

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)

**CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF
NEW SHARES BY ZALL HOLDINGS UNDER SPECIFIC MANDATE
AND
APPOINTMENT OF AUDITOR
AND
NOTICE OF 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 17 of this circular. A letter from the Independent Board Committee is set out on page 18 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 35 of this circular.

A notice convening the EGM to be held at Conference Room, Zall International Center, 588 Jianshe Avenue, Wuhan, Hubei, the PRC on Tuesday, 12 April 2022 at 10:30 a.m. is set out on pages EGM-1 to EGM-3 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.

18 March 2022

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DEFINITIONS

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

“Appointment”	the appointment of BDO Limited as the external auditor of the Company and the fixing of their remuneration by the Board
“Articles”	the articles of association of the Company
“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
“CIC”	Commodities Intelligence Centre Pte. Ltd., a company established in Singapore and a non-wholly owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting to be held by the Company to approve (i) the Subscription Agreement, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder; and (ii) the Appointment
“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

DEFINITIONS

“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, 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
“Latest Practicable Date”	15 March 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“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 April 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 circular, 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)

DEFINITIONS

“Side Letter”	a side letter entered into between the Company and Zall Holdings on 11 March 2022 for an extension of the long stop date as set out in the Subscription Agreement
“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 (as amended and supplemented by the Side Letter) 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
“USD”	United States dollars, the lawful currency of the United States
“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.

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

18 March 2022

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF
NEW SHARES BY ZALL HOLDINGS UNDER SPECIFIC MANDATE
AND
APPOINTMENT OF AUDITOR
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcements of the Company dated 11 November 2021, 18 January 2022 and 11 March 2022 in relation to the Subscription and the Appointment.

The purpose of this circular is to provide you with (i) details of the Subscription; (ii) details of the Appointment; (iii) the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Subscription; (iv) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription; and (v) a notice of EGM.

LETTER FROM THE BOARD

2. 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 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 Latest Practicable Date; 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 Latest Practicable Date 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;
- (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;
- (iii) a premium of approximately 4.82% over the average closing price of HK\$0.477 per Share as quoted on the Stock Exchange for the last three months immediately preceding the date of the Subscription Agreement;
- (iv) a discount of approximately 73.26% to the unaudited consolidated net asset value per Share of approximately HK\$1.87 as at 30 June 2021; and

LETTER FROM THE BOARD

- (v) a premium of approximately 6.38% over the closing price of HK\$0.470 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

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.

Notwithstanding that the Subscription Price represents a discount to the unaudited consolidated net asset value per Share as at 30 June 2021, having considered:

- (i) that the market price of the Shares has been consistently trading below the then consolidated net asset value per Share since June 2019, which implies that potential investors (including Zall Holdings) may not be willing to subscribe for new Shares at a price as high as the said unaudited consolidated net asset value per Share, and also indicates that such investors have the option to acquire Shares on market at a substantially discounted price to the unaudited consolidated net asset value per Share;
- (ii) that the Subscription Price is higher than the (average) closing price per Share as quoted on the Stock Exchange for each of the dates and periods set out above;
- (iii) recent market trend, condition and investor preferences; and
- (iv) the reasons for and benefits of the Subscription as set out in the paragraph headed "Reasons for and benefits of the Subscription" below,

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) consider that the Subscription Price is fair and reasonable to the Company.

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

LETTER FROM THE BOARD

Conditions precedent to the Subscription

Pursuant to the Subscription Agreement, completion of the Subscription is conditional upon the fulfilment (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.

LETTER FROM THE BOARD

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 the 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 Latest Practicable Date.

Effects on shareholding structure of the Company

As at the Latest Practicable Date, 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.

LETTER FROM THE BOARD

Set out below is a table showing the shareholding structure of the Company (i) as at the Latest Practicable Date; 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 Latest Practicable Date up to the Completion Date:

	As at the Latest Practicable Date		Immediately after the completion of the Subscription	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Controlling shareholders				
Mr. Yan Zhi	73,833,000	0.63%	73,833,000	0.60%
Zall Holdings	709,400,600	6.02%	1,309,400,600	10.57%
Zall Development	6,609,022,268	56.09%	6,609,022,268	53.37%
Directors				
Dr. Gang Yu (<i>Note</i>)	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 (<i>Note</i>)	9,966,097	0.08%	9,966,097	0.08%
Mr. Xia Lifeng	348,000	0.00%	348,000	0.00%
Public Shareholders	<u>4,256,619,595</u>	<u>36.13%</u>	<u>4,256,619,595</u>	<u>34.38%</u>
Total	<u><u>11,782,825,800</u></u>	<u><u>100%</u></u>	<u><u>12,382,825,800</u></u>	<u><u>100%</u></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.

LETTER FROM THE BOARD

Reasons for and benefits of the Subscription

The Group wishes to further expand and develop the businesses of CIC, which is a non-wholly owned subsidiary of the Company principally engaged in (i) the trading of different commodities; and (ii) the operation of a one-stop digitalised platform to provide services including trade matching, trade financing, supply chain and logistics services, compliance and due diligence services, and the provision of trade data and indices for facilitation of third-party commodity trading activities.

Trading of commodities

Historically, CIC has been principally trading coal and coke originated from Indonesia and Australia to Southeast Asian countries, and in such back-to-back scenarios where both suppliers and purchasers can be identified and matched. Depending on the detailed specifications of such utility products, the transaction amount for each shipment of which could cost approximately USD6 million to USD10 million (inclusive of commodity prices).

