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 the Sale and Purchase Agreement, 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 who is holding, directly and indirectly, an aggregate of 6,976,517,268 shares in the Company (representing approximately 59.21% shareholding interest in 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.

### **EXTRAORDINARY GENERAL MEETING**

A notice convening the EGM to be held at Suite 2101, 21/F, Two Exchange Square, Central, Hong Kong on Wednesday, 10 November 2021 at 10:30 a.m. at which an ordinary resolution will be proposed for the approval by the Independent Shareholders of the Sale and Purchase Agreement and the Disposal is set out on pages EGM-1 to EGM-2 of this circular. Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement on the results of the poll will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

## LETTER FROM THE BOARD

The register of members of the Company will be closed from Friday, 5 November 2021 to Wednesday, 10 November 2021 (both days inclusive), during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer forms and the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 4 November 2021.

Whether or not you are able to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time scheduled for holding the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

### RECOMMENDATION

The Directors (excluding (i) the independent non-executive Directors whose view 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.

The Independent Board Committee, having taken into account the advice of Sorrento Capital Limited, considers that the Disposal is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and accordingly recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM for approving the Disposal.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information as set out in the appendices to this circular.

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

**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)**

21 October 2021

*To the Independent Shareholders*

Dear Sir or Madam,

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

We refer to the circular dated 21 October 2021 (the “**Circular**”) issued by the Company to the Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

We wish to draw your attention to (i) the letter from the Board set out on pages 4 to 10 of the Circular; (ii) the letter from Sorrento Capital Limited, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal, set out on pages 12 to 22 of the Circular; and (iii) the additional information as set out in the appendix of the Circular.

Having considered the factors and reasons considered by and the opinion of the Independent Financial Adviser stated in its letter of advice contained in the Circular, we are of the view that the terms of the Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable as far as the Independent Shareholders are concerned, and the Sale and Purchase Agreement and the transactions contemplated thereunder although are not in the ordinary and usual course of business of the Group, are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Disposal.

Yours faithfully,

For and on behalf of the

**Independent Board Committee**

**Mr. Cheung Ka Fai**

**Mr. Wu Ying**

**Mr. Zhu Zhengfu**

*Independent non-executive Directors*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the letter of advice from Sorrento Capital to the Independent Board Committee and the Independent Shareholders prepared related to the Disposal for the purpose of inclusion in this circular.*



21 October 2021

*The Independent Board Committee and the Independent Shareholders of  
Zall Smart Commerce Group Ltd.*

Dear Sirs,

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

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal, details of which are set out in the Letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 21 October 2021 issued to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular, unless otherwise specified.

On 28 September 2021, 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.

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 Latest Practicable Date, 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 who is holding, directly and indirectly, an aggregate of 6,976,517,268 shares in the Company (representing approximately 59.21% shareholding interest in 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.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Cheung Ka Fai, Mr. Wu Ying and Mr. Zhu Zhengfu (all being the independent non-executive Directors), has been established to advise the Independent Shareholders as to whether (i) the terms of Sale and Purchase Agreement are entered into on normal commercial term, fair and reasonable and in the interest of the Company and Shareholders as a whole; and (ii) to vote in favour of the resolutions to be proposed at the EGM. We, Sorrento Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We are independent from and not connected with the Group, its substantial shareholders, directors or chief executive, or any of their respective associates pursuant to Rule 13.84 of the Listing Rules. During the last two years, we have not been engaged as any financial adviser to the Company. Accordingly we are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Disposal.

### **BASIS OF OUR OPINION**

In formulating our opinion and recommendation, we have considered, among other things, (i) the Circular; (ii) the Sale and Purchase Agreement; (iii) the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”); (iv) the interim report of the Company for the six months ended 30 June 2021 (the “**2021 Interim Report**”); and (v) relevant market data and information available from public sources and the website of the Stock Exchange. We have also relied on all relevant information and representations supplied, and the opinions expressed, by the Directors and the management of the Company. We have assumed that all such information and representations contained or referred to in the Circular are true and accurate in all material respects as at the date thereof. The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have also confirmed that, having made all reasonable enquiries and to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no material facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company, and they have confirmed that no material information have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, nor have we conducted an independent investigation into the business affairs, operations, financial position or future prospects of each of the Company, the Purchaser, and any of their respective subsidiaries and associates and parties acting in concert with them.



# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Disposal, we have taken into consideration the following principal factors and reasons:

### I. Information of 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.

The table below sets forth a summary of the financial highlights of the Group for the two years ended 31 December 2020 and for the six months ended 30 June 2021 and 2020 as extracted from the 2020 Annual Report and the 2021 Interim Report:

	<b>For the year ended</b>		<b>For the six months</b>	
	<b>31 December</b>		<b>ended 30 June</b>	
	<b>2019</b>	<b>2020</b>	<b>2020</b>	<b>2021</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
<b>Revenue</b>	72,898,756	72,769,426	35,763,064	50,160,278
<b>Segment results</b>				
— sales of properties and related services	127,363	404,674	255,470	169,152
— supply chain management and trading business	71,748,471	71,443,714	34,956,298	49,527,936
— construction contracts	9,512	2,757	2,757	4,462
Profit/(Loss) for the year/period	57,519	(1,349,238)	281,063	32,402

#### *Comparison between the six months ended 30 June 2021 and 2020*

The Group recorded a total revenue of approximately RMB50,160.3 million for the six months ended 30 June 2021, representing an increase of approximately RMB14,397.2 million or approximately 40.3% as compared to the revenue of approximately RMB35,763.1 million for the six months ended 30 June 2020 which was mainly due to the significant increase in revenue from supply chain management and trading business.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group recorded a net profit of approximately RMB32.4 million for the six months ended 30 June 2021, representing a decrease of approximately 88.5% as compare to the net profit of approximately RMB281.1 million for the six months ended 30 June 2020. As stated in the 2021 Interim Report, such decrease in profit of the Group for the six months ended 30 June 2021 was mainly due to the net valuation gain on investment properties decreased by approximately 99.6% from approximately RMB601.1 million for the six months ended 30 June 2020 to approximately RMB2.4 million for the six months ended 30 June 2021 and the related tax effect, as the Group had no additional properties transferred to investment properties for rental purposes during the six months ended 30 June 2021.

### *Comparison between the year ended 31 December 2020 and 2019*

The total revenue of the Group decreased from approximately RMB72,898.8 million for the year ended 31 December 2019 to approximately RMB72,769.4 million for the year ended 31 December 2020, representing a slight decrease of approximately 0.2%. According to the 2020 Annual Report, the total revenue of the Group has remained stable, of which, the revenue from supply chain management and trading business has remained stable; the rental income from investment properties and revenue from financing income decreased; and sales of properties and related services increased.

The Group recorded a net loss of approximately RMB1,349.2 million for the year ended 31 December 2020 and recorded profit for the year of approximately RMB57.5 million for the year ended 31 December 2019, which was mainly due to the (i) increase in impairment loss on trade and other receivables; (ii) increase in impairment loss on intangible assets; and (iii) net valuation loss on investment properties for the year ended 31 December 2020.

Set out below is a summary of the consolidated financial position of the Group, as extracted and summarised from the 2020 Annual Report and 2021 Interim Report:

	<b>As at 31 December 2019</b>	<b>As at 31 December 2020</b>	<b>As at 30 June 2021</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Audited)	(Audited)	(Unaudited)
Total assets	61,489,239	62,127,930	57,905,953
Total liabilities	41,866,765	43,793,474	39,548,240
Net assets	19,622,474	18,334,456	18,357,713

The net assets of Group decreased from approximately RMB19,622.5 million as at 31 December 2019 to approximately RMB18,334.5 million as at 31 December 2020. As stated in the 2020 Annual Report, the contract liabilities as at 31 December 2020 increased by approximately RMB970.8 million as compared with the same as at 31 December 2019 and the interest-bearing borrowings as at 31 December 2020

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

increased by RMB2,189.0 million as compared with the same as at 31 December 2019. The net assets of Group slightly increased from approximately RMB18,334.5 million as at 31 December 2020 to approximately RMB18,357.7 million as at 30 June 2021.

### II. Information on the Purchaser and Mr. Yan

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 Latest Practicable Date, the Purchaser is directly wholly-owned by Mr. Yan.

### III. Information on 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 Latest Practicable Date, 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 as extracted from its 2020 annual report:

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

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).

