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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)

**CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF NEW SHARES BY ZALL HOLDINGS
UNDER SPECIFIC MANDATE**

THE SUBSCRIPTION

On 18 January 2022 (after trading hours), the Company and Zall Holdings entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and Zall Holdings has conditionally agreed to subscribe for, 600,000,000 Subscription Shares in cash under the Specific Mandate at the Subscription Price of HK\$0.50 per Subscription Share for an aggregate consideration of HK\$300,000,000.

The Subscription Shares represent (i) approximately 5.09% of the total issued share capital of the Company as at the date of this announcement; and (ii) approximately 4.85% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The gross proceeds of the Subscription are expected to be HK\$300,000,000. After deducting related fees and expenses, the net proceeds of the Subscription will amount to approximately HK\$299,800,000. The Company intends to utilise the net proceeds principally for the Group's working capital and general corporate purposes.

Implication under the Listing Rules

As at the date of this announcement, Zall Holdings was interested in approximately 2.49% of the total issued share capital of the Company. Zall Holdings is wholly owned by Mr. Yan Zhi who in turn holds (i) approximately 0.63% of the total issued share capital of the Company directly; and (ii) 100% shareholding interest in Zall Development which is interested in approximately 56.09% of the total issued share capital of the Company. Mr. Yan Zhi, Zall Holdings and Zall Development are the controlling shareholders of the Company under the Listing Rules. Accordingly, the Subscription Agreement constitutes a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will seek approval from the Independent Shareholders at the EGM in relation to the Subscription Agreement, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder.

By virtue of the interests of Mr. Yan Zhi in the Subscription Agreement, he had abstained from voting in respect of the relevant Board resolutions relating to the Subscription Agreement, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder. Save for the aforesaid, no other Director has a material interest in the Subscription Agreement and was required to abstain from voting on such relevant Board resolutions.

In accordance with the Listing Rules, any Shareholder who has a material interest in the Subscription Agreement shall abstain from voting on the resolutions to approve the Subscription Agreement, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder at the EGM. As at the date of this announcement, Mr. Yan Zhi, Zall Holdings and Zall Development together are interested in 6,976,517,268 Shares, representing approximately 59.21% of the total issued share capital of the Company, and therefore will be required to abstain from voting on the relevant resolutions at the EGM. Save as disclosed above, to the best knowledge, information and belief of the Director having made all reasonable enquiries, no other Shareholder has a material interest in the Subscription Agreement and will be required to abstain from voting on the relevant resolutions at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors will be formed to advise the Independent Shareholders on the Subscription Agreement, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder. Sorrento Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The circular containing, among other things, details of the Subscription Agreement, a letter of advice from the Independent Board Committee to the Independent Shareholders, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement is expected to be dispatched by the Company to the Shareholders on or before 11 February 2022.

Shareholders and potential investors should note that completion of the Subscription is subject to fulfillment (or waiver) of the condition(s) as set out in the Subscription Agreement, and the Subscription may or may not proceed to completion. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

INTRODUCTION

On 18 January 2022 (after trading hours), the Company and Zall Holdings entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and Zall Holdings has conditionally agreed to subscribe for, 600,000,000 Subscription Shares in cash under the Specific Mandate at the Subscription Price of HK\$0.50 per Subscription Share for an aggregate consideration of HK\$300,000,000.

THE SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are set out below.

The Subscription Shares

The Subscription Shares represent:

- (i) approximately 5.09% of the total issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 4.85% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares subject to completion of the Subscription and assuming there will be no other changes in the total number of issued Shares between the date of this announcement and the Completion Date.

The nominal value of the Subscription Shares is approximately HK\$2,000,000.

Subscription Price

The Subscription Price of HK\$0.50 per Subscription Share represents:

- (i) a premium of approximately 13.64% over the closing price of HK\$0.440 per Share as quoted on the Stock Exchange as at 17 January 2022, being the last trading date immediately preceding the date of the Subscription Agreement; and
- (ii) a premium of approximately 12.11% over the average closing price of HK\$0.446 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Subscription Agreement.

The Subscription Price was arrived at after arm's length negotiations between the Company and Zall Holdings with reference to the recent market prices of the Shares, recent trading volume of the Shares and recent market conditions.

The aggregate consideration of the Subscription shall be settled by Zall Holdings in full on the Completion Date.

