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**ZALL卓尔智联**

**Zall Smart Commerce Group Ltd.**

**卓爾智聯集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2098)**

**DISCLOSEABLE TRANSACTION IN RELATION TO  
(1) DISPOSAL OF EQUITY INTEREST IN THE TARGET COMPANY  
AND  
(2) PROVISION OF GUARANTEES AND MORTGAGES**

**(1) THE DISPOSAL**

On 30 December 2022 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Purchaser, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the Equity Interest, representing the entire equity interest in the Target Company at a consideration of RMB1,001.0 million.

Upon Completion, the Group will no longer have any interest in the Disposal Group and the Disposal Group will cease to be subsidiaries of the Group. The financial results of the Disposal Group will no longer be consolidated into the financial statements of the Group.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under the Listing Rules.

**(2) PROVISION OF GUARANTEES AND MORTGAGES**

As at 30 December 2022, the Disposal Group had Outstanding Loans in the principal amount of approximately RMB331.4 million provided by banks which have been guaranteed by the Group and/or secured by certain properties of the Group. Since the Disposal Group will cease to be subsidiaries of the Group upon Completion, the provision of Guarantees and Mortgages will then constitute provision of financial assistance by the Group to an entity independent of the Company and its connected persons.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of such provision of financial assistance is more than 5% but less than 25%, the provision of Guarantees and Mortgages constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under the Listing Rules.

## (1) THE DISPOSAL

### **Introduction**

On 30 December 2022 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Purchaser, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the Equity Interest, representing the entire equity interest in the Target Company at a consideration of RMB1,001.0 million.

### **Major terms of the equity transfer agreement**

#### *Date*

30 December 2022 (after trading hours)

#### *Parties*

- (i) the Vendor; and
- (ii) the Purchaser

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owners is a third party independent of the Company and its connected persons.

#### *Subject matter*

The Vendor agreed to sell, and the Purchaser agreed to purchase, the Equity Interest (representing the entire equity interest in the Target Company).

#### *Consideration and payment terms*

The consideration of RMB1,001.0 million shall be settled in full by the Purchaser to the bank account designated by the Vendor within 30 days upon execution of the Equity Transfer Agreement.

### *Completion*

Completion shall take place upon all of the following procedures having been completed:

- (i) the Vendor and the Purchaser having signed and stamped their chops on the Equity Transfer Agreement;
- (ii) the Consideration having been fully settled by the Purchaser; and
- (iii) the Vendor and the Purchaser having completed the handover of the management of Target Company, including the common seal, constitutional documents, assets and financial related documents.

### *Liability for default*

Should any party be in breach of the Equity Transfer Agreement, the defaulting party shall pay the non-defaulting party a penalty of RMB50.0 million.

Should the Equity Transfer Agreement fail to become effective due to the default of any party to the agreement, the defaulting party shall be liable for the loss and damages incurred due to its default.

### **Basis of consideration**

The consideration for the Disposal was determined after arm's length negotiations between the Vendor and the Purchaser with reference to the audited consolidated net assets value attributable to equity shareholders of the Target Company as at 30 September 2022 of approximately RMB1,205.0 million, the capital interest of the Vendor in the Target Company of RMB1,001.0 million and the prevailing market conditions.

### **Reasons for and benefits of the disposal**

In recent years, the Covid-19 pandemic has brought great challenges to the Group's offline physical markets. The Group has been actively seeking opportunities to maintain its financial flexibility and reduce indebtedness, including the disposal of its non-core assets and businesses. As the Group expects that (i) the real estate industry in the PRC may continue to be challenging in light of the prevailing market conditions, and (ii) the consumer product-focused wholesale shopping malls in Tianjin is still under a developing stage which may require additional capital investment, the Board considers that the current offer of the Disposal presents a good opportunity for the Group to enhance liquidity and realise the existing value of interests in the Target Company. The Group can reallocate its financial and management resources to other businesses of the Group so as to improve the operational efficiency of the Group. Furthermore, the net proceeds from the Disposal will improve the liquidity and strengthen the overall financial position of the Group.

Having taken into account the above reasons, the Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement (including the consideration of the Disposal) are normal commercial terms and are fair and reasonable, and that the Disposal is in the interests of the Company and the Shareholders as a whole.

### **Financial effects of the disposal**

Upon Completion, the Group will no longer have any interest in the Disposal Group and the Disposal Group will cease to be subsidiaries of the Group. The financial results of the Disposal Group will no longer be consolidated into the financial statements of the Group.

With reference to the audited consolidated net assets value of the Target Company of approximately RMB1,205.0 million as at 30 September 2022, the Group is expected to record a net loss of approximately RMB204.7 million from the Disposal after deducting expenses in relation to the Disposal. The actual loss from the Disposal may be different from the above and subject to the review and final audit by the Company's auditor.

It is expected that the net proceeds from the Disposal will be used in the following manner: (i) approximately 95% for repayment of debts; and (ii) approximately 5% for general working capital.

### **Information of the parties**

#### *The Group and the Vendor*

The Company is a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the construction and operation of B2B e-commerce platforms for the trading of, among others, consumer goods, agricultural products, chemicals, plastic raw materials, and black and non-ferrous metals, and the provision of related services such as finance, logistics, cross-border trading, warehousing and supply chain management in the PRC. The Group is also engaged in the development and operation of large-scale, consumer product-focused wholesale shopping malls in the PRC.

The Vendor is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. The Vendor is principally engaged in investment holding and property development.

#### *The Purchaser*

The Purchaser is a company established in the PRC with limited liability. It is principally engaged in the operation and management of shopping malls in the PRC.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owners is a third party independent of the Company and its connected persons.

### *The Target Company*

The Target Company is a company established in the PRC with limited liability. It holds the entire equity interest in each of Tianjin Zall Management, Tianjin Zall City Property Services, Tianjin Zall E-Commerce and Tianjin Zall Logistics. Its principal business activity is property development and related services. As at the date of this announcement, the Target Company is an indirect wholly-owned subsidiary of the Company and a direct wholly-owned subsidiary of the Vendor.

Set out below is the unaudited consolidated financial information of the Target Company for the years ended 31 December 2020 and 2021, which is obtained from the Group's audited consolidated financial statements:

	<b>For the year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	23,435	2,245
Profit/(loss) before taxation	(86,973)	23,838
Profit/(loss) after taxation	(76,225)	12,731

The audited consolidated net asset value of the Target Company as at 30 September 2022 was approximately RMB1,205.0 million.

### **Listing rules implication**

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under the Listing Rules.

## **(2) PROVISION OF GUARANTEES AND MORTGAGES**

As at 30 December 2022, the Disposal Group had Outstanding Loans in the principal amount of approximately RMB331.4 million, which have been guaranteed by the Group and/or secured by certain properties of the Group. Since the Disposal Group will cease to be subsidiaries of the Group upon Completion, the provision of Guarantees and Mortgages will then constitute the provision of financial assistance by the Group to an entity independent of the Company and its connected persons.

The Group, the Purchaser and the respective Guaranteed Parties entered into the Indemnity Agreements on 30 December 2022, pursuant to which the Guaranteed Parties agreed to pay the Guarantee Fees to the Group of 2.0% per annum of the Outstanding Loans balances of the Guarantees and Mortgages until the repayment date of the respective Outstanding Loans. Pursuant to the Indemnity Agreements, the Purchaser also (i) provides to the Group a back-to-back guarantee regarding the Outstanding Loans; (ii) provides a guarantee for the due performance of the payment obligations of the Disposal Group regarding the Guarantee Fees; and (iii) fully indemnify the Group's obligations, including all fees paid and costs suffered by the Group, in relation to the Guarantees and Mortgages.

Major terms of the Guarantees and Mortgages provided by the Group in favour of the Disposal Group which remained outstanding as at 30 December 2022 are as follows:

**Guarantee agreement A:**

- Date of grant : 17 July 2015
- Parties : (i) Target Company (as the guaranteed party)
- (ii) The Vendor and Wuhan North Hankou Commercial Market Investment (as the guarantors)
- (iii) Tianjin Hexi branch of Industrial and Commercial Bank of China Limited\* (中國工商銀行股份有限公司天津河西支行) (as the lender)
- Scope of guarantee : The guarantors agreed to provide guarantee in the amount of approximately RMB165.0 million (being the outstanding loan amount as at the date of the Equity Transfer Agreement) in favour of the lender for the due performance of the repayment obligations of the Target Company regarding the loan provided by the lender, including but not limited to the principal amount, together with any interests, default interests, compensations, liquidated damages and any other expenses incurred by the lender for the realisation of its claims.
- Term of guarantee : Two years from the repayment due date of 12 June 2025.

**Guarantee agreement B:**

- Date of grant : 6 June 2014
- Parties : (i) Target Company (as the guaranteed party)
- (ii) Wuhan North Hankou Commercial Market Investment (as the guarantor)
- (iii) Tianjin Hexi branch of Industrial and Commercial Bank of China Limited\* (中國工商銀行股份有限公司天津河西支行) (as the lender)

Scope of guarantee : The guarantor agreed to provide guarantee in the amount of approximately RMB79.2 million (being the outstanding loan amount as at the date of the Equity Transfer Agreement) in favour of the lender for the due performance of the repayment obligations of the Target Company regarding the loan provided by the lender, including but not limited to the principal amount, together with any interests, default interests, compensations, liquidated damages and any other expenses incurred by the lender for the realisation of its claims.

Term of guarantee : Two years from the repayment due date of 12 September 2023.

**Guarantee agreement C:**

Date of grant : 26 September 2019

Parties : (i) Target Company (as the guaranteed party)  
(ii) The Vendor and Mr. Cui (as the guarantors)  
(iii) Tianjin Xiqing Bank of China Fullerton Rural Bank Co., Ltd.\* (天津西青中銀富登村鎮銀行股份有限公司) (as the lender)

Scope of guarantee : The guarantors agreed to provide guarantee in the amount of approximately RMB16.0 million (being the outstanding loan amount as at the date of the Equity Transfer Agreement) in favour of the lender for the due performance of the repayment obligations of the Target Company regarding the loan provided by the lender, including but not limited to the principal amount, together with any interests, default interests, compensations, liquidated damages and any other expenses incurred by the lender for the realisation of its claims.

Term of guarantee : Two years from the repayment due date of 26 September 2023.

**Guarantee agreement D:**

- Date of grant : 11 November 2019
- Parties : (i) Tianjin Zall Management (as the guaranteed party)
- (ii) The Vendor, the Target Company and Mr. Cui (as the guarantors)
- (iii) Tianjin Xiqing Bank of China Fullerton Rural Bank Co., Ltd.\* (天津西青中銀富登村鎮銀行股份有限公司) (as the lender)
- Scope of guarantee : The guarantors agreed to provide guarantee in the amount of approximately RMB14.7 million (being the outstanding loan amount as at the date of the Equity Transfer Agreement) in favour of the lender for the due performance of the repayment obligations of Tianjin Zall Management regarding the loan provided by the lender, including but not limited to the principal amount, together with any interests, default interests, compensations, liquidated damages and any other expenses incurred by the lender for the realisation of its claims.
- Term of guarantee : Two years from the repayment due date of 12 November 2023.

**Guarantee agreement E and Mortgage agreement E:**

- Date of grant : 7 February 2021
- Parties : (i) Tianjin Zall Management (as the guaranteed party)
- (ii) The Vendor and the Target Company (as the guarantors)
- (iii) Wuhan North Hankou Commercial Market Investment (as the mortgagor)
- (iv) Tianjin Beichen Rural Bank Co., Ltd.\* (天津市北辰村鎮銀行股份有限公司) (as the lender and mortgagee)



- Scope of guarantee/ mortgage : The guarantors agree to provide guarantee and the mortgagor agreed to pledge properties with gross site area of approximately 6,261.1m<sup>2</sup> in respect of the outstanding loan amount as at the date of the Equity Transfer Agreement of approximately RMB28.5 million in favour of the lender for the due performance of the repayment obligations of Tianjin Zall Management regarding the loan provided by the lender, including but not limited to the principal amount, together with any interests, default interests, compensations, liquidated damages and any other expenses incurred by the lender for the realisation of its claims.
- Term of guarantee : Three years from the repayment due date of 6 February 2024.
- Term of mortgage : Upon full repayment of outstanding loan balance.

**Guarantee agreement F and Mortgage agreement F:**

- Date of grant : 22 March 2021
- Parties : (i) Tianjin Zall Management (as the guaranteed party)
- (ii) The Vendor and the Target Company (as the guarantors)
- (iii) Wuhan North Hankou Commercial Market Investment (as the mortgagor)
- (iv) Tianjin Xiqing branch of Bank of Ningxia Co., Ltd.\* (寧夏銀行股份有限公司天津西青支行) (as the lender and mortgagee)
- Scope of guarantee/ mortgage : The guarantors agree to provide guarantee and the mortgagor agreed to pledge properties with gross site area of approximately 7,163.5m<sup>2</sup> in respect of the outstanding loan amount as at the date of the Equity Transfer Agreement of approximately RMB28.0 million in favour of the lender for the due performance of the repayment obligations of Tianjin Zall Management regarding the loan provided by the lender, including but not limited to the principal amount, together with any interests, default interests, compensations, liquidated damages and any other expenses incurred by the lender for the realisation of its claims.

- Term of guarantee : Three years from the repayment due date of 22 March 2023.
- Term of mortgage : Upon full repayment of outstanding loan balance.

### **Reasons for and benefits of the provision of the Guarantees and Mortgages**

The terms of the Guarantees and Mortgages were previously negotiated with the respective banks when the Disposal Group was held by the Group. The continuous provision of the Guarantees and Mortgages was one of the factors considered by the Purchaser regarding the enter into the Equity Transfer Agreement with the Group. Considering (i) the benefits of the Disposal as stated in the section of Reasons for and benefits of the disposal; and (ii) the Purchaser and the Guaranteed Parties entered into the Indemnity Agