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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)

- (1) GRANT OF AWARDED SHARES PURSUANT TO
THE SHARE AWARD SCHEME;
(2) CONNECTED TRANSACTIONS INVOLVING ISSUE OF
NEW SHARES TO CONNECTED PERSONS PURSUANT
TO THE SPECIFIC MANDATE;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Independent Financial Adviser to 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 6 to 20 of this circular. A letter from the Independent Financial Adviser to the Independent Shareholders is set out on pages 21 to 34 of this circular.

A notice convening the EGM to be held at Suite 2101, 21/F, Two Exchange Square, Central, Hong Kong on Wednesday, 3 August 2022 at 10:30 a.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company’s Hong Kong share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as practicable and in any event not later than 48 hours before the time designated for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting should you so wish and in such event the relevant form of proxy shall be deemed to be revoked.

PRECAUTIONARY MEASURES AT THE EXTRAORDINARY GENERAL MEETING

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

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

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

15 July 2022

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PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

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

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

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

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

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

The form of proxy for the EGM is enclosed with this circular. Alternatively, the form of proxy can be downloaded from the Company’s website (www.zallcn.com) and the website of the Stock Exchange (www.hkexnews.hk).

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

DEFINITIONS

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

“2011 Share Option Scheme”	the share option scheme adopted by the Company on 20 June 2011 and expired on 20 June 2021
“2021 Annual Report”	the annual report of the Company for the financial year ended 31 December 2021, which was published on 13 May 2022
“2021 Share Option Scheme”	the new share option scheme adopted by the Company on 28 May 2021
“Administration Committee”	means a sub-committee of the Board, members of which shall be consisting of the chairman of the Board and the co-chief executive officer, delegated with the power and authority by the Board to administer the Share Award Scheme
“Announcement”	the announcement of the Company dated 9 June 2022
“associates”	has the meaning ascribed to it under the Listing Rules
“Award(s)”	the share award(s) granted by the Administration Committee to the Selected Employee(s) pursuant to the Scheme Rules
“Awarded Shares”	in respect of a Selected Employee, such number of Shares awarded by the Administration Committee pursuant to the Scheme Rules
“Board”	the board of Directors of the Company
“Business Day(s)”	any day on which the Stock Exchange is open for the business of dealing in securities
“CIC”	Commodities Intelligence Centre Pte. Ltd., a company incorporated in Singapore with limited liability and a subsidiary of the Company, which is principally engaged in trading business and operation of a one-stop digital trade service platform
“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)
“Connected Awarded Shares”	7,200,000 Awarded Shares granted by the Company to the Connected Grantees

DEFINITIONS

“Connected Grantees”	the Selected Employees who are not Independent Third Parties
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Suite 2101, 21/F, Two Exchange Square, Central, Hong Kong on Wednesday, 3 August 2022 at 10:30 a.m. for the Independent Shareholders to consider and, if thought fit, approve the grant of the Connected Awarded Shares to the Connected Grantees and the transactions contemplated thereunder, including the allotment and issue of Shares under the Specific Mandate
“Eligible Employee(s)”	any Employee (excluding the Excluded Employee), who the Administration Committee considers, in their absolute discretion, to have contributed or will contribute to the Group, subject to certain qualifications as set out in the Scheme Rules
“Employee”	any employee (including without limitation any director) of any member of the Group
“Excluded Employee”	any Employee who is resident in a place where the award of the Awarded Shares and/or the vesting and transfer of the Awarded Shares pursuant to the terms of the Share Award Scheme is not permitted under the laws or regulations of such place or where in the view of the Board or the Administration Committee (as the case may be), compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such Employee
“FY2020”	the financial year ended 31 December 2020
“FY2021”	the financial year ended 31 December 2021
“General Mandate”	the general mandate granted by the Shareholders to the Directors to allot, issue and otherwise deal with new Shares at the annual general meeting of the Company held on 28 May 2021
“Grantee(s)”	a Selected Employee who has accepted the grant of an Award
“Group”	the Company and its subsidiaries

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HSH”	HSH International Inc., a company incorporated in the Cayman Islands and a subsidiary of the Company, which together with its subsidiaries is principally engaged in the chemicals and plastics e-commerce platform business
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 Shareholders in respect of the grant of the Connected Awarded Shares to the Connected Grantees and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders which are not required to abstain from voting at the EGM to approve a connected transaction
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Latest Practicable Date”	12 July 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
“Non-connected Grantees”	the 80 Selected Employees who are not connected persons of the Company
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Scheme Rules”	the rules of the Share Award Scheme, as amended from time to time

DEFINITIONS

“Selected Employee(s)”	any Eligible Employee approved for participation in the Share Award Scheme and who has been granted any Award pursuant to the Share Award Scheme
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.003 (circulating decimal) each in the share capital of the Company
“Share Award Scheme”	the share award scheme adopted by the Company on 10 December 2021 (in its present or any amended form)
“Share Option(s)”	the share option(s) to subscribe for Share(s) under the 2011 Share Option Scheme
“Shareholder(s)”	the holder(s) of the Share(s)
“Shenzhen Sinoagri”	Shenzhen Sinoagri E-commerce Co., Ltd* (深圳市中農網有限公司), a company established in the PRC and a subsidiary of the Company, which is principally engaged in the supply chain management and trading business
“Specific Mandate”	the specific mandate to be granted by the Independent Shareholders to the Directors at the EGM for the allotment and issue of new Shares to the Trustee to satisfy the grant of the Connected Awarded Shares to the Connected Grantees
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trust Deed”	the trust deed entered into between the Company and the Trustee (as restated, supplemented and amended from time to time) in relation to the Share Award Scheme
“Trustee”	Futu Trustee Limited, an independent trustee appointed by the Board to hold the Shares and assist with the administration of the Share Award Scheme in accordance with the terms and conditions of the Trust Deed for the benefit of the Selected Employees
“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, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Yan Zhi

DEFINITIONS

“Zall International”	Zall International Trade Group Co., Ltd.* (卓爾國際貿易集團有限公司), a company established in the PRC and a subsidiary of the Company, which is principally engaged in international commodity trade, comprehensive foreign trade services, and import and export trade
“Zallgo Information”	Zallgo Information Technology (Wuhan) Co., Ltd.* (卓爾購信息科技(武漢)有限公司), a company established in the PRC with limited liability and a subsidiary of the Company, which is principally engaged in the e-commerce business
“%”	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. The English translation of company names in Chinese which are marked with “” is for identification purpose only.*

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

Independent Non-Executive Directors:

Mr. Cheung Ka Fai

Mr. Wu Ying

Mr. Zhu Zhengfu

Principal place of business in

Hong Kong:

Suite 2101, 21/F

Two Exchange Square

Central

Hong Kong

15 July 2022

To the Shareholders

Dear Sir or Madam,

- (1) GRANT OF AWARDED SHARES PURSUANT TO
THE SHARE AWARD SCHEME;
(2) CONNECTED TRANSACTIONS INVOLVING ISSUE OF
NEW SHARES TO CONNECTED PERSONS PURSUANT TO
THE SPECIFIC MANDATE;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

References are made to (i) the announcement of the Company dated 10 December 2021 in relation to the adoption of the Share Award Scheme by the Company; and (ii) the Announcement in relation to the grant of Awarded Shares pursuant to the Share Award Scheme and the connected transactions involving the issue of new Shares to connected persons pursuant to the Specific Mandate.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with (i) further details of the grant of the Connected Awarded Shares to the Connected Grantees; (ii) a letter of advice from the Independent Financial Adviser to the Independent Shareholders in relation to the grant of the Connected Awarded Shares to the Connected Grantees; and (iii) a notice of EGM.