Operating a digitalised platform to facilitate international commodity trading activities

As far as the operation of the digitalised platform is concerned, currently, commodity suppliers and purchasers from various countries could use the said platform to:

- (i) get market insights and identify potential trade opportunities through the subscription of service with *DataPro*, a tool developed by CIC. *DataPro* continually integrates, updates, and cleanses global customs and shipping data to provide users with information relating to cross-border supply chain relationships, and to assist users in locating end-users and suppliers and learning about competitors and customers. *DataPro* collects and consolidates cross-border import and export trade data from over 100 countries around the world through partnerships with sources that work with customs authorities, trade statistics departments and other reputable shipping companies;
- (ii) obtain background and credit reports of their existing or potential trade counterparties from *CorpInfo*, a tool developed by CIC which consolidates up-to-date publicly available information on legal entities including business information, judicial proceedings, news and public opinion, and financial data to assist users in their fulfilment of due diligence and know-your-client procedures. Through *CorpInfo*, users can also obtain credit report of potential counterparty detailing the analysis made by CIC with reference to their track records on the platform and the information gathered from publicly available sources and/or local search agents;
- (iii) utilise *TradePro*, the online marketplace supported by CIC for trade matching, electronic contract signing and the enjoyment of other supply chain management services such as online logistics tracking and customs declaration; and

LETTER FROM THE BOARD

- (iv) apply supply chain trade finance online, through which CIC would line up platform users with either (a) ZMA Smart Capital Pte. Ltd., a subsidiary of the Company engaging in the provision of trade finances; or (b) other third-party financiers, for the provision of trade finances on such terms as the financiers consider appropriate.

Development plans

Apart from maintaining CIC's existing level of commodity trading of the said utility products, with closer economic integration among the ASEAN members and the PRC, and the Regional Comprehensive Economic Partnership (RCEP) agreement coming into force, fresh impetus was provided to CIC to further develop its commodity trading business and capitalise advantages arising therefrom. Going forward, CIC intends to explore other business opportunities and further broaden its trading portfolio to transact other profitable commodities, such as copper with Singaporean counterparties, lead with that from Peru and Bangladesh, and other agricultural products such as peppers with Indian counterparties and soy bean with that of Canada.

The Group also wishes to conduct further research and development so as to upgrade the said platform operated by CIC, including but not limited to the following:

- (i) the digitalisation of contracts entered into between platform users;
- (ii) the provision of real-time logistics monitoring services, allowing users to have updated checks on estimated arrival time and shipment information from time to time;
- (iii) the upgrade of the information and transaction data enquiry systems, enabling users to have more useful market data for transaction analysis;
- (iv) the enhancement of its supply chain financing services system interface, and

as a whole, to provide users of the platform with better user experience.

Urge for additional working capital

Taken into account that:

- (i) there has been an intention to expand CIC's commodity trading business, and notwithstanding that such trades are conducted back-to-back, due to the time lags in payment periods imposed by commodities suppliers and credit periods offered to commodity purchasers, upfront down payments for fractions of the transaction amount (which is often substantial as commodities are usually purchased in bulk order) may be involved. Coupled with the rise in global commodity prices driven by the COVID-19 pandemic, CIC would face even greater financial needs when such upfront payment has to be made;

LETTER FROM THE BOARD

- (ii) research and development expenses will be incurred for the upgrade of the digitalised platform; and
- (iii) the Group has recorded net current liabilities for two consecutive financial years,

additional working capital in the operation of CIC is called for to materialise the abovementioned development plans.

Based on the foregoing, the Board has considered various fund raising methods, including the obtaining of bank borrowings, the offering of debt securities, rights issue and open offer.

Due to the credit tightening measures imposed against real estate-related businesses, there may be uncertainties and increasing difficulties in obtaining external financing through bank borrowings to fund the Group's projects and operation. Besides, such fund raising method may not be achievable on favourable terms or on a timely basis, as it would inevitably require longer negotiation and processing time with the relevant banks. Pledges of assets and/or other kinds of securities acceptable to banks may be required. There would also be additional interest burden on the Group and an increase in gearing ratio of the Group. In light of the recent market volatility, it is likely that banks would impose more stringent conditions or offer less favourable terms on loans which may ultimately affect the Group's flexibility in its operations.

Fund raising through the offering of debt securities may as well be unfeasible in that, through the Company's preliminary contacts with potential investors, there seemed to be a lack of market enthusiasm for, and interest in, any such offerings by the Company in light of the general market condition.

In respect of fund raising through rights issue and open offer, although existing Shareholders would be able to maintain their pro rata shareholding in the Company, given the relatively lengthy and heavy preparation work for the issue of a detailed listing document, such fund raising methods would require a relatively longer timeframe to complete. Furthermore, given (i) the relatively low trading volume of the Shares; (ii) the prevailing market prices of the Shares; and (iii) investors' fastidious preference due to the prevailing stock market conditions, recent market sentiment and the current adverse market environment due to the COVID-19 pandemic and external economic downward pressure, it would also be difficult for the Company to pursue such sizeable equity financing alternatives without providing considerable discount to subscription prices for shares and/or underwriting fees as incentives to attract prospective investors.

As compared to the above alternative fund raising methods and when balanced against the merits of the Subscription, the Subscription is the most efficient method to strengthen the Group's capital base and raise further capital for the uses as detailed below.

LETTER FROM THE BOARD

The Company also considers that the Subscription will (i) optimise the capital structure of the Company; (ii) improve liquidity; (iii) strengthen the collaboration between the Company and the controlling shareholders; and (iv) demonstrate the commitment of the controlling shareholders to the Company and the confidence of the controlling shareholders towards the prospects of the Group.

As at the Latest Practicable Date, save for the Subscription, the Company did not have any agreement, arrangement, understanding, intention, negotiation (whether concluded or otherwise) on any potential fund raising activities in the next twelve months.

Use of proceeds

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 by 31 December 2022 in the following manner:

- approximately HK\$185,000,000 shall be used as working capital for conducting the aforesaid commodity trading business;
- approximately 15,000,000 shall be used as working capital for the upgrade of the existing digitalised platform; and
- the remainder of the said net proceeds shall be used for general corporate purposes, including but not limited to the payment of staff costs, directors' remuneration, professional advisers' fees and lease expenses.

Implication under the Listing Rules

As at the Latest Practicable Date, Zall Holdings was interested in approximately 6.02% 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.