### IV. Reasons for and benefits of the Disposal

As stated in the Letter from the Board, the Board considers that the main business and strategic 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.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the management of the Company, the Group planned to sell the ADS of the Target Company since 2020, however, the price of the ADS of the Target Company was relatively low and the trading volume was not high in 2020 and the Group failed to dispose any of the ADS of the Target Company in the first half year of 2020. Started from July 2020, the price of the ADS of the Target Company was going upward and the Group successfully sold some ADS of the Target Company at a relatively higher price, but the number of the ADS of the Target Company sold was not significant due to the thin trading volume of the Target Company. Finally, the price of the ADS of the Target Company drop again in June 2021 and maintained at a price lower than US\$2. Given the thin trading volume of the ADS of the Target Company, the Board considered that a sufficiently active market may not exist to enable the Group to sell the Sale Shares in bulk quantity without exerting a downward pressure on the price of the ADS of the Target Company. The Group may have difficulties in selling a significant number of the ADS of the Target Company in the open market within a short period of time, in particular at the current price of the ADS of the Target Company. The Board considers that the Disposal will offer an opportunity for the Group to dispose of the Sale Shares with a reasonable price.

As further discussed with the management of the Company, it is expected that approximately 90% and not more than 10% of the proceeds arising from the Disposal will be used (i) for paying off part of the existing liabilities of the Group which comprise third party borrowing and borrowing from financial institution; and (ii) as general working capital of the Group such as payment of daily operational and other expenses. The Company expects to fully utilise the net proceeds from the Disposal by the end of December 2021 for repayment of existing liabilities of the Group and as and when appropriate for usage as general working capital, respectively.

The Group is principally engaged in consumer product-focused wholesale trading and supply chain management and trading business. According to the 2021 Interim Report, through online and offline integrated development in recent years, the Group has established and operated B2B trading platforms with significant influence for agricultural products, chemicals and plastics materials, ferrous metals, non-ferrous metals, energy, etc., and its supply chain management and trading business has grown significantly. As advised by the management of the Company, the Target Company principally engaged in established and operated B2C trading platforms for retail products such as clothing, household goods and consumer electronic items etc.

As advised by management of the Company, going forward, the Group will continue to develop its own B2B platform and further expand into other sectors through organic development or merger and acquisition when the appropriate opportunity arises, continuously enrich and perfect Zall Smart Commerce's intelligent ecosphere and further enhance operating efficiency.

Having considered (i) the business strategy of the Group; and (ii) the unsuccessful disposal of the ADS of the Target Company in the open market, although the Disposal is not in the ordinary and usual course of business of the Group, we concur with the Directors' view that the Disposal is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

**V. Principal terms of the Disposal, Sale and Purchase Agreement and the transaction contemplated thereunder**

Please refer to the Letter from the Board for the detailed terms of the Sale and Purchase Agreement.

*Our analysis on the Consideration*

The Consideration of US\$45,500,000 shall be satisfied by the Company of selling the Sale Shares to the Purchaser, representing approximately US\$0.91 per share of the Target Company (equivalent to US\$1.82 per ADS of the Target Company, the “**Consideration Price**”).

To assess the fairness and reasonableness of the Consideration Price, we have taken into account the following factors:

*(a) Historical price movement of ADS of the Target Company*

Set out below is the diagram demonstrating the daily closing price of ADS of the Target Company as quoted on the New York Stock Exchange (“**NYSE**”) during the period (the “**Review Period**”) commencing from 27 September 2019 to 27 September 2021 (the “**Last Trading Day**”).



Source: website of the New York Stock Exchange

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

During the Review Period, the lowest closing price and highest closing price of ADS of Target Company as quoted on the NYSE was US\$0.65 recorded on 6 April 2020 and US\$5.42 recorded on 17 February 2021, respectively. The average closing price of ADS of Target Company during the Review Period is approximately US\$1.80. The Consideration Price will be US\$1.82 which lies within the lowest and the highest, and above the average, of the closing price of ADS of Target Company during the Review Period.

In addition, we noted that during 27 September 2019 to 4 August 2020 and 7 July 2021 to 27 September 2021, the closing price of ADS of Target Company was relatively stable, where 284 out of 504 trading days, representing approximately 56.3% of the daily trading price within the Review Period were ranged lower than the Consideration Price. In addition, the average closing prices of ADS of Target Company for the three months up to Last Trading Day is approximately US\$1.47. The Consideration Price of US\$1.82 is higher than the average closing price of ADS of the Target Company for the three months up to the Last Trading Day.

<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b>
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*(b) Trading volume and liquidity of the shares of Target Company*

Set out below is (i) the average daily trading volume of ADS of the Target Company in each month during the Review Period; and (ii) the respective percentages of the average daily trading volume of ADS of the Target Company as compared to the total number of ADS of the Target Company as at 31 March 2021.