GRANT OF AWARDED SHARES PURSUANT TO THE SHARE AWARD SCHEME AND CONNECTED TRANSACTIONS INVOLVING ISSUE OF NEW SHARES TO CONNECTED PERSONS PURSUANT TO THE SPECIFIC MANDATE

On 9 June 2022, the Board and the Administration Committee have resolved to grant a total of 18,180,000 Awarded Shares to 93 Selected Employees pursuant to the Share Award Scheme, of which, (i) 10,980,000 Awarded Shares are granted to 80 Non-connected Grantees and shall be satisfied by the allotment and issue of new Shares to the Trustee pursuant to the General Mandate and in accordance with the terms of the Scheme Rules; and (ii) 7,200,000 Connected Awarded Shares are granted to 13 Connected Grantees and shall be satisfied by the allotment and issue of new Shares to the Trustee pursuant to the Specific Mandate and in accordance with the terms of the Scheme Rules.

Pursuant to the Scheme Rules, as the Awarded Shares are to be made as Awards by the Administration Committee, the Awarded Shares shall be granted to the Grantees for nil consideration. The new Shares to be allotted and issued to satisfy the grant of the Awarded Shares shall be held on trust by the Trustee for the Grantees until such Awarded Shares are vested with the relevant Grantees in accordance with the Scheme Rules and the Trust Deed. As such, no funds will be raised by the Company as a result of the allotment and issue of the new Shares. Under the Share Award Scheme, the Trustee shall not exercise any voting rights attached to the Awarded Shares held by it.

Grant of Awarded Shares to Non-Connected Grantees

10,980,000 Awarded Shares are granted to the Non-connected Grantees. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Non-connected Grantees is an Independent Third Party.

LETTER FROM THE BOARD

Grant of the Connected Awarded Shares to Connected Grantees

Details of the grant of the Connected Awarded Shares to the Connected Grantees are as follows:

Name of Connected Grantee	Position held at the Company/Group	Number of Connected Awarded Shares	Approximate percentage of the total issued Shares as at the Latest Practicable Date (%)	Market value of Connected Award Shares as at the date of the Announcement <i>(Note 1)</i> HK\$	Market Value of Connected Award Shares as at the Latest Practicable Date <i>(Note 2)</i> HK\$
Mr. Yan Zhi	Co-chairman, co-chief executive officer and executive Director	1,500,000	0.0121	705,000	750,000
Dr. Gang Yu	Co-chairman and executive Director	270,000	0.0022	126,900	135,000
Mr. Wei Zhe, David	Executive Director	270,000	0.0022	126,900	135,000
Mr. Qi Zhiping	Co-chief executive officer and executive Director	1,380,000	0.0111	648,600	690,000
Mr. Xia Lifeng	Executive Director and vice president of the Group	550,000	0.0044	258,500	275,000
Mr. Yu Wei	Executive Director and vice president of the Group	290,000	0.0023	136,300	145,000
Mr. Cheung Ka Fai	Independent non-executive Director	180,000	0.0015	84,600	90,000
Mr. Wu Ying	Independent non-executive Director	180,000	0.0015	84,600	90,000
Mr. Zhu Zhengfu	Independent non-executive Director	180,000	0.0015	84,600	90,000
Mr. Sun Wei	Director of a subsidiary of the Company	1,200,000	0.0097	564,000	600,000
Mr. Bai Rui	Director of a subsidiary of the Company	600,000	0.0048	282,000	300,000
Mr. Pan Fujie	Director of a subsidiary of the Company	500,000	0.0040	235,000	250,000
Ms. Mo Yuping	Director of a subsidiary of the Company	100,000	0.0008	47,000	50,000
Total		7,200,000			

LETTER FROM THE BOARD

Notes:

1. the market value of the Connected Awarded Shares was calculated based on the closing price of the Shares of HK\$0.47 on the date of the Announcement.
2. the market value of the Connected Awarded Shares was calculated based on the closing price of the Shares of HK\$0.50 on the Latest Practicable Date.

The Awarded Shares

The new Shares to be allotted and issued by the Company to the Trustee to satisfy the grant of 10,980,000 Awarded Shares to the Non-connected Grantees represent approximately 0.09% each of the total issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) as enlarged by the allotment and issue of such new Shares (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 proposed date for allotment and issue of such new Shares).

The new Shares to be allotted and issued by the Company to the Trustee to satisfy the grant of 7,200,000 Connected Awarded Shares to the Connected Grantees represent approximately 0.06% each of the total issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) as enlarged by the allotment and issue of such new Shares (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 proposed date for allotment and issue of such new Shares).

Value of Awarded Shares

Based on the closing price of HK\$0.47 per Share on the date of the Announcement, the market value of 10,980,000 Awarded Shares granted to the Non-connected Grantees, and 7,200,000 Connected Awarded Shares granted to the Connected Grantees are HK\$5,160,600 and HK\$3,384,000 respectively.

Based on the closing price of HK\$0.50 per Share on at the Latest Practicable Date, the market value of 10,980,000 Awarded Shares granted to the Non-connected Grantees, and 7,200,000 Connected Awarded Shares granted to the Connected Grantees are HK\$5,490,000 and HK\$3,600,000 respectively. The aggregate nominal value of the Awarded Shares granted to the Non-connected Grantees, and the Connected Awarded Shares granted to the Connected Grantees is approximately HK\$36,600 and HK\$24,000 respectively.

Conditions precedent

The proposed allotment and issue of new Shares to the Trustee to satisfy the grant of the Awarded Shares to the Non-connected Grantees shall be conditional upon the following: (i) the Listing Committee of the Stock Exchange granting the listing of and the permission to deal in such Awarded Shares; and (ii) the fulfilment of the conditions set out in the Scheme Rules, including the Non-connected Grantee (a) being a Selected Employee; and (b) having returned

LETTER FROM THE BOARD

to the Administration Committee the reply slip attached to the vesting notice together with the relevant duly signed transfer documents (where applicable), and such vesting conditions as specified by the Administration Committee.

The proposed allotment and issue of new Shares to the Trustee to satisfy the grant of the Connected Awarded Shares to the Connected Grantees shall be conditional upon the following: (i) the Independent Shareholders having passed all necessary resolutions at the EGM approving the grant of the Connected Awarded Shares to the Connected Grantees and the transactions contemplated thereunder; (ii) the Listing Committee of the Stock Exchange granting the listing of and the permission to deal in the Connected Awarded Shares; and (iii) the fulfilment of the conditions set out in the Scheme Rules, including the Connected Grantee (a) being a Selected Employee; and (b) having returned to the Administration Committee the reply slip attached to the vesting notice together with the relevant duly signed transfer documents (where applicable), and such vesting conditions as specified by the Administration Committee.

Each of the grant of the Awarded Shares to the Non-connected Grantees and the grant of the Connected Awarded Shares to the Connected Grantees are not conditional on each other.

Performance targets

In order to evaluate the contributions made by the Selected Employees in driving the continuous business operation and development of the Group, the Directors have considered the following factors:

- (i) the Group having achieved certain performance target(s) for FY2021;
- (ii) the relevant subsidiary of the Company where the Selected Employee is employed having achieved certain performance target(s) for FY2021; and
- (iii) the attainment of satisfactory performance appraisal results for FY2021 by the relevant Selected Employee.

For the performance targets mentioned above, (a) the Group is required to achieve an increase in revenue in FY2021 of not less than 25% as compared with FY2020; and (b) the relevant subsidiary of the Company is required to achieve an increase in revenue in FY2021 of not less than a specified performance target ranging from 10% to 30% as compared with FY2020.

As at the Latest Practicable Date, all the performance targets above have been fulfilled.

Ranking of Awarded Shares

The Awarded 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 Awarded Shares.

LETTER FROM THE BOARD

Lock-up period

The Awarded Shares shall be subject to a lock-up period of 12 months commencing from the date of transfer of the vested Awarded Shares from the Trustee to the respective Grantees in accordance with the terms of the Scheme Rules (both days inclusive) and during such period each of the Grantees shall not transfer or dispose of the Awarded Shares held by each of them.