LETTER FROM THE BOARD

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 Latest Practicable Date, Mr. Yan Zhi, Zall Holding, and Zall Development together are interested in 7,392,255,868 Shares, representing approximately 62.74% 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.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, there was (i) no voting trust or other agreement or arrangement or understanding entered into or binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby he/she/it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his/her/its Shares to a third party, either generally or on a case-by-case basis.

The Independent Board Committee comprising all the independent non-executive Directors has been 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.

Shareholders and potential investors should note that completion of the Subscription is subject to fulfilment (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.

LETTER FROM THE BOARD

3. THE APPOINTMENT

On 11 November 2021, following the resignation of KPMG and by the authority granted under article 155 of the Articles, the Board resolved to appoint BDO Limited to fill the vacancy and fix its remuneration as the external auditor of the Company with effect therefrom.

The said Appointment was made with the recommendation of the audit committee of the Company, which has considered each of the following aspects of various external auditor candidates (including BDO Limited):

- (i) background and calibre, including but not limited to their (a) experience in handling audit work for companies listed on the Stock Exchange; (b) familiarity with the requirements under the Listing Rules and the Hong Kong Financial Reporting Standards; and (c) size, manpower, resources and capability in reviewing financial information of the Group;
- (ii) reputation in the market; and
- (iii) audit proposal and fee quotation.

While the Appointment was approved by the Board under an exceptional circumstance permitted under the Articles, the Board wishes to draw the attention of the Shareholders further to article 152(1) of the Articles, under which the Shareholders shall appoint an auditor to audit the accounts of the Company at the annual general meeting or at a subsequent extraordinary general meeting in each year, and such auditor shall hold office until the next annual general meeting.

Considering the Shareholders have yet to formally approve the appointment of BDO Limited as the external auditor of the Company pursuant to article 152(1) of the Articles, the Board would like to take this opportunity to invite the Shareholders to consider, and if thought fit, approve and confirm the said Appointment until the next annual general meeting of the Company.

4. EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held at Conference Room, Zall International Center, 588 Jianshe Avenue, Wuhan, Hubei, the PRC on Tuesday, 12 April 2022 at 10:30 a.m. at which ordinary resolutions will be proposed for (i) the approval by the Independent Shareholders of the Subscription Agreement, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder; and (ii) the approval by the Shareholders of the Appointment, is set out on pages EGM-1 to EGM-3 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 Thursday, 7 April 2022 to Tuesday, 12 April 2022 (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 Wednesday, 6 April 2022.

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.

Considering travel restrictions may be imposed in various parts of the world due to the COVID-19 pandemic which restrict Shareholders' physical attendance of the EGM, the following special arrangements will be made for the EGM:

(i) Live streaming webcast

Shareholders not attending the EGM in person may join a live streaming webcast of the EGM where they can view and listen to the EGM. Shareholders that intend to participate in the EGM through such means must contact and register with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, by email at is-enquiries@hk.tricorglobal.com or by telephone hotline at (852) 2980 1333 no later than 5:00 p.m. on 8 April 2022 to obtain a webcast link address and passcode.

Shareholders should note that viewing the live streaming webcast of the EGM will not be counted towards a quorum nor will such participating Shareholders be able to cast their votes online.

(ii) Submission of questions prior to and at the EGM

Shareholders can also submit their questions in relation to the matters to be discussed at the EGM (a) in advance by sending them through email to is-enquiries@hk.tricorglobal.com or telephone hotline at (852) 2980 1333 of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited not later than 5:00 p.m. on 8 April 2022; or (b) online during the live streaming webcast. The Company will endeavour to address as many relevant questions as possible at the EGM.

LETTER FROM THE BOARD

5. RECOMMENDATION ON THE SUBSCRIPTION

Having considered the basis for determining the Subscription Price, and the reasons for and benefits of the Subscription as set out above, 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 Subscription Agreement, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better, and in the interests of the Company and the Shareholders as a whole.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Subscription Agreement, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms or better, 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 relevant resolutions to be proposed at the EGM to approve the Subscription.

6. RECOMMENDATION ON THE APPOINTMENT

Based on the recommendation of the audit committee of the Company and having taken into account the background and calibre, reputation, audit proposal and fee quotation of various external auditor candidates (including BDO Limited), the Directors are of the view that the Appointment is in the best interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend all Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Appointment.

7. ADDITIONAL INFORMATION

Your attention is drawn to the additional information as set out in the appendix 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)

18 March 2022

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular dated 18 March 2022 (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 Subscription Agreement, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better, 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 17 of the Circular; (ii) the letter from the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription, set out on pages 19 to 35 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 Subscription Agreement, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder are fair and reasonable as far as the Independent Shareholders are concerned, on normal commercial terms or better, 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 resolutions to be proposed at the EGM to approve the Subscription.

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 Subscription for the purpose of inclusion in this circular.



18 March 2022

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

Dear Sirs,

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

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 Subscription, 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 18 March 2022 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 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.

As at the Latest Practicable Date, Zall Holdings was interested in approximately 6.02% 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.

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 Subscription 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. As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. Within the two years prior to the Latest Practicable Date, we have acted as independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to connected transactions of the Company, details of which is set out in the circular of the Company dated 21 October 2021. Apart from normal professional fees paid to us in connection with the aforesaid appointment, no arrangements exist whereby we have received any fees or benefits from the Company or any other party to the transactions during the two years prior to the Latest Practicable Date, therefore we consider such relationship would not affect our independence.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered, among other things, (i) the Circular; (ii) the Subscription 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

independent investigation into the business affairs, operations, financial position or future prospects of each of the Company, Zall Holdings, and any of their respective subsidiaries and associates and parties acting in concert with them.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

I. Information of the Company

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.

The table below sets forth a summary of the financial highlights of the Group for the each of 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:

	For the year ended		For the six months ended	
	31 December		30 June	
	2019	2020	2020	2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	72,898,756	72,769,426	35,763,064	50,160,278
Segment results				
— 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:

	As at 31 December 2019	As at 31 December 2020	As at 30 June 2021
	<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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The net assets of the 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 increased by RMB2,189.0 million as compared with the same as at 31 December 2019. The net assets of the 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 of Zall Holdings

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.