Conditions precedent to the Subscription

Pursuant to the Subscription Agreement, completion of the Subscription is conditional upon the fulfillment (or waiver) of the following conditions:

- (i) the Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Subscription Shares, and such approval not having been revoked before completion of the Subscription;
- (ii) the Independent Shareholders having passed all necessary resolutions in the EGM to approve the Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the Subscription Shares;

- (iii) all necessary consents, approvals, authorisations and/or waivers required to be obtained on the part of the Company to effect the execution, completion and performance of the obligations and other terms of the Subscription Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect;
- (iv) there being no notice, order, judgment, litigation or procedures being, delivered, published, initiated or commenced for the purpose of or otherwise resulting in (a) restricting, or prohibiting the transactions contemplated under the Subscription Agreement, or rendering the same illegal; or (b) having a material adverse effect on Zall Holdings exercising its rights under the Subscription Agreement;
- (v) the warranties given by the Company under the Subscription Agreement being true and accurate in all material respects, and not misleading in any material respects; and
- (vi) there being no material adverse change occurred or likely to occur on the part of the Company before the Completion Date.

Conditions under paragraphs (i) to (iii) cannot be waived by any party to the Subscription Agreement. Zall Holdings may in its absolute discretion at any time waive any of the conditions under paragraphs (iv) to (vi).

If the above conditions have not been fulfilled or waived (as the case may be) on or before the Long Stop Date, the Company may terminate the Subscription Agreement in writing, whereupon such agreement (save and except certain customary surviving provisions, which shall survive termination of the Subscription Agreement) shall be of no further effect, but all rights and liabilities of the parties which have accrued before termination shall continue to exist.

Completion of the Subscription

Completion of the Subscription shall take place within 15 Business Days after satisfaction or waiver of the conditions set out above, or such other date as the Company and Zall Holdings may agree in writing.

RANKING OF SUBSCRIPTION SHARES

The Subscription Shares shall rank, upon issue, *pari passu* in all respects among themselves and with the Shares in issue as at the date of allotment and issue of the Subscription Shares. The Subscription Shares will not be subject to lock-up.

APPLICATION FOR LISTING

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Subscription Shares.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company did not conduct any equity fund raising activities in the past twelve months immediately preceding the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company had issued 11,782,825,800 Shares and granted 45,667,950 Share Options. Save for the aforesaid, the Company does not have other classes of securities, derivatives, warrants or other securities which are convertible or exchangeable into Shares.

Set out below is a table showing the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after completion of the Subscription, assuming that there is no Share Option being exercised and there is no other change to the share capital and shareholding structure of the Company from the date of this announcement up to the Completion Date:

	As at the date of this announcement		Immediately after completion of the Subscription	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Controlling shareholders				
Mr. Yan Zhi	73,833,000	0.63%	73,833,000	0.60%
Zall Holdings	293,662,000	2.49%	893,662,000	7.22%
Zall Development	6,609,022,268	56.09%	6,609,022,268	53.37%
Directors				
Dr. Gang Yu ^(Note)	112,890,840	0.96%	112,890,840	0.91%
Mr. Wei Zhe	10,745,400	0.09%	10,745,400	0.09%
Mr. Qi Zhiping ^(Note)	9,966,097	0.08%	9,966,097	0.08%
Mr. Xia Liafeng	348,000	0.00%	348,000	0.00%
Public Shareholders	<u>4,672,358,195</u>	<u>39.65%</u>	<u>4,672,358,195</u>	<u>37.73%</u>
Total	<u>11,782,825,800</u>	<u>100%</u>	<u>12,382,825,800</u>	<u>100%</u>

Note: The numbers of Shares indicated herein are inclusive of Shares held by the spouse of such relevant Director.

INFORMATION OF THE COMPANY AND ZALL HOLDINGS

The Company is 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.

Zall Holdings is incorporated in the British Virgin Islands with limited liability, and the shares of which are wholly owned by Mr. Yan Zhi. The principal activity of Zall Holdings is investment holding.

REASONS FOR AND USE OF PROCEEDS FROM THE SUBSCRIPTION

The Company considers that the Subscription will (i) strengthen the collaboration between the Company and the controlling shareholders; (ii) demonstrate the commitment of the controlling shareholders to the Company and the confidence of the controlling shareholders towards the prospects of the Group; and (iii) strengthen the Group's capital base.

Having considered the above, the Directors, after excluding (i) Mr. Yan Zhi; and (ii) the independent non-executive Directors whose views will be subject to the advice from the Independent Financial Adviser, consider that the Subscription Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The gross proceeds of the Subscription is expected to be HK\$300,000,000. After deducting related fees and expenses, the net proceeds of the Subscription will amount to approximately HK\$299,800,000. The Company intends to utilise the aforesaid net proceeds from the Subscription for working capital and general corporate purposes.