General Mandate

The Awarded Shares to the Non-connected Grantees shall be allotted and issued under the General Mandate. Pursuant to the General Mandate granted by the Shareholders to the Directors at the annual general meeting of the Company held on 28 May 2021, the Directors are authorized to allot and issue up to 2,356,565,160 Shares. As at the Latest Practicable Date, no Shares have been allotted and issued under the General Mandate. The General Mandate is sufficient for the allotment and issue of new Shares to the Trustee to satisfy the grant of 10,980,000 Awarded Shares to the Non-connected Grantees. As such, the grant of the Awarded Shares to the Non-connected Grantees is not subject to further Shareholders' approval.

Specific Mandate

The Connected Awarded Shares to the Connected Grantees shall be allotted and issued under the Specific Mandate to be granted to the Directors at the EGM.

Applications 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, (i) 10,980,000 Awarded Shares to the Non-connected Grantees; and (ii) 7,200,000 Connected Awarded Shares to the Connected Grantees.

REASONS FOR AND BENEFITS OF THE GRANT OF AWARDED SHARES

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.

LETTER FROM THE BOARD

The Share Award Scheme forms part of the incentive schemes of the Group. The Directors consider that the grant of the Awarded Shares to the Selected Employees will enable the Company (i) to recognise the contributions made by the Selected Employees in driving the continuous business operation and development of the Group; (ii) to encourage, motivate and retain the Selected Employees; and (iii) to align the interest of the Selected Employees with the long-term performance of the Group and provide additional incentive for the Selected Employees to achieve performance goals.

The Company has conducted annual review of the performance of the Directors and employees of the Group for FY2021. The grant of the Awards is to recognise the past contributions of the Grantees as well as to incentivise their continual supports to the Group and their efforts in promoting the Group's long-term growth and development. In determining the number of the Awarded Shares, the Company has mainly considered the following factors:

- (a) the seniority and the importance of the work position, taking into account the background of the Grantees;
- (b) the contribution of the Grantees;
- (c) the individual performance of the Grantees; and
- (d) the Group's overall business performance, objectives and future development plan.

The Company has considered the benefits of granting Awards as an incentive as compared to other alternatives. The issue of the Awarded Shares will not have any cash outflow other than the minimal expenses relating to the issue of the Awarded Shares. As compared to other incentives (such as (a) cash bonuses which will involve cash outflow; or (b) share options, where the Grantees are required to pay the exercise price upon exercising the share options and the timing of exercise of the share options will depend on the Share prices), the Board considers that the grant of the Awarded Shares is a more effective means for providing immediate incentives and rewards to the Grantees, which will be beneficial for the development of the Group.

Having considered the above, the Directors (other than each of the Connected Grantees who had abstained from voting on the resolution relating to the grant of Awarded Shares to each of them at the Board meeting) consider that the grant of the Connected Awarded Shares to the Connected Grantees are on normal commercial terms and the terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

BASIS OF DETERMINATION FOR THE AWARDED SHARES

All the Non-connected Grantees are senior management and key employees of the Group working in various business units of the Group. The Board had considered the factors set out in the paragraph headed “Reasons for and Benefits of the Grant of the Awarded Shares” in determining the number of the Awarded Shares granted to each of the Non-connected Grantees. The Board had also taken into account the responsibilities of the Connected Grantees and their contributions to the Group set out below to determine the number of the Awarded Shares granted to each of them:

Name of Connected Grantee	Position held at the Company/Group	Responsibilities and contributions
Mr. Yan Zhi	Co-chairman, co-chief executive officer and executive Director	Responsible for formulation of the Group’s overall business and investment strategies, as well as supervising the Group’s project planning, business and operation management.
Dr. Gang Yu	Co-chairman and executive Director	Responsible for supervising the Group’s day-to-day business, the construction of e-commerce platforms and operation management.
Mr. Wei Zhe, David	Executive Director	Responsible for formulation of the Group’s overall business strategies, as well as supervising the Group’s major projects.
Mr. Qi Zhiping	Co-chief executive officer and executive Director	Responsible for the integrated management of the online platform of the Group and the collaboration of various platforms, and the overall strategic planning and management capacity enhancement of Shenzhen Sinoagri, the planning for investment and development strategy of the Group, designing commercial models, engaging in investment projects decision and management of the Group.

LETTER FROM THE BOARD

Name of Connected Grantee	Position held at the Company/Group	Responsibilities and contributions
Mr. Xia Lifeng	Executive Director and vice president of the Group	Responsible for the business model innovation, daily operation and management of Zallgo Information and the technical sector management of the Group.
Mr. Yu Wei	Executive Director and vice president of the Group	Responsible for the operation and day-to-day management of Zall International, CIC, and the Group's logistics and storage business.
Mr. Cheung Ka Fai	Independent non-executive Director	Mr. Cheung has provided independent opinions in the Board's decision making process, ensured proper functioning of the Company's audit committee, nomination committee and risk management committee, and monitored appropriate corporate governance and internal control of the Group.
Mr. Wu Ying	Independent non-executive Director	Mr. Wu has provided independent opinions in the Board's decision making process, ensured proper functioning of the Company's audit committee, nomination committee and remuneration committee, and monitored appropriate corporate governance and internal control of the Group.
Mr. Zhu Zhengfu	Independent non-executive Director	Mr. Zhu has provided independent opinions in the Board's decision making process, ensured proper functioning of the Company's audit committee, remuneration committee and risk management committee, and monitored appropriate corporate governance and internal control of the Group.

LETTER FROM THE BOARD

Name of Connected Grantee	Position held at the Company/Group	Responsibilities and contributions
Mr. Sun Wei	Director of a subsidiary of the Company	Responsible for the coordination of Shenzhen Sinoagri's strategic positioning, overall operation and management, research and development of technology and investment projects.
Mr. Bai Rui	Director of a subsidiary of the Company	Responsible for the overall operation and management of HSH and its subsidiaries, the establishment of risk control system and core team.
Mr. Pan Fujie	Director of a subsidiary of the Company	Responsible for setting strategic objectives of the Company, business model innovation and daily operation management.
Ms. Mo Yuping	Director of a subsidiary of the Company	Responsible for enhancing and optimising the financial reporting system of HSH, as well as providing financial management services.

LETTER FROM THE BOARD

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

Set out below are the equity fund raising activities conducted by the Company in the past 12 months immediately prior to the Latest Practicable Date:

Date of initial announcement	Event	Net proceeds (approximately)	Intended use of net proceeds	Actual use of net proceeds
18 January 2022	Subscription of 600,000,000 new Shares under specific mandate	Estimate net proceeds: HK\$299,800,000 Actual net proceeds: HK\$299,800,000	(i) approximately HK\$185,000,000 shall be utilised as working capital for conducting the Group's commodity trading business; (ii) approximately HK\$15,000,000 shall be utilised as working capital for the upgrade of the Group's existing digitalised platform; and (iii) approximately HK\$99,800,000 shall be utilised for the Group's general corporate purposes, including but not limited to the payment of staff costs, directors' remuneration, professional advisers' fees and lease expenses.	(i) approximately HK\$185,000,000 has been utilised as working capital for conducting the Group's commodity trading business; (ii) approximately HK\$1,100,000 has been utilised as working capital for the upgrade of the Group's existing digitalised platform and the balance shall be utilised as intended; and (iii) approximately HK\$91,000,000 has been utilised for the Group's general corporate purposes, including but not limited to the payment of staff costs, directors' remuneration, professional advisers' fees and lease expenses and the balance shall be utilised as intended.

Save as disclosed above, the Company has not conducted any equity fund raising activities in the past 12 months immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company had issued 12,382,825,800 Shares and granted 45,667,950 Share Options. Save for the aforesaid, the Company does not have other classes of securities, derivatives, warrants or other securities which are convertible or exchangeable into Shares.