III. Reasons for and benefits of the Subscription

As stated in the Letter from the Board, the Company considers that the Subscription will (i) optimise the capital structure of the Company; (ii) improve liquidity; (iii) strengthen the collaboration between the Company and the controlling shareholders; and (iv) demonstrate the commitment of the controlling shareholders to the Company and the confidence of the controlling shareholders towards the prospects of the Group.

As advised by the management of the Company, the Company considers that the Subscription, which will increase the cash of the Company, and in turn will enhance its working capital, liquidity positions, net assets and the Group's credit indicators.

As stated in the Letter from the Board, the Group has considered various fund raising methods, including the obtaining of bank borrowings, the offering of debt securities, rights issue and open offer.

Bank borrowings may not be achievable on favourable terms or on a timely basis, as it would inevitably require a longer negotiation and processing time with the relevant banks. Pledge of assets and/or other kind of securities acceptable to banks may be required. There would also be additional interest burden on the Group and an increase in gearing ratio of the Group. It is also likely that the banks would impose more stringent conditions or offer less favourable terms, in light of the recent market volatility, on the loans which may affect the Group's flexibility in its operations.

Fund raising through the offering of debt securities may as well be unfeasible in that, through the Company's preliminary contacts with potential investors, there seemed to be a lack of market enthusiasm for, and interest in, any such offerings by the Company in light of the general market condition.

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In respect of rights issue or open offer to existing Shareholders, although existing Shareholders would be able to maintain their pro rata shareholding in the Company, these fund raising methods would need a relatively longer timeframe to complete, as there would be relatively lengthy and heavy preparation work for issuing of a more detailed listing document. Furthermore, given (i) the relatively low trading volume of the Shares; (ii) the prevailing market prices of the Shares; and (iii) investors' fastidious preference due to the prevailing stock market conditions, recent market sentiment and the current adverse market environment due to COVID-19 pandemic and external economic downward pressure, it would be difficult for the Company to pursue sizeable equity financing alternatives in the stock market without providing considerable discount to subscription prices for shares and/or underwriting fees as an incentive to attract prospective investors.

As compared to the above fund raising methods and when balanced against the merits of the Subscription, the Company considers that the Subscription is the most efficient method to strength the Company's capital base and raise further capital.

Furthermore, the Subscription reflects the confidence and commitment of the controlling Shareholder towards the long term and sustainable development of the Company, and that the continuing support of the controlling Shareholder is crucial to ensure the business stability and long term development of the Group.

According to the Letter from the Board, the Group wishes to further expand and develop the businesses of CIC, in operating such businesses and in order to upgrade the digitalised platform of CIC and satisfy the upfront payment, additional funds are needed. However, the Group has recorded net current liabilities for two consecutive financial years. We noted from the 2020 Annual Report and 2021 Interim Report, the Group recorded net current liabilities of approximately RMB2.4 billion as at 31 December 2019, RMB3.7 billion as at 31 December 2020 and RMB3.1 billion as at 30 June 2021.

Based on the above, we concur with the view of the Directors that although the Subscription is not conducted in the ordinary and usual course of business of the Company, the Subscription is in the interest of the Company and the Shareholders as a whole.

IV. Principal terms of the Subscription Agreement

Please refer to the Letter from the Board for the detailed terms of the Subscription Agreement.

Subscription Price

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

- (i) a premium of approximately 6.38% over the closing price of HK\$0.47 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;

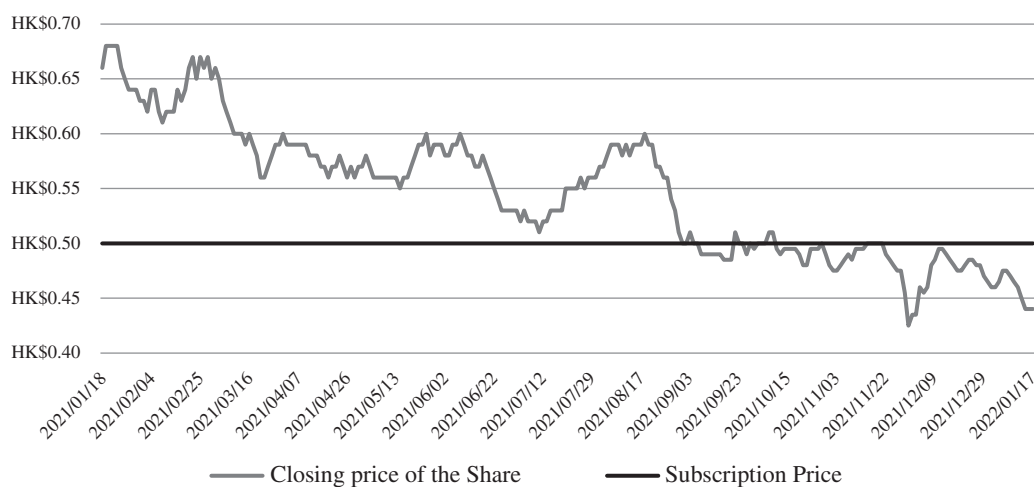
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- (ii) a premium of approximately 13.64% over the closing price of HK\$0.44 per Share as quoted on the Stock Exchange as at 17 January 2022, being the last trading date immediately preceding the date of the Subscription Agreement;
- (iii) a premium 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; and
- (iv) a discount of approximately 73.26% to the unaudited consolidated net asset value per Share of approximately HK\$1.87 as at 30 June 2021.

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

(a) *Historical price movement of Share*

Set out below is the diagram demonstrating the daily closing price of Share as quoted on the Stock Exchange during the period (the “**Review Period**”) commencing from 18 January 2021 to 17 January 2022 (the “**Last Trading Day**”).