	<b>Average daily trading volume of ADS of Target Company</b>	<b>% of the average daily trading volume to the total number of ADS of Target Company as at 31 March 2021</b> <i>(Note 1)</i>
2019		
September	14,275	0.01%
October	29,745	0.03%
November	33,651	0.03%
December	235,721	0.21%
2020		
January	96,762	0.09%
February	83,359	0.07%
March	636,035	0.57%
April	490,666	0.44%
May	72,195	0.06%
June	858,263	0.77%
July	331,376	0.30%
August	2,233,062	1.99%
September	406,564	0.36%
October	511,562	0.46%
November	406,019	0.36%
December	589,766	0.53%
2021		
January	489,603	0.44%
February	1,739,081	1.55%
March	652,957	0.58%
April	331,517	0.30%
May	266,036	0.24%
June	568,251	0.51%
July	259,792	0.23%
August	2,549,414	2.27%
September	1,035,868	0.92%

*Source: website of the New York Stock Exchange*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*Note:*

1. According to the available public information, the total number of ADS of the Target Company as at 31 March 2021 was 112,074,481 shares.

As illustrated in the above table, the average daily trading volume of ADS of Target Company ranged from approximately 14,275 shares to 2,549,414 shares, representing approximately 0.01% to 2.27% of the total number of ADS of Target Company. The average daily trading volume of ADS of Target Company among the Review Period was approximately 619,011 shares, representing approximately 0.6% of the total number of ADS of Target Company. In addition, we noted that the trading volume of 378 out of 504 trading days were lower than 600,000 shares, representing 75% of the trading day among the Review Period.

Taking into account that (i) the Consideration Price, which is in premium to the closing price of the Last Trading Day, falls within the range of the lowest closing price and the highest closing price of ADS of the Target Company and is above the average closing price of ADS of the Target Company during the Review Period; (ii) the liquidity of ADS of the Target Company during the Review Period was low; and (iii) it is impracticable for the Group to sell the entire block of the ADS of the Target Company in the open market, we consider the Consideration Price is fair and reasonable.

### **VI. Financial effects of the Disposal**

As stated in the Letter from the Board, 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.

Shareholders should note that the financial effect set out in the above is for illustrative purpose only.



**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

**RECOMMENDATION**

Having considered the principal factors and reasons discussed above, although the Disposal is not in the ordinary and usual course of business of the Group, we are of the view that the Sale and Purchase Agreement is entered into on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, and recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the proposed resolutions to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Sorrento Capital Limited**  
**Aaron Wong**                      **Stanley Chung**  
*Managing Director*              *Managing Director*

*Note:*

Mr. Aaron Wong is a responsible officer of Type 6 (advising on corporate finance) regulated activity and has more than eight years of experience in corporate finance and investment banking. Mr. Stanley Chung has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2006. Both Mr. Aaron Wong and Mr. Stanley Chung have participated in and completed various advisory transactions (including connected transactions of listed companies in Hong Kong).

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Appendix 10 “Model Code for Securities Transactions by Directors of Listed Issuers” (“Model Code”) contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

### (a) Interests in shares of the Company

As at the Latest Practicable Date, the interests of the directors and the chief executive in the ordinary shares and underlying shares of the Company were as follows:

Name of director	Nature of interest	Number of ordinary shares/ underlying shares in the Company	Approximate percentage of Shareholding
Yan Zhi	Interest of a controlled corporation	6,902,684,268 (L) <sup>(1)</sup>	58.58%
	Beneficial owner	73,833,000 (L)	0.63%
Gang Yu	Beneficial owner	101,090,840 (L)	0.86%
	Interest of spouse	11,800,000 (L)	0.10%
Wei Zhe, David	Interest of a controlled corporation	132,144,000 (L) <sup>(2)</sup>	1.12%
		132,144,000 (S) <sup>(2)</sup>	1.12%
	Beneficial owner	10,746,000 (L)	0.09%
		10,746,000 (S)	0.09%
Qi Zhiping	Beneficial owner	4,686,351 (L) <sup>(3)(a)</sup>	0.04%
	Interest of spouse	48,664,298 (L) <sup>(3)(b)</sup>	0.41%
Xia Lifeng	Beneficial owner	348,000 (L)	0.01%