Set out below is a table showing the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the Awarded Shares, 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 proposed date for allotment and issue of such new Shares:

	As at the Latest Practicable Date		Immediately after the allotment and issue of the Awarded Shares	
	Number of Shares	Approx.%	Number of Shares	Approx.%
Shareholders				
Zall Development ^(Note 1)	7,309,850,268	59.03%	7,309,850,268	58.95%
Zall Holdings ^(Note 2)	1,309,400,600	10.57%	1,309,400,600	10.56%
Mr. Yan Zhi ^(Note 3)	73,833,000	0.60%	75,333,000	0.61%
Dr. Gang Yu ^(Note 3 & 4)	102,490,840	0.83%	102,760,840	0.83%
Mr. Wei Zhe, David ^(Note 3)	—	0%	270,000	0.00%
Mr. Qi Zhiping ^(Note 3 & 4)	9,966,097	0.08%	11,346,097	0.09%
Mr. Xia Lifeng ^(Note 3)	348,000	0.00%	898,000	0.01%
Mr. Yu Wei ^(Note 3)	—	0.00%	290,000	0.00%
Mr. Cheung Ka Fai ^(Note 5)	—	0.00%	180,000	0.00%
Mr. Wu Ying ^(Note 5)	—	0.00%	180,000	0.00%
Mr. Zhu Zhengfu ^(Note 5)	—	0.00%	180,000	0.00%
Mr. Sun Wei ^(Note 6)	402,953	0.00%	1,602,953	0.01%
Mr. Bai Rui ^(Note 6)	—	0.00%	600,000	0.00%
Mr. Pan Fujie ^(Note 6)	—	0.00%	500,000	0.00%
Ms. Mo Yuping ^(Note 6)	—	0.00%	100,000	0.00%
Public Shareholders				
Non-connected Grantees	—	—	10,980,000	0.09%
Other public Shareholders	3,576,534,042	28.88%	3,576,534,042	28.84%
Total	12,382,825,800	100.00%	12,401,005,800	100.00%

Notes:

- Zall Development is a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Yan Zhi.
- Zall Holdings is a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Yan Zhi.

LETTER FROM THE BOARD

3. Each of Mr. Yan Zhi, Dr. Gang Yu, Mr. Wei Zhe, David, Mr. Qi Zhiping, Mr. Xia Lifeng and Mr. Yu Wei is an executive Director.
4. The numbers of Shares indicated herein are inclusive of Shares held by the spouse of such relevant Director.
5. Each of Mr. Cheung Ka Fai, Mr. Wu Ying and Mr. Zhu Zhengfu is an independent non-executive Director.
6. Each of Mr. Sun Wei, Mr. Bai Rui, Mr. Pan Fujie and Ms. Mo Yuping is a director of a subsidiary of the Company.
7. The percentage figures included in the shareholding structure have been subject to rounding adjustment.

LISTING RULES IMPLICATIONS

As the Connected Grantees are Directors and/or directors of subsidiaries of the Company, the Connected Grantees are connected persons of the Company. Hence, the grant of the Connected Awarded Shares to the Connected Grantees constitute connected transactions on the part of the Company under Chapter 14A of the Listing Rules and are subject to reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 13.39(6)(c) of the Listing Rules, in the event that all independent non-executive directors of an issuer have a material interest in the relevant transaction or arrangement, no independent board committee can be formed. As all the independent non-executive Directors are Connected Grantees, the Company is of the view that each of the independent non-executive Directors is regarded as having a material interest in the grant of the Connected Awarded Shares to the Connected Grantees. Accordingly, no independent board committee will be formed for the grant of the Connected Awarded Shares to the Connected Grantees. The Independent Financial Adviser has been appointed by the Company to advise the Independent Shareholders in this regard.

GENERAL

Sorrento Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Shareholders in this regard.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve by way of poll the grant of the Connected Awarded Shares to the Connected Grantees and the transactions contemplated thereunder, including the allotment and issue of Shares under the Specific Mandate. As at the Latest Practicable Date, each of Mr. Yan Zhi, Dr. Gang Yu, David, Mr. Qi Zhiping, Mr. Xia Lifeng and Mr. Sun Wei (including their respective associates) is interested in 8,693,083,868 Shares, 102,490,840 Shares, 9,966,097 Shares, 348,000 Shares and 402,953 Shares respectively. Save as disclosed above, none of the Connected Grantees and their respective associates have any interest in any Shares. As separate resolutions for the grant of the Connected Awarded Shares to each of the Connected Grantees will be considered at the EGM, each of the Connected Grantees and their respective associates (to the extent they have an existing interest in the Shares) is required to abstain from voting on the relevant resolution relating to the grant of the Connected Awarded Shares to each of them

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at the EGM. Each of the Directors who are the Connected Grantees has abstained from voting on the resolution relating to the grant of the Connected Awarded Shares to each of them at the Board meeting.

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.

EGM

A notice convening the EGM to be held at Suite 2101, 21/F, Two Exchange Square, Central, Hong Kong on Wednesday, 3 August 2022 at 10:30 a.m. is set out on pages EGM-1 to EGM-4 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.

The register of members of the Company will be closed from Friday, 29 July 2022 to Wednesday, 3 August 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 Thursday, 28 July 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.

RECOMMENDATION

The Directors (other than each of the Connected Grantees who are required to abstain from voting on the resolution relating to the grant of Connected Awarded Shares to each of them at the Board meeting) consider that (i) the grant of the Connected Awarded Shares to the Connected Grantees are on normal commercial terms and the terms of which are fair and reasonable; and (ii) the grant of the Connected Awarded Shares to the Connected Grantees are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to

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approve the grant of the Connected Awarded Shares to the Connected Grantees and the transactions contemplated thereunder, including the allotment and issue of Shares under the Specific Mandate.

FURTHER INFORMATION

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

Yours faithfully,
For and on behalf of the Board
Zall Smart Commerce Group Ltd.
Yan Zhi
Co-chairman

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from Sorrento Capital Limited to the Independent Shareholders prepared related to the grant of the Connected Awarded Shares to the Connected Grantees under the Share Award Scheme, which has been prepared for the purpose of inclusion in this circular.



15 July 2022

*The Independent Shareholders of
Zall Smart Commerce Group Ltd.*

Dear Sirs,

CONNECTED TRANSACTIONS INVOLVING ISSUE OF NEW SHARES TO CONNECTED PERSONS PURSUANT TO THE SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Shareholders in respect of the allotment and issue of Connected Awarded Shares to the Connected Grantees, the Specific Mandate and the transactions contemplated thereunder (the “**Transactions**”), 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 15 July 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 9 June 2022 (the “**Announcement Date**”), the Board and the Administration Committee have resolved to grant a total of 18,180,000 Awarded Shares to 93 Selected Employees pursuant to the Share Award Scheme, of which, (i) 10,980,000 Awarded Shares are granted to 80 Non-connected Grantees and shall be satisfied by the allotment and issue of new Shares to the Trustee pursuant to the General Mandate and in accordance with the terms of the Scheme Rules; and (ii) 7,200,000 Connected Awarded Shares are granted to 13 Connected Grantees and shall be satisfied by the allotment and issue of new Shares to the Trustee pursuant to the Specific Mandate and in accordance with the terms of the Scheme Rules.

As the Connected Grantees, being the Selected Employees who are Directors and/or directors of subsidiaries of the Company, are connected persons of the Company pursuant to Rule 14A.07 of the Listing Rules. Accordingly, the Transactions constitute connected transactions for 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

Pursuant to Rule 13.39(6)(c) of the Listing Rules, in the event that all independent non-executive directors of an issuer have a material interest in the relevant transaction or arrangement, no independent board committee can be formed. As all the independent non-executive Directors are Connected Grantees, the Company is of the view that each of the independent non-executive Directors is regarded as having a material interest in the grant of the Connected Awarded Shares to the Connected Grantees. Accordingly, no independent board committee will be formed for the grant of the Connected Awarded Shares to the Connected Grantees. We, Sorrento Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Shareholders as to (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Transactions at the EGM.

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 independent shareholders of the Company in relation to connected transactions of the Company, details of which are set out in the circulars of the Company dated 21 October 2021 and 18 March 2022. 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 advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Company; (iii) the opinions expressed by and the representations of the Directors and the management of the Company (the “**Management**”); and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all material respects at the time they were made and up to the Latest Practicable Date and may be relied upon. We have also assumed that all such statements of belief, opinions and intentions of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the Management, and/or the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the Management were true, accurate, complete and not misleading in all material respects at the time they were made and continued to be so up to the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Latest Practicable Date. In addition, the Company shall inform the Independent Shareholders of any material change of information in the Circular between the Latest Practicable Date and the date of the EGM.

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, representations made or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, its subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

I. Information of the Group

With reference to the Letter from the Board, 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 each of the two years ended 31 December 2021 as extracted from the 2021 Annual Report:

	For the year ended	
	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
Revenue	104,551,813	72,769,426
Segment results		
— sales of properties and related services	261,125	404,674
— supply chain management and trading business	103,607,840	71,443,714
— construction contracts	12,205	2,757
Loss for the year	(1,450,126)	(1,349,238)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparison between the year ended 31 December 2021 and 2020

The total revenue of the Group increased from approximately RMB72,769.4 million for the year ended 31 December 2020 to approximately RMB104,551.8 million for the year ended 31 December 2021, representing an increase of approximately 43.7%. According to the 2021 Annual Report, the increase in total revenue of the Group was primarily due to the offsetting effect of (i) the significant increase in revenue from supply chain management and trading business; (ii) the decrease in rental income; (iii) the decrease in revenue from sales of properties and related services.

The Group recorded a net loss of approximately RMB1,450.1 million for the year ended 31 December 2021 and recorded loss for the year of approximately RMB1,349.2 million for the year ended 31 December 2020, which was mainly due to the (i) increase in cost of sales; (ii) increase in selling and distribution expenses; and (iii) increase in impairment loss on goodwill for the year ended 31 December 2021.

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

	As at 31 December 2021	As at 31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
Total assets	59,275,001	62,127,930
Total liabilities	42,495,660	43,793,474
Net assets	16,779,341	18,334,456

The net assets of the Group decreased from approximately RMB18,334.5 million as at 31 December 2020 to approximately RMB16,779.3 million as at 31 December 2021. As stated in the 2021 Annual Report, the fair value of the investment properties as at 31 December 2021 decreased by RMB5,321.4 million as compared with the same as at 31 December 2020 and the liabilities associated with assets held for sale as at 31 December 2021 increased by approximately RMB2,404.8 million as compared with the same as at 31 December 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

II. Information on the Connected Grantees

The Connected Grantees included Mr. Yan Zhi, Dr. Gang Yu, Mr. Wei Zhe, David, Mr. Qi Zhiping, Mr. Xia Lifeng, Mr. Yu Wei, Mr. Cheung Ka Fai, Mr. Wu Ying, Mr. Zhu Zhengfu, Mr. Sun Wei, Mr. Bai Rui, Mr. Pan Fujie and Ms. Mo Yuping.

Set out below are the biographies of the Connected Grantees:

Mr. Yan Zhi, was appointed as an executive Director since the establishment of the Group and has been re-designated as co-chairman of the board since August 2015 and co-chief executive officer since July 2018. He is primarily responsible for the Group's overall business and investment strategies, as well as supervising its project planning, business and operation management. He is also a member of the nomination committee of the Company.

Dr. Gang Yu was appointed as an executive Director and co-chairman of the Board on 17 August 2015. Dr. Yu is currently a co-founder and executive chairman of the 111 Inc., a well-known pharmaceutical e-commerce platform listed on NASDAQ, and was a co-founder and chairman emeritus of Yihaodian, a leading e-commerce company in China.

Mr. Wei Zhe, David was appointed as an independent non-executive Director on 11 April 2016 and has been re-designated as executive Director and appointed as chief strategy officer of the Company since 28 June 2017.

Mr. Qi Zhiping, joined the Group at the acquisition of 50.6% equity interest in Shenzhen Sinoagri by the Group in June 2017 and was appointed as an executive Director in July 2018. He is responsible for the integrated management of the online platform of the Group and the collaboration of various platforms, and the overall strategic planning and management capacity enhancement of Shenzhen Sinoagri, the planning for investment and development strategy of the Group, designing commercial models, engaging in investment projects decision and management of the Group.

Mr. Xia Lifeng, appointed as an executive Director on 15 June 2021, is the vice president of the Group and the chief executive officer of a subsidiary of the Company. He joined the Group in September 2020 and is mainly responsible for the business model innovation, daily operation and management of the subsidiary and the technical sector management of the Group.

Mr. Yu Wei, appointed as an executive Director on 15 June 2021, is the vice president of the Group. He joined the Group in October 2015 and is primarily responsible for the operation and day-to-day management of the subsidiaries of the Group, and the Group's logistics and storage business.

Mr. Cheung Ka Fai was appointed as an independent non-executive Director on 20 June 2011. He is also the chairman of the audit committee and a member of the nomination committee and risk management committee. Mr. Cheung has provided independent opinions in the Board's decision making process, ensured proper functioning

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of the Company's audit committee, nomination committee and risk management committee, and monitored appropriate corporate governance and internal control of the Group.

Mr. Wu Ying was appointed as an independent non-executive Director on 29 February 2016. He is also the chairman of the nomination committee and a member of the audit committee and remuneration committee of the Company. Mr. Wu has provided independent opinions in the Board's decision making process, ensured proper functioning of the Company's audit committee, nomination committee and remuneration committee, and monitored appropriate corporate governance and internal control of the Group.

Mr. Zhu Zhengfu was appointed as an independent non-executive Director on 10 March 2017. He is also the chairman of the remuneration committee and risk management committee and a member of the audit committee of the Company. Mr. Zhu has provided independent opinions in the Board's decision making process, ensured proper functioning of the Company's audit committee, remuneration committee and risk management committee, and monitored appropriate corporate governance and internal control of the Group.

Mr. Sun Wei is a senior economist, the vice president of the Group and the director of Shenzhen Sinoagri, a subsidiary of the Group. Mr. Sun joined the Group in June 2017 upon the acquisition of 50.6% equity interest in Shenzhen Sinoagri by the Group and is primarily responsible for the coordination of Shenzhen Sinoagri's strategic positioning, overall operation and management, research and development of technology and investment projects.

Mr. Bai Rui is the director of HSH. He joined the Group in January 2020, and is mainly responsible for the overall operation and management of HSH and its subsidiaries, the establishment of risk control system and core team.

Mr. Pan Fujie is the director of Shanghai Zall Steel E-commerce Co., Ltd. ("**Zall Steel**"), a black bulk commodities industry online platform and a subsidiary of the Group. Mr. Pan joined the Group in March 2018 upon the establishment of Zall Steel in joint ventures by the Group and Xiben New Line and is primarily responsible for setting strategic objectives of the Company, business model innovation and daily operation management.

Ms. Mo Yuping is the director of HSH, a subsidiary of the Group. Ms. Mo joined the Group in 2016, and is mainly responsible for enhancing and optimizing the financial reporting system of HSH, as well as providing financial management services for HSH.

III. Reasons for the adoption of the Share Award Scheme

As set out in the Letter from the Board, the Share Award Scheme forms part of the incentive schemes of the Group. The grant of the Awarded Shares to the Selected Employees will enable the Company (i) to recognise the contributions made by the Selected Employees in driving the continuous business operation and development of the Group; (ii) to encourage, motivate and retain the Selected Employees; and (iii) to align the interest of the Selected Employees with the long-term performance of the Group and provide additional incentive for the Selected Employees to achieve performance goals.

As advised by the Management, the purposes of the Share Award Scheme are (i) to align the interests of the eligible persons with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares; and (ii) to encourage and retain the eligible persons to make contributions to the long-term growth and profits of the Group. Therefore, the Group has resolved to grant the Awarded Shares to Selected Employees under the Award, with a view to further motivate employees to maximise the Company's long-term interests and highlight the principle of performance-based awards so as to create more value for the Group in the future.

We also noted from the website of the Stock Exchange and considered that it is common for companies listed on the Stock Exchange to grant restricted shares or award shares to their directors, personnel and employees.

As set out in the Letter from the Board, the Company has granted the Awarded Shares to recognise the past contributions of the Grantees as well as to incentivise their continual supports to the Group and their efforts in promoting the Group's long-term growth and development. And the issue of the Awarded Shares will not have any cash outflow other than the minimal expenses relating to the issue of the Awarded Shares. As compared to other incentives (such as (a) cash bonuses which will involve cash outflow; or (b) share options, where the Grantees are required to pay the exercise price upon exercising the share options and the timing of exercise of the share options will depend on the Share prices), the Board considers that the grant of the Awarded Shares is a more effective means for providing immediate incentives and rewards to the Grantees, which will be beneficial for the development of the Group.

Having considered the following factors, including (i) the Transactions can encourage, motivate and retain the Connected Grantees to continue to make contributions to the Group; (ii) align the interests of the Connected Grantees to the Shareholders through ownership of Shares; (iii) no cash outflow is expected through the granting of the Awarded Shares to Connected Grantees other than the minimal expenses relating to the issue of the Awarded Shares; and (iv) granting restricted shares or award shares to directors, personnel and employees is a common practice for companies listed on the Stock Exchange, we are of the view that the Transactions are not conducted in the ordinary and usual course of business of the Group, the Transactions are in the interests of the Company and the Shareholders as a whole.

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IV. Principal terms of the Award

As set out in the Letter of the Board, the grant of the 18,180,000 Awarded Shares to the Selected Employees under the Award shall be subject to (a) the grant of the listing approval by the Stock Exchange in respect of the Awarded Shares; and (b) the approval by the Independent Shareholders and the Specific Mandate obtained at the EGM in respect of the issue and allotment of the Connected Awarded Shares.

Number of Connected Awarded Shares

The details of the number of Connected Awarded Shares to be granted to the Connected Grantees are as follows:

Name of Connected Grantee	Relationship with the Group	Number of Connected Awarded Shares	Approximate percentage of total number of Shares in issue as at the Announcement Date (%)
Mr. Yan Zhi	Co-chairman, co-chief executive officer and executive Director	1,500,000	0.0121
Dr. Gang Yu	Co-chairman and executive Director	270,000	0.0022
Mr. Wei Zhe, David	Executive Director	270,000	0.0022
Mr. Qi Zhiping	Co-chief executive officer and executive Director	1,380,000	0.0111
Mr. Xia Lifeng	Executive Director and vice president of the Group	550,000	0.0044
Mr. Yu Wei	Executive Director and vice president of the Group	290,000	0.0023
Mr. Cheung Ka Fai	Independent non-executive Director	180,000	0.0015
Mr. Wu Ying	Independent non-executive Director	180,000	0.0015
Mr. Zhu Zhengfu	Independent non-executive Director	180,000	0.0015
Mr. Sun Wei	Director of a subsidiary of the Company	1,200,000	0.0097
Mr. Bai Rui	Director of a subsidiary of the Company	600,000	0.0048
Mr. Pan Fujie	Director of a subsidiary of the Company	500,000	0.0040
Ms. Mo Yuping	Director of a subsidiary of the Company	100,000	0.0008
Total		<u>7,200,000</u>	

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The market value of the Connected Awarded Shares to the Connected Grantees was approximately HK\$3.4 million as at the Announcement Date and approximately HK\$3.6 million as at the Latest Practicable Date.

To assess the fairness and reasonableness of the number of Connected Awarded Shares to be granted to the Connected Grantees, we conducted the following analyses:

We discussed with the Directors in respect of the bases for determination of the number of Connected Awarded Shares. We noted that the Company has conducted annual review of the performance of the Directors and employees of the Group for FY2021. In determining the number of the Awarded Shares, the Company has mainly considered the (i) the seniority and the importance of the work position, taking into account the background of the Grantees; (ii) the contribution of the Grantees; (iii) the individual performance of the Grantees; and (iv) the Group's overall business performance, objectives and future development plan. The above bases were applied for the determination of the number of Awarded Shares to both Connected Grantees and Non-connected Grantees.

For our due diligence purpose, we obtained a calculation of the Connected Grantees' number of Awarded Shares and noted that such calculation was consistent with the aforesaid bases of determining the Awarded Shares to be granted to the Connected Grantees.

Comparison with other share awards granted to connected persons

For the purpose of comparing the Transactions with other connected transactions undertaken by companies listed on the Stock Exchange involving share awards/restricted share units granted to connected persons by issuance of new shares (issuance of A shares or H shares are excluded) with available information in respect of at least (i) number of share awards/restricted share units to be granted to such persons; (ii) information on vesting period, we identified connected transactions involving share awards/restricted share units granted to connected persons which were announced by companies listed on the Main Board of the Stock Exchange with market capitalisation of not more than HK\$6,000 million as at their respective announcement date (the "**Comparables**") during the period from 1 December 2021 up to the Announcement Date (being an approximate six-month period up to and including the Announcement Date). We consider (i) the six-month period reflects the recent market practice for share incentives and the number of Comparables is sufficient for us to form our view; and (ii) with market capitalisation of not more than HK\$6,000 million is a reasonable benchmark for size comparison as the hypothetical market capitalisation of the Company was approximately HK\$5,820 million as at the Announcement Date. To the best of our knowledge and as far as we are aware of, we found 6 Comparables which met the said criteria and they are exhaustive, fair and representative. Although the business nature and market capitalisation of the Comparables may be different from that of the Company, the analysis below, in our view, demonstrates the recent market practice in relation to

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

grants of awarded shares and/or restricted share units to connected person(s) and therefore an appropriate basis in assessing the fairness and reasonableness of the terms of the Transactions.

Date of announcement	Company name (Stock code)	Vesting period	Market capitalization as at the date of relevant announcement (HK\$ million) (Note 3)	Value of shares to be granted to individual connected person(s) (Note 1)	Percentage of the shares to be individual granted to connected person(s) to the total share capital of the listed company (Note 4)	Grant price
9 December 2021	Elife Holdings Limited (223)	Award shares will be vested on the date of grant to the 270th day after the date of grant.	166	Ranged from approximately HK\$0.15 million to HK\$1.45 million	Ranged from approximately 0.0902% to 0.8723%	Nil
28 December 2021	Suoxinda Holdings Limited (3680)	— Over a period of four years; or — On the last trading day before 30 June 2022.	2,546	Ranged from approximately HK\$38,000 to HK\$1.65 million	Ranged from approximately 0.0015% to 0.0647%	Nil
30 December 2021	Ourgame International Holdings Limited (6899)	Award shares granted shall be vested on the date of grant to 30 December 2023.	442	Ranged from approximately HK\$0.92 million to HK\$9.02 million	Ranged from approximately 0.2088% to 2.0412%	Nil
21 January 2022	Kingworld Medicines Group Limited (1110)	Awarded Shares shall be vested on the date of grant	430	Ranged from HK\$11,040 to HK\$41,400	Ranged from approximately 0.0026% to 0.0096%	Nil
30 March 2022	BAIOO Family Interactive Limited (2100)	Restricted shares units granted shall vest on 1 July 2023 to July 2026.	1,413	Ranged from approximately HK\$2.55 million to HK\$5.10 million	Ranged from approximately 0.1804% to 0.3609%	Nil
8 April 2022	Suoxinda Holdings Limited (3680)	Restricted shares granted shall vest on the first trading day after 31 March 2023 to the first trading day after 31 March 2026.	2,193	Approximately HK\$0.1 million	Approximately 0.0049%	Nil
Minimum			166	HK\$11,000	0.0015% (Note 5)	
Maximum			2,546	HK\$9.02 million	2.0412%	
9 June 2022	The Company	Awarded shares shall be vested on the date of grant.	5,820	Ranged from approximately HK\$47,000 to HK\$0.7 million (Note 2)	Ranged from approximately 0.0008% to 0.0121%	Nil

Sources: the Stock Exchange's website

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. The value of shares to be granted to each individual connected person(s) of the Comparables were calculated based on the closing price of shares of the Comparables as at the date of relevant announcement.
2. The value of the Awarded Shares to be granted to each individual Connected Grantees was calculated based on the closing price of Shares as at the Announcement Date.
3. Calculation based on the closing price of shares and number of ordinary shares of the listed company as at the date of relevant announcement.
4. The percentage of the shares to be granted to individual connected person(s) to the total share capital of the listed company was calculated based on the value of ordinary shares to be granted to each individual connected persons, the value of the ordinary shares and the number of ordinary shares of the list company as at the date of announcement.
5. The minimum percentage of the shares to be granted in any vesting period to individual connected person(s) to the total share capital of the listed company was calculated based on the value of ordinary shares to be granted to each individual connected persons, the value of the ordinary shares and the number of ordinary shares of the list company as at the date of announcement.

The value of the shares to be granted to connected person(s) under the Comparables ranged from approximately HK\$11,000 to approximately HK\$9.02 million. To assess the fairness and reasonableness of the value of the Connected Awarded Shares to be granted to each individual Connected Grantees, we further analysed the value of shares granted to each individual (i) executive directors; (ii) non-executive directors/independent non-executive directors; and (iii) directors of subsidiary(ies) of the Comparables. We noted that the value of shares granted to each individual:

- (i) chief executive officer and executive directors of the Comparables (the “**ED Comparables**”) ranged from approximately HK\$25,000 to HK\$9.02 million, with average of approximately HK\$2.63 million;
- (ii) non-executive directors/independent non-executive directors of the Comparables (the “**NED Comparables**”) ranged from approximately HK\$25,000 to HK\$0.92 million, with average of approximately HK\$0.47 million; and
- (iii) directors of subsidiary(ies) of the Comparables (the “**Subsidiary Director Comparables**”) ranged from approximately HK\$11,000 to HK\$1.45 million, with average of approximately HK\$0.24 million.

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The information of ED Comparables, NED Comparables and Subsidiary Director Comparables are summarized as follow:

ED Comparables	Value of the award shares to be granted
Range	from approximately HK\$25,000 to HK\$9.02 million
Average	approximately HK\$2.63 million
Mr. Yan Zhi	approximately HK\$0.71 million
Dr. Gang Yu	approximately HK\$0.13 million
Mr. Wei Zhe, David	approximately HK\$0.13 million
Mr. Qi Zhiping	approximately HK\$0.65 million
Mr. Xia Lifeng	approximately HK\$0.26 million
Mr. Yu Wei	approximately HK\$0.14 million
NED Comparables	
Range	from approximately HK\$25,000 to HK\$0.92 million
Average	approximately HK\$0.47 million
Mr. Cheung Ka Fai	approximately HK\$85,000
Mr. Wu Ying	approximately HK\$85,000
Mr. Zhu Zhengfu	approximately HK\$85,000
Subsidiary Director Comparables	
Range	from approximately HK\$11,000 to HK\$1.45 million
Average	approximately HK\$0.24 million
Mr. Sun Wei	approximately HK\$0.56 million
Mr. Bai Rui	approximately HK\$0.28 million
Mr. Pan Fujie	approximately HK\$0.24 million
Ms. Mo Yuping	approximately HK\$47,000

The value of Connected Awarded Shares to be granted to (i) Mr. Yan Zhi, Dr. Gang Yu, Mr. Wei Zhe, David, Mr. Qi Zhiping, Mr. Xia Lifeng and Mr. Yu Wei, the executive Directors, ranged from approximately HK\$0.13 million to HK\$0.71 million as at the Announcement Date, which is within the range and is lower than the average of the ED Comparables; (ii) Mr. Cheung Ka Fai, Mr. Wu Ying and Mr. Zhu Zhengfu, independent non-executive Directors, was HK\$85,000 each as at the Announcement Date, which is within the range and is lower than the average of the NED Comparables; and (iii) Mr. Sun Wei, Mr. Bai Rui, Mr. Pan Fujie and Ms. Mo Yuping ranged from approximately HK\$47,000 to HK\$0.56 million each as at the Announcement Date, which is within the range of the Subsidiary Director Comparables.

Having considered the above, including (i) the bases applied for the determination of the number of Awarded Shares to both Connected Grantees and Non-connected Grantees were the same; (ii) the grant of Awarded Shares will not involve additional cash outflow other than minimal expenses; (iii) the grant of

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Awarded Shares will align the interest of employees with the long-term development of the Group; (iv) the percentage ratio of number of Connected Awarded Shares to be granted to each individual Connected Grantee to the total issued Shares as at the Announcement Date were lower/within the range of the Comparables; and (v) the values of Connected Awarded Shares to be granted to each individual Connected Grantees are lower/within the respective range of the ED Comparables/NED Comparables/Subsidiary Director Comparables, we are of the view that the number of Connected Awarded Shares to be granted to the Connected Grantees is fair and reasonable.

Grant price

With reference to the Letter from the Board, no fund will be raised by the Company as a result of the issue and allotment of the Connected Awarded Shares. We also noted that it is common for listed companies in Hong Kong to grant award shares/restricted share units at nil consideration. Accordingly, the grant price is in line with market practice.

Having considered (i) the grant price at nil consideration is in line with market practice; and (ii) the Awarded Shares are to be granted pursuant to the Share Award Scheme, the purpose of which is to recognize the contributions by the Selected Employees (including the Connected Grantees) and to provide them with incentives in order to retain them for the continual operation and development of the Group, we consider the grant price to be acceptable.

Vesting period

As shown from the above table, the vesting period of the Comparable ranged from the date of grant to approximately 4 years commencing from the date of grant. We consider the vesting period of the Awarded Shares shall vest on the date of grant (upon all the performance targets have been fulfilled) which falls within the range of the Comparable and generally in line with the market practice and is reasonable.

Having reviewed and considered the above principal terms of the Transactions, we are of the view that the terms of the Transactions are on normal commercial terms and are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

V. Dilution effect on the shareholding interests of the existing Shareholders

Upon vesting of the Connected Awarded Shares, the number of Connected Awarded Shares to be issued to the Connected Grantees would be 7,200,000 Shares, representing approximately 0.0581% of the total issued Shares as at the Latest Practicable Date assuming all the Connected Awarded Shares to be granted to the Connected Grantee have been issued and no further Shares have been issued or repurchased by the Company. Accordingly, the dilution effect on the shareholding interests of the existing Shareholders will be immaterial.

VI. Financial effects of the Award

After granting of the Awarded Shares under the Award to the Selected Employees, the value of such Award would be allocated and charged as expenses of the Group for the relevant financial year during the vesting period. No fund will be raised as a result of the issue and allotment of the Awarded Shares.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are not conducted in the ordinary and usual course of business of the Group, the Transactions are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Sorrento Capital Limited

Aaron Wong
Managing Director

Stanley Chung
Managing Director

Note:

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

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the 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	8,619,250,868 (L) ⁽¹⁾	69.61%
	Beneficial owner	75,333,000 (L)	0.61%
Gang Yu	Beneficial owner	90,960,840 (L)	0.73%
	Interest of spouse	11,800,000 (L)	0.10%
Qi Zhiping	Beneficial owner	6,066,351 (L) ^{(2)(a)}	0.05%
	Interest of spouse	48,664,298 (L) ^{(2)(b)}	0.39%
Xia Lifeng	Beneficial owner	898,000 (L)	0.01%

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

Notes:

- (1) The 7,309,850,268 Shares and 1,309,400,600 Shares are held by Zall Development and Zall Holdings, respectively. Both companies are wholly-owned by Mr. Yan Zhi.