IMPLICATION UNDER THE LISTING RULES

As at the date of this announcement, Zall Holdings was interested in approximately 2.49% of the total issued share capital of the Company. Zall Holdings is wholly owned by Mr. Yan Zhi who in turn holds (i) approximately 0.63% of the total issued share capital of the Company directly; and (ii) 100% shareholding interest in Zall Development which is interested in approximately 56.09% of the total issued share capital of the Company. Mr. Yan Zhi, Zall Holdings and Zall Development are the controlling shareholders of the Company under the Listing Rules. Accordingly, the Subscription Agreement constitutes a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

SPECIFIC MANDATE

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

GENERAL

The Company will seek approval from the Independent Shareholders at the EGM in relation to the Subscription Agreement, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder.

By virtue of the interests of Mr. Yan Zhi in the Subscription Agreement, he had abstained from voting in respect of the relevant Board resolutions relating to the Subscription Agreement, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder. Save for the aforesaid, no other Director has a material interest in the Subscription Agreement and was required to abstain from voting on such relevant Board resolutions.

In accordance with the Listing Rules, any Shareholder who has a material interest in the Subscription Agreement shall abstain from voting on the resolutions to approve the Subscription Agreement, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder at the EGM. As at the date of this announcement, Mr. Yan Zhi, Zall Holding, and Zall Development together are interested in 6,976,517,268 Shares, representing approximately 59.21% of the total issued share capital of the Company, and therefore will be required to abstain from voting on the relevant resolutions at the EGM. Save as disclosed above, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, no other Shareholder has a material interest in the Subscription Agreement and will be required to abstain from voting on the relevant resolutions at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors will be formed to advise the Independent Shareholders on the Subscription Agreement, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder. Sorrento Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The circular containing, among other things, details of the Subscription Agreement, a letter of advice from the Independent Board Committee to the Independent Shareholders, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement is expected to be dispatched by the Company to the Shareholders on or before 11 February 2022.

Shareholders and potential investors should note that completion of the Subscription is subject to fulfillment (or waiver) of the condition(s) as set out in the Subscription Agreement, and the Subscription may or may not proceed to completion. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context requires otherwise:

“Board”	the board of Directors of the Company
“Business Day(s)”	a day (except Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above or a black rainstorm warning is hoisted at any time between 9 a.m. and 5 p.m.) on which banks in Hong Kong are open for business
“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 Date”	date of completion of the Subscription pursuant to the terms and conditions of the Subscription Agreement

“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting to be held by the Company to approve the Subscription Agreement, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent Board committee comprising all the independent non-executive Directors who have no direct or indirect interest in the Subscription, namely Mr. Cheung Ka Fai, Mr. Wu Ying and Mr. Zhu Zhengfu, which will be formed to advise the Independent Shareholders on the Subscription Agreement, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder
“Independent Financial Adviser”	Sorrento Capital Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder
“Independent Shareholders”	for the purpose of the Subscription, Shareholders other than (i) Mr. Yan Zhi, (ii) Zall Holdings; (iii) Zall Development; and (iv) any other Shareholders who have a material interest in the Subscription
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 March 2022 or such other date as the Company and Zall Holdings may agree in writing
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

“Share(s)”	the ordinary share(s) of HK\$0.003 (circulating decimal) each in the share capital of the Company
“Share Option(s)”	the share option(s) to subscribe for Share(s) under the share option scheme adopted by the Company on 20 June 2011
“Shareholder(s)”	the holder(s) of the Share(s) of the Company
“Specific Mandate”	the specific mandate for the allotment and issue of the Subscription Shares, which is subject to approval by the Independent Shareholders’ voting by way of poll at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	subscription of the Subscription Shares by Zall Holdings pursuant to the Subscription Agreement
“Subscription Agreement”	a subscription agreement entered into between the Company and Zall Holdings on 18 January 2022 in respect of the Subscription
“Subscription Price”	HK\$0.50 per Subscription Share
“Subscription Share(s)”	600,000,000 new Shares to be allotted and issued to Zall Holdings pursuant to the Subscription Agreement
“Zall Development”	Zall Development Investment Company Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Yan Zhi
“Zall Holdings”	Zall Holdings Company Limited
“%”	per cent.

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

Hong Kong, 18 January 2022

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