(L) represents long position; (S) represents short position

*Notes:*

- (1) The 6,609,022,268 shares and 293,662,000 shares are held by Zall Development Investment Company Limited (“**Zall Development Investment**”) and Zall Holdings Company Limited, respectively. Both companies are wholly owned by Mr. Yan.
- (2) The long and short positions in 89,163,000 shares are held by EJC Group Limited, a company which is indirectly owned as to approximately 60% by Vision Knight Capital (China) Fund I, L.P., which is in turn indirectly owned as to approximately 43.6% by Mr. Wei Zhe, David, and the long and short positions in 42,981,000 shares are held by Vision Knight Capital Management Limited, a company which is directly owned as to approximately 99% by Mr. Wei Zhe, David.
- (3) (a) These interests comprise 2,402,953 shares and 2,283,398 underlying shares in respect of share options granted by the Company pursuant to the Share Option Scheme, details of which are set out in the section headed “Share Option Schemes” in the interim report of the Company published on 16 September 2021.
- (b) These interests comprise 7,563,144 shares and 41,101,154 underlying shares in respect of share options granted by the Company to the spouse of Mr. Qi Zhiping pursuant to the Share Option Scheme, details of which are set out in the section headed “Share Option Schemes” in the interim report of the Company published on 16 September 2021.

**(b) Long position in underlying shares of unlisted equity derivatives of the Company**

Pursuant to the sole shareholder’s resolutions of the Company on 20 June 2011, the Company has adopted a Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations (the “**Share Option Scheme**”). The Share Option Scheme was valid and effective for a period of 10 years commencing on 20 June 2011 and expired on 20 June 2021. On 28 May 2021, the Company passed an ordinary resolution to adopt a new share option scheme (the “**2021 Share Option Scheme**”) for the purpose of providing incentives and rewards to the selected eligible participants for their contribution or potential contribution to the development and the growth of the Group. As at the Latest Practicable Date, no share option has been granted, expired, lapsed, exercised or cancelled under the 2021 Share Option Scheme. The details of share options granted to the Directors under the Share Option Scheme which were outstanding as at the Latest Practicable Date were as follows:

Name of director	Number of share options held	Exercise Price (HK\$)	Grant date	Vesting date and exercise period
Qi Zhiping	2,283,398	HK\$8.48	22 December 2017	From the date when the exercise conditions are met to 21 December 2027 <i>(Note)</i>
Spouse of Mr. Qi Zhiping	41,101,154	HK\$8.48	22 December 2017	From the date when the exercise conditions are met to 21 December 2027 <i>(Note)</i>

*Note:* Such Share Options shall be exercisable upon fulfillment of certain financial performance targets set out in the respective letters of grant. For further details of the financial performance targets, please refer to the paragraph headed “Management Shares and Management Options” in the circular of the Company dated 15 February 2017.

Save as disclosed above, as at the Latest Practicable Date, none of the directors, the chief executive or their associates had any interest in the securities of the Company or any of its associated corporations as defined in SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was a party to any arrangement to enable the directors or the chief executive of the Company or their respective associates to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

### 3. SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at the Latest Practicable Date, the following persons (not being a director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name	Nature of interest	Number of ordinary shares/ underlying shares held	Approximate percentage of Shareholding
<i>Substantial shareholder</i>			
Zall Development Investment	Beneficial owner	6,609,022,268 (L) <sup>(1)</sup>	56.09%
<i>Other persons</i>			
China Huarong Asset Management Co., Ltd.	Interest of controlled corporation	685,689,000 (L) <sup>(2)</sup>	5.82%
Huarong Huaqiao Asset Management Co., Ltd.	Interest of controlled corporation	685,689,000 (L) <sup>(2)</sup>	5.82%

(L) represents long position

*Notes:*

- (1) Zall Development Investment is a company wholly owned by Mr. Yan.
- (2) The 535,689,000 shares and 150,000,000 shares (685,689,000 shares in total) are held by Dream Heaven Limited and Superb Colour Limited respectively. Both companies are indirectly and wholly owned by Huarong Huaqiao Asset Management Co., Ltd., which in turn is owned as to approximately 91% by China Huarong Asset Management Co., Limited.

There was a duplication of interest of 6,609,022,268 shares between Mr. Yan and Zall Development Investment. There was a duplication of interest of 685,689,000 shares between Huarong Huaqiao Asset Management Co., Ltd. and China Huarong Asset Management Co., Limited.

Save as disclosed above, as at the Latest Practicable Date, the directors and the chief executive of the Company are not aware of any person (other than a director or chief executive of the Company) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of any class of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company.

#### **4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS**

No contract or arrangement in which any of the Directors is materially interested and which is significant in relation to the business of the Group subsisted as at the Latest Practicable Date.

As at the Latest Practicable Date, none of the Directors (or proposed Directors) had any direct or indirect interests in any assets which had been, since 31 December 2020 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

#### **5. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors or chief executive of the Company or their respective close associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

#### **6. SERVICE CONTRACT**

As at the Latest Practicable Date, none of the Directors has existing or proposed service contract with the Company or any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)).

## 7. EXPERT'S CONSENT AND QUALIFICATION

The following is the name and qualification of the expert who has given opinions or advices which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Sorrento Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

Sorrento Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letters and reports and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Sorrento Capital Limited did not have any shareholding in any member of the Group nor did it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interests in any assets which had been, since 31 December 2020 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up.

## 9. GENERAL

The English texts of this circular shall prevail over their Chinese texts.

## 10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.zallcn.com](http://www.zallcn.com)) from the date of this circular up to and including 10 November 2021, being the date of the EGM:

- (a) the letter of recommendation from the Independent Board Committee dated 21 October 2021, the text of which is set out on page 11 of this circular;
- (b) the letter of advice from Sorrento Capital Limited dated 21 October 2021, the text of which is set out on pages 12 to 22 of this circular;
- (c) the written consent of Sorrento Capital Limited, which was referred to in the section headed "7. Expert's consent and qualification" in this appendix;
- (d) the Sale and Purchase Agreement; and
- (e) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING

**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)**

NOTICE OF EXTRAORDINARY GENERAL MEETING

**PRECAUTIONARY MEASURES AT THE EXTRAORDINARY GENERAL MEETING**

Please see page ii of this circular for measures being taken to try to prevent and control the spread of the Novel Coronavirus Pneumonia (COVID-19) at the EGM, including:

- compulsory body temperature checks
- submission of health declaration form
- mandatory wearing of a face mask for each attendee
- no provision of refreshment

**Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company reminds Shareholders that they may appoint the chairman of the EGM as their proxy to vote on the relevant resolution at the meeting as an alternative to attending the EGM in person.**

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “EGM”) of Zall Smart Commerce Group Ltd. (the “**Company**”) will be held at Suite 2101, 21/F, Two Exchange Square, Central, Hong Kong on Wednesday, 10 November 2021 at 10:30 a.m. for the following purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

**ORDINARY RESOLUTION**

“**THAT** the Sale and Purchase Agreement and the Disposal, all as defined and described in the circular of the Company dated 21 October 2021, and all other transactions in connection therewith and any other ancillary documents, be and are hereby approved, confirmed and/or ratified; and **THAT** the directors of the Company be and are hereby authorised for and on behalf of the Company to sign, seal, execute, perfect, perform, deliver all such agreements, instruments, documents and deeds, and do all such acts, matters and things and take all such steps as they may in their discretion consider necessary, desirable or expedient to implement and/or to give effect to the Sale and Purchase Agreement, the Disposal and all other transactions thereby contemplated as they may in their discretion consider to be desirable and in the interests of the Company.”

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

Hong Kong, 21 October 2021

## NOTICE OF EXTRAORDINARY GENERAL MEETING

*Notes:*

1. An eligible shareholder of the Company is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy does not need to be a shareholder of the Company.
2. In the case of joint registered holders of any share of the Company, any one of such persons may vote at the EGM (or any adjournment thereof), either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
3. In order to be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time scheduled for holding the EGM (or any adjournment thereof).
4. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the EGM (or any adjournment thereof) should he/she so wish, and in such event, the form of proxy shall be deemed to be revoked.
5. The register of members of the Company will be closed from Friday, 5 November 2021 to Wednesday, 10 November 2021 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 4 November 2021.
6. The resolution set out in this notice will be decided by poll at the EGM.
7. **In order to facilitate the prevention and control of the spreading of the Novel Coronavirus (COVID-19) pandemic and to safeguard the health and safety of the shareholders of the Company, the Company encourages its shareholders to consider appointing the chairman of the EGM as his/her proxy to vote on the relevant resolution at the EGM as an alternative to attending in person.**

*As at the date of this circular, 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.*