- (2) (a) These interests comprise 2,402,953 Shares, 1,380,000 Connected Awarded Shares and 2,283,398 underlying Shares in respect of Share Options granted by the Company pursuant to the 2011 Share Option Scheme, details of which are set out in the section headed “Share Option Scheme” in the 2021 Annual Report.
- (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 2011 Share Option Scheme, details of which are set out in the section headed “Share Option Scheme” in the 2021 Annual Report.

(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 adopted the 2011 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 2011 Share Option Scheme was valid and effective for a period of 10 years commencing on 20 June 2011 and expired on 20 June 2021.

The details of Share Options granted to the Director and his spouse under the 2011 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 ^(Note)
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 ^(Note)

Note:

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

On 28 May 2021, the Company passed an ordinary resolution to adopt 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.

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, none of the Directors or a proposed Director is a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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 2021 (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 2021 Annual Report, 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 2021 (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 confirmed that there had not been any material adverse change in the financial or trading position of the Group since 31 December 2021, 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 Wednesday, 3 August 2022, being the date of the EGM:

- (a) the letter from the Independent Financial Adviser as set out in this circular;

- (b) the written consent referred to in the section headed “6. Expert’s consent and qualification” in this appendix; and
- (c) the Share Award Scheme.

NOTICE OF EXTRAORDINARY GENERAL MEETING

ZALL卓尔智联

Zall Smart Commerce Group Ltd.

卓爾智聯集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2098)

NOTICE OF EXTRAORDINARY GENERAL MEETING

PRECAUTIONARY MEASURES AT THE EXTRAORDINARY GENERAL MEETING

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

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

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

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of Zall Smart Commerce Group Ltd. (the “Company”) will be held at Suite 2101, 21/F, Two Exchange Square, Central, Hong Kong on Wednesday, 3 August 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. Capitalised terms used in this notice of EGM shall have the same meaning as those defined in the circular of the Company dated 15 July 2022 (the “Circular”) unless content requires otherwise.

ORDINARY RESOLUTIONS

1. **“THAT** the grant of 1,500,000 Connected Awarded Shares to Mr. Yan Zhi be and is hereby approved, confirmed and ratified and any Director be and is hereby authorised to do all such acts and things as may be necessary, desirable or expedient in order to give effect to the allotment and issue of 1,500,000 Shares to Futu Trustee Limited to hold on trust for Mr. Yan Zhi.”
2. **“THAT** the grant of 270,000 Connected Awarded Shares to Dr. Gang Yu be and is hereby approved, confirmed and ratified and any Director be and is hereby authorised to do all such acts and things as may be necessary, desirable or expedient in order to give effect to the allotment and issue of 270,000 Shares to Futu Trustee Limited to hold on trust for Dr. Gang Yu.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

3. “**THAT** the grant of 270,000 Connected Awarded Shares to Mr. Wei Zhe, David be and is hereby approved, confirmed and ratified and any Director be and is hereby authorised to do all such acts and things as may be necessary, desirable or expedient in order to give effect to the allotment and issue of 270,000 Shares to Futu Trustee Limited to hold on trust for Mr. Wei Zhe, David.”
4. “**THAT** the grant of 1,380,000 Connected Awarded Shares to Mr. Qi Zhiping be and is hereby approved, confirmed and ratified and any Director be and is hereby authorised to do all such acts and things as may be necessary, desirable or expedient in order to give effect to the allotment and issue of 1,380,000 Shares to Futu Trustee Limited to hold on trust for Mr. Qi Zhiping.”
5. “**THAT** the grant of 550,000 Connected Awarded Shares to Mr. Xia Lifeng be and is hereby approved, confirmed and ratified and any Director be and is hereby authorised to do all such acts and things as may be necessary, desirable or expedient in order to give effect to the allotment and issue of 550,000 Shares to Futu Trustee Limited to hold on trust for Mr. Xia Lifeng.”
6. “**THAT** the grant of 290,000 Connected Awarded Shares to Mr. Yu Wei be and is hereby approved, confirmed and ratified and any Director be and is hereby authorised to do all such acts and things as may be necessary, desirable or expedient in order to give effect to the allotment and issue of 290,000 Shares to Futu Trustee Limited to hold on trust for Mr. Yu Wei.”
7. “**THAT** the grant of 180,000 Connected Awarded Shares to Mr. Cheung Ka Fai be and is hereby approved, confirmed and ratified and any Director be and is hereby authorised to do all such acts and things as may be necessary, desirable or expedient in order to give effect to the allotment and issue of 180,000 Shares to Futu Trustee Limited to hold on trust for Mr. Cheung Ka Fai.”
8. “**THAT** the grant of 180,000 Connected Awarded Shares to Mr. Wu Ying be and is hereby approved, confirmed and ratified and any Director be and is hereby authorised to do all such acts and things as may be necessary, desirable or expedient in order to give effect to the allotment and issue of 180,000 Shares to Futu Trustee Limited to hold on trust for Mr. Wu Ying.”
9. “**THAT** the grant of 180,000 Connected Awarded Shares to Mr. Zhu Zhengfu be and is hereby approved, confirmed and ratified and any Director be and is hereby authorised to do all such acts and things as may be necessary, desirable or expedient in order to give effect to the allotment and issue of 180,000 Shares to Futu Trustee Limited to hold on trust for Mr. Zhu Zhengfu.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

10. “**THAT** the grant of 1,200,000 Connected Awarded Shares to Mr. Sun Wei be and is hereby approved, confirmed and ratified and any Director be and is hereby authorised to do all such acts and things as may be necessary, desirable or expedient in order to give effect to the allotment and issue of 1,200,000 Shares to Futu Trustee Limited to hold on trust for Mr. Sun Wei.”
11. “**THAT** the grant of 600,000 Connected Awarded Shares to Mr. Bai Rui be and is hereby approved, confirmed and ratified and any Director be and is hereby authorised to do all such acts and things as may be necessary, desirable or expedient in order to give effect to the allotment and issue of 600,000 Shares to Futu Trustee Limited to hold on trust for Mr. Bai Rui.”
12. “**THAT** the grant of 500,000 Connected Awarded Shares to Mr. Pan Fujie be and is hereby approved, confirmed and ratified and any Director be and is hereby authorised to do all such acts and things as may be necessary, desirable or expedient in order to give effect to the allotment and issue of 500,000 Shares to Futu Trustee Limited to hold on trust for Mr. Pan Fujie.”
13. “**THAT** the grant of 100,000 Connected Awarded Shares to Ms. Mo Yuping be and is hereby approved, confirmed and ratified and any Director be and is hereby authorised to do all such acts and things as may be necessary, desirable or expedient in order to give effect to the allotment and issue of 100,000 Shares to Futu Trustee Limited to hold on trust for Ms. Mo Yuping.”

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

Hong Kong, 15 July 2022

Notes:

1. An eligible shareholder of the Company is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy does not need to be a shareholder of the Company.
2. In the case of joint registered holders of any share of the Company, any one of such persons may vote at the EGM (or any adjournment thereof), either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
3. In order to be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time scheduled for holding the EGM (or any adjournment thereof).

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the EGM (or any adjournment thereof) should he/she so wish, and in such event, the form of proxy shall be deemed to be revoked.
5. The register of members of the Company will be closed from Friday, 29 July 2022 to Wednesday, 3 August 2022 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 28 July 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 Novel Coronavirus (COVID-19) pandemic and to safeguard the health and safety of the shareholders of the Company, the Company encourages its shareholders to consider appointing the chairman of the EGM as his/her proxy to vote on the relevant resolutions at the EGM as an alternative to attending in person.**