Source: website of the Stock Exchange

As shown in the chart above, closing prices of the Shares was on a downtrend from January 2021 to June 2021 (the “**First Period**”). During the First Period, the Company announced (i) the subscriptions of wealth management products on 29 January 2021; (ii) change of address of principal share registrar and transfer office in the Cayman Islands on 4 March 2021; (iii) continuing connected transactions — renewal of strategic framework agreement with Wuhan Zhongbank Bank Co., Ltd. on 11 March 2021; (iv) profit warning of the Group on 19 March 2021; (v) adoption of new share option scheme on 23 March 2021; (vi) further update on the progress of the very substantial

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acquisition on 31 March 2021; (vii) annual results announcement of the Group for the year ended 31 December 2020 on 31 March 2021; (viii) the supplemental announcement on the annual results announcement of the Group for the year ended 31 December 2020 on 1 April 2021; (ix) the performance guarantee in relation to the very substantial acquisition on 27 April 2021; (x) annual report of the Group for the year ended 31 December 2020 on 27 April 2021; (xi) resignation of executive director and change of membership of risk management committee and authorised representative on 30 April 2021; (xii) connected transaction — disposal of 86% equity interest in Wuhan Zall Digital Media Technology Co., Limited on 20 May 2021; and (xiii) appointment of executive directors on 15 June 2021.

During the period from July 2021 to August 2021 (the “**Second Period**”), closing prices of the Shares increased. During the Second Period, the Company announced (i) environment, social and governance report for the year ended 31 December 2020 on 23 July 2021; (ii) profit warning on 20 August 2021; and (iii) interim results of the Group for the six months ended 30 June 2021.

During the period from September 2021 to Last Trading Day (the “**Third Period**”), closing prices of the Share was on a downtrend. During the Third Period, the Company announced (i) interim report of the Group for the six months ended 30 June 2021 on 16 September 2021; (ii) discloseable and connected transaction — disposal of equity interest in LightInTheBox Holdings Co., Ltd. on 28 September 2021; (iii) circular for the discloseable and connected transaction — disposal of equity interest in LightInTheBox Holdings Co., Ltd. on 21 October 2021; (iv) adoption of share award scheme on 10 December 2021; and (v) further update on the progress of the very substantial acquisition on 31 December 2021.

As confirmed by the Directors, the Directors are not aware of any specific event that caused the fluctuation of the prices of the Shares during the Review Period.

During the Review Period, the lowest closing price and highest closing price of Share as quoted on the Stock Exchange was HK\$0.425 recorded on 30 November 2021 and HK\$0.68 recorded from 19 January 2021 to 22 January 2021, respectively. The average closing price of Share during the Review Period is approximately HK\$0.55. The Subscription Price will be HK\$0.50 which lies within the lowest and the highest of the closing price of Share during the Review Period.

In addition, the average closing prices of Share and the highest closing price of Share for three months up to Last Trading Day was approximately HK\$0.477 and HK\$0.50 respectively. The Subscription Price of HK\$0.50 is higher than the average closing price of Share for three months up to the Last Trading Day and equal to the highest closing price of Share for the three months up to the Last Trading Day.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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As stated in the Letter from the Board, the market price of the Shares has been consistently trading below the then consolidated net asset value per Share since June 2019, which implies that potential investors (including Zall Holdings) may not be willing to subscribe for new Shares at a price as high as the said unaudited consolidated net asset value per Share, and also indicates that such investors have the option to acquire Shares on market at a substantially discounted price to the unaudited consolidated net asset value per Share.

We have reviewed the closing price of the Shares since June 2019 and up to the Latest Practicable Date and noted that the Shares had been trading below the net asset value per share.

(b) Trading volume and liquidity of the Shares

Set out below is (i) the average daily trading volume of Share in each month during the Review Period; and (ii) the respective percentages of the average daily trading volume of Share as compared to the total number of issued Shares as at the Last Trading Day.

	average daily trading volume of Share	% of the average daily trading volume to the total number of Share as at Last Trading Day (Note)
2021		
January (starting from 18 January 2021)	24,873,700	0.21%
February	17,187,500	0.15%
March	11,285,435	0.10%
April	6,791,316	0.06%
May	11,563,050	0.10%
June	13,980,667	0.12%
July	14,911,810	0.13%
August	15,382,490	0.13%
September	8,985,810	0.08%
October	10,325,222	0.09%
November	12,667,136	0.11%
December	7,680,762	0.07%
2022		
January (up to and including 17 January 2022)	7,491,091	0.06%

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Source: website of the Stock Exchange

Note:

The total number of issued Shares as at the Last Trading Day was 11,782,825,800 Shares.

As illustrated in the above table, the average daily trading volume of Share ranged from approximately 6,791,316 shares to 24,873,700 shares, representing approximately 0.06% to 0.21% of the total number of issued Shares. The average daily trading volume of Shares among the Review Period was approximately 12,208,635 shares, representing approximately 0.10% of the total number of issued Share.

(c) Market Comparables analysis

In assessing the fairness and reasonableness on the Subscription, we have conducted a search on the website of the Stock Exchange for all the transactions involving subscription of new shares of listed companies (but excluding debt capitalisation and long-suspended companies i.e. over 6 months) which were announced from 18 October 2021 to the Last Trading Day, being 3 months period prior to the date of the Subscription Agreement (the “**Comparable Period**”). We have considered the proposed subscription of new shares by either connected persons or independent third parties in our research, since the terms of such subscriptions are arrived at based on prevailing market conditions regardless of whether the respective subscribers are connected persons or not and represent an unbiased reference on market terms, therefore providing a good reference in our evaluation of the terms of the Subscription Agreements. We considered the Comparable Period as sufficient and appropriate for the analysis based on the following basis (a) the comparable transactions during such period are close to the date of the Subscription Agreements and therefore reflecting the latest market prevailing conditions and considered to be conducted under similar and recent market conditions and sentiments; and (b) there are sufficient comparable companies in this period such that the average figures calculated are not likely to be significantly affected by any individual comparable transaction for our analysis.

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Based on the said criteria, we have identified 57 comparable transactions (the “**Subscription Comparables**”) which we consider to be exhaustive and sufficient to assess the fairness and reasonableness of the Subscription Price. Although the circumstances surrounding the Subscription Comparables may be different from those relating to the Company, we consider that the Comparable Period is adequate and fair and reasonable to capture the prevailing market conditions in relation to the Subscription transactions which the Subscription Comparables, serving as a general market information and reference to prevailing market practises in relation to recent transactions involving subscription of new shares conducted by the companies listed in the Stock Exchange and may help us to assess and evaluate the fairness and reasonableness of the Subscription Price. Set out below is a comparison of the Subscription Comparables:

Date	Company	Stock code	Premium/ (discount) of the subscription price over/to closing price per share on the last trading day prior to the date of the respective agreement %	Premium/ (discount) of the subscription price over/to average closing price for the last five trading days prior to the date of the respective agreement %	Premium/ (discount) of the subscription price over/to consolidated net assets value per share (notes 1, 2 & 3) %
19 October 2021	China Education Group Holdings Limited	839	(9.36)	(5.51)	170.07
19 October 2021	Shimao Services Holdings Limited	873	(9.75)	(7.28)	348.72
20 October 2021	Elegance Optical International Holdings Limited	907	(19.83)	(14.68)	186.39
23 October 2021	CIFI Ever Sunshine Services Group Limited	1995	(8.80)	(4.67)	616.04 (note 4)
26 October 2021	Aux International Holdings Limited	2080	1.61	2.27	74.10
26 October 2021	Wealthking Investments Limited	1140	(16.22)	(13.65)	(52.33)
26 October 2021	China Yuhua Education Corporation Limited	6169	(11.97)	(16.23)	185.68
27 October 2021	Li Ning Company Limited	2331	(8.09)	(5.02)	1,658.52 (note 4)
29 October 2021	Universal Health International Group Holdings Limited	2211	(4.93)	(6.25)	(92.45) (note 4)
29 October 2021	Hong Kong Aerospace Technology Group Limited	1725	(19.97)	(17.65)	2,571.04 (note 4)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date	Company	Stock code	Premium/ (discount) of the subscription price over/to closing price per share on the last trading day prior to the date of the respective agreement %	Premium/ (discount) of the subscription price over/to average closing price for the last five trading days prior to the date of the respective agreement %	Premium/ (discount) of the subscription price over/to consolidated net assets value per share (notes 1, 2 & 3) %
5 November 2021	China Shenghai Group Limited	1676	(5.06)	0.40	(69.99)
9 November 2021	Enterprise Development Holdings Limited	1808	(11.39)	(10.94)	(63.20)
10 November 2021	China Evergrande New Energy Vehicle Group Limited	708	(19.89)	(17.96)	109.81
11 November 2021	Lingbao Gold Group Company Ltd.	3330	(12.37)	(10.90)	(63.18)
12 November 2021	Haidilao International Holding Ltd.	6862	(7.97)	(4.76)	804.94 (note 4)
13 November 2021	Sunac China Holdings Limited	1918	(10.92)	1.80	(54.14)
14 November 2021	China Nuclear Energy Technology Corporation Limited	611	(6.17)	0.92	0.00
18 November 2021	Goal Rise Logistics (China) Holdings Limited	1529	(19.35)	(18.96)	15.70
18 November 2021	Jimu Group Limited	8187	10.00	(19.59)	Net liabilities position
19 November 2021	DT Capital Limited	356	(10.26)	(9.33)	(31.25)
19 November 2021	China Evergrande New Energy Vehicle Group Limited	708	(15.01)	(19.96)	124.02
26 November 2021	Nanfang Communication Holdings Limited	1617	(17.22)	(12.22)	(83.26) (note 4)
26 November 2021	CGN Mining Company Limited	1164	(18.37)	(19.84)	158.32
28 November 2021	iDreamSky Technology Holdings Limited	1119	(9.34)	(8.07)	90.90
29 November 2021	Cornerstone Technologies Holdings Limited	8391	(19.48)	(19.48)	311.59
29 November 2021	CN Logistics International Holdings Limited	2130	(2.7)	(3.7)	451.14 (note 4)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date	Company	Stock code	Premium/ (discount) of the subscription price over/to closing price per share on the last trading day prior to the date of the respective agreement %	Premium/ (discount) of the subscription price over/to average closing price for the last five trading days prior to the date of the respective agreement %	Premium/ (discount) of the subscription price over/to consolidated net assets value per share (notes 1, 2 & 3) %
30 November 2021	Jiyi Holdings Limited	1495	4.35	6.19	30.25
1 December 2021	Capital Finance Holdings Limited	8239	(8.28)	(10.40)	184.72
2 December 2021	China Power International Development Limited	2380	(12.44)	(3.11)	(7.10)
2 December 2021	Sino Vision Worldwide Holdings Limited	8086	(20.0)	(16.26)	5.80
7 December 2021	Shimao Group Holdings Limited	813	(8.54)	(9.43)	(72.70)
7 December 2021	Logan Group Company Limited	3380	(9.9)	(8.6)	(31.44)
7 December 2021	Sinco Pharmaceuticals Holdings Limited	6833	(19.38)	(15.02)	733.28 (note 4)
8 December 2021	Kirin Group Holdings Limited	8109	10.0	10.11	61.04
8 December 2021	Huabao International Holdings Limited	336	(11.92)	(18.84)	281.11
10 December 2021	C&D Property Management Group Co., Ltd	2156	0.24	0	750.72 (note 4)
15 December 2021	Seamless Green China (Holdings) Limited	8150	51.52	51.52	150.23
15 December 2021	GCL-Poly Energy Holdings Limited	3800	(2.4)	(5.7)	86.72
15 December 2021	CBK Holdings Limited	8428	(12.41)	(13.54)	28.82
15 December 2021	Wai Hung Group Holdings Limited	3321	(19.63)	(19.63)	177.81
16 December 2021	Hong Wei (Asia) Holdings Company Limited	8191	(11.0)	(15.9)	(87.10) (note 4)
23 December 2021	World Super Holdings Limited	8612	(19.23)	(17.00)	189.49
28 December 2021	Tempus Holdings Limited	6880	(8.11)	(8.11)	1,066.21 (note 4)
29 December 2021	CA Cultural Technology Group Limited	1566	(19.00)	(14.04)	(71.88)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date	Company	Stock code	Premium/ (discount) of the subscription price over/to closing price per share on the last trading day prior to the date of the respective agreement %	Premium/ (discount) of the subscription price over/to average closing price for the last five trading days prior to the date of the respective agreement %	Premium/ (discount) of the subscription price over/to consolidated net assets value per share (notes 1, 2 & 3) %
30 December 2021	Golden Solar New Energy Technology Holdings Limited	1121	(2.91)	3.07	5,178.72 (note 4)
31 December 2021	Jimu Group Limited	8187	(18.9)	(18.9)	Net liabilities position (89.09) (note 4)
31 December 2021	China South City Holdings Limited	1668	(17.39)	(14.93)	(89.09) (note 4)
31 December 2021	Wealthking Investments Limited	1140	15.00	21.37	(27.04)
6 January 2022	China MeiDong Auto Holdings Limited	1268	(12.0)	(13.1)	937.10 (note 4)
7 January 2022	China Ocean Group Development Limited	8047	(8.3)	9.6	(50.43)
11 January 2022	China Youzan Limited	8083	(18.95)	(17.91)	28.93
11 January 2022	Farnova Group Holdings Limited	8153	3.45	0	1,020.93 (note 4)
11 January 2022	Haier Smart Home Co., Ltd.	6690	(14.37)	(14.92)	196.53
13 January 2022	C-MER Eye Care Holdings Limited	3309	(9.7)	(6.8)	473.57 (note 4)
13 January 2022	Sunac China Holdings Limited	1918	(15.3)	(11.0)	(67.62)
13 January 2022	Synertone Communication Corporation	1613	32.98	20.89	91.14
14 January 2022	Cool Link (Holdings) Limited	8491	(18.48)	(18.83)	(58.16)
		Minimum	(20.00)	(19.96)	(72.70)
		Maximum	51.52	51.52	348.72
		Average	(8.49)	(7.55)	65.83
		The Subscription	13.64	12.11	(73.26)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. The net assets value per share for each of the Subscription Comparables was extracted from their respective latest financial reports (i.e. interim/annual report/results) of the Subscription Comparables. Net assets value per share was calculated based on the reported net assets value of the Subscription Comparable divided by the number of their respective issued shares as at the date of the relevant announcement of the Subscription Comparable.
2. Each of these Subscription Comparables had recorded net liabilities position according to their respective latest financial reports and were excluded in “premium/(discount) of the subscription price over/to the consolidated net assets value per share” analysis.
3. Exchange rate of RMB1 = HK\$1.20181, SGD1 = HK\$5.8 and MOP1 = HK\$0.97 were applied when computing the respective Subscription Comparables market capitalisation.
4. These figures were considered as outliers and were not included in their respective analysis. An outlier of a data set is identified if it is more than 1.5 times interquartile range above the third quartile or below the first quartile. Accordingly, the premium or discount of subscription price of each of these Subscription Comparables has been considered as outliers and excluded from comparison.

As illustrated in the table above, the premium of the Subscription Price over the closing price per Share on the Last Trading Day was (i) within the range of the Subscription Comparables from discount of approximately 20.00% to premium of approximately 51.52% and is higher than the average discount of the Subscription Comparables of approximately 8.49% as compared with their respective closing prices on the date of their respective agreement; and (ii) within the range of the Subscription Comparables from discount of approximately 19.96% to premium of approximately 51.52% and is higher than the average discount of the Subscription Comparables of approximately 7.55% as compared with their respective average closing price for the last five trading days prior to the date of their respective agreement.

As illustrated in the table above, the discount of the Subscription Price to consolidated net asset value per Share is out of the range of the Subscription Comparables (considering the fact that outliers were also excluded). We noted that the Shares normally traded at a discount to the consolidated net asset value per Share during the Review Period and the discount of the closing price of Shares to the consolidated net asset value per Share ranged from 65.69% to 76.72%.

Although the Subscription Price is slightly below the average of the closing price of Share during the Review Period and the discount of the Subscription Price to consolidated net asset value per Share is out of the range of the Subscription Comparables (considering the fact that outliers were also excluded), taking into account that (i) the Subscription Price, which is in premium over the closing price of the Share as at the Last Trading Day, falls within the range of the lowest closing price and the highest closing price of Share during the Review Period and is above the average closing price of the Share for the three months up to the Last Trading Day; (ii) the liquidity of the Shares during the Review Period was low; (iii) the premium of the Subscription

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Price over the closing price of the Shares on the date of Subscription Agreement and the premium of the Subscription Price over the average closing prices of the Shares for the last five trading days immediately prior to the date of the date of the Subscription Agreement fall within the market ranges; (iv) the Company has a need to raise funding from the Subscription due to the its latest financial position, in particular the net current liabilities position of the Group; and (v) the Shares have been consistently trading at discount to the consolidated net asset value per Share since June 2019, we consider the Subscription Price is fair and reasonable.

V. Financial effects of the Subscription

Liquidity

According to the 2021 Interim Report, the Group had bank balances and cash of approximately RMB835.9 million as at 30 June 2021. Upon the completion of the Subscription, the Group's working capital and liquidity positions will be improved as the cash and bank balances will be increased by the net proceeds of approximately HK\$300.0 million. Accordingly, the cash position, gearing ratio and current ratio of the Group are expected to be improved upon the completion of the Subscription.

Net assets

According to the 2021 Interim Report, the net assets of the Group was approximately RMB18,357.7 million as at 30 June 2021. Upon completion of the Subscription, the net assets of the Group are expected to increase as a result of the availability of the proceeds from the Subscription.

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

VI. Effect on shareholding structure of the Company

With reference to the shareholding table in the section headed "Effects on the shareholding of the Company" in the Letter from the Board, upon completion of the Subscription, the shareholding interests of the existing public Shareholder in the Company would decrease from approximately 36.13% at the Latest Practicable Date to approximately 34.38%, assuming no other change in the issued share capital of the Company other than the issue of Subscription Shares. In this regard, taking into account (i) the reasons for and benefits of the Subscription; and (ii) the terms of the Subscription Agreement, including the allotment and issue of the Subscription Shares under the Specific Mandate and transaction contemplated thereunder being fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the said level of dilution to the shareholding interests of the public Shareholders as a result of the Subscription is acceptable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the principal factors and reasons discussed above, although the Subscription is not in the ordinary and usual course of business of the Group, we are of the view that the entering into the Subscription 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 Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

Sorrento Capital Limited

Aaron Wong	Stanley Chung
<i>Managing Director</i>	<i>Managing Director</i>

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” (the “Model Code”) contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

(a) Interests in the Shares

As at the Latest Practicable Date, the interests of the Directors and the chief executive in the Shares and underlying Shares were as follows:

Name of Director	Nature of interest	Number of Shares/ underlying Shares	Approximate percentage of Shareholding
Yan Zhi	Interest of a controlled corporation	7,318,422,868 (L) ⁽¹⁾	62.11%
	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	8,596,200 (L) ⁽²⁾	0.07%
		8,596,200 (S) ⁽²⁾	0.07%
	Beneficial owner	2,149,200 (L)	0.02%
		2,149,200 (S)	0.02%
Qi Zhiping	Beneficial owner	4,686,351 (L) ^{(3)(a)}	0.04%
	Interest of spouse	48,664,298 (L) ^{(3)(b)}	0.41%
Xia Lifeng	Beneficial owner	348,000 (L)	0.00%

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

Notes:

- (1) The 6,609,022,268 Shares and 709,400,600 Shares are held by Zall Development and Zall Holdings, respectively. Both companies are wholly owned by Mr. Yan Zhi.
- (2) The long and short positions in 8,596,200 Shares are held by Vision Knight Capital Management Company Limited, a company 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 fulfilment 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 the 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. 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.

4. DIRECTORS’ INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date and save as disclosed in the interim report of the Company for the six months ended 30 June 2021, 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.

5. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had 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)).

6. 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:

Name	Qualification
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 letter 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 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.

7. 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.

8. GENERAL

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

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.zallcn.com) from the date of this circular up to and including 12 April 2022, being the date of the EGM:

- (a) the letter from the Independent Board Committee as set out in this circular;
- (b) the letter from the Independent Financial Adviser as set out in this circular;
- (c) the written consent referred to in the section headed “6. Expert’s consent and qualification” in this appendix;
- (d) the Subscription Agreement;
- (e) the Side Letter; and
- (f) 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

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**EGM**”) of Zall Smart Commerce Group Ltd. (the “**Company**”) will be held at Conference Room, Zall International Center, 588 Jianshe Avenue, Wuhan, Hubei, the PRC on Tuesday, 12 April 2022 at 10:30 a.m. for the following purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company. Words and expressions that are not expressly defined in this notice of EGM shall bear the same meaning as that defined in the circular of the Company dated 18 March 2022 (the “**Circular**”):

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the Subscription Agreement entered into between the Company and Zall Holdings (a copy of the Subscription Agreement has been produced to the meeting, marked “A” and signed by the chairman of the meeting for identification purpose) and the consummation of transaction contemplated thereunder as more particularly described in the Circular and the terms and conditions set out in the Subscription Agreement be and are hereby approved, confirmed and ratified;
- (b) conditional upon the Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in the Subscription Shares on the Stock Exchange, the Directors be and are hereby granted a Specific Mandate to exercise all the powers of the Company to allot and issue the Subscription Shares in accordance with the terms and conditions of the Subscription Agreement; and
- (c) any one of the Directors be and is hereby authorised for and on behalf of the Company to take any action and execute such other documents, instruments and agreements as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Subscription Agreement and the transaction contemplated thereunder and all other matters incidental thereto or in connection therewith.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. “**THAT** BDO Limited be appointed as the external auditor of the Company and to hold office until the conclusion of the next annual general meeting of the Company, and the Board be authorised to fix their remuneration.”

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

Hong Kong, 18 March 2022

Notes:

1. An eligible Shareholder 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.
2. In the case of joint registered holders of any Share, 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 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 Thursday, 7 April 2022 to Tuesday, 12 April 2022 (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 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 Wednesday, 6 April 2022.
6. The resolutions 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 COVID-19 pandemic and to safeguard the health and safety of the Shareholders, the Company encourages its Shareholders to consider appointing the chairman of the EGM as his/her proxy to vote on the relevant resolutions at the EGM as an alternative to attending in person.**

NOTICE OF EXTRAORDINARY GENERAL MEETING

8. The following special arrangements will be made for the EGM:

Live streaming webcast

Shareholders not attending the EGM in person may join a live streaming webcast of the EGM where they can view and listen to the EGM. Shareholders that intend to participate in the EGM through such means must contact and register with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, by email at is-enquiries@hk.tricorglobal.com or by telephone hotline at (852) 2980 1333 no later than 5:00 p.m. on 8 April 2022 to obtain a webcast link address and passcode.

Shareholders should note that viewing the live streaming webcast of the EGM will not be counted towards a quorum nor will such participating Shareholders be able to cast their votes online.

Submission of questions prior to and at the EGM

Shareholders can also submit their questions in relation to the matters to be discussed at the EGM (a) in advance by sending them through email to is-enquiries@hk.tricorglobal.com or telephone hotline at (852) 2980 1333 of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited not later than 5:00 p.m. on 8 April 2022; or (b) online during the live streaming webcast. The Company will endeavour to address as many relevant questions as possible at the EGM.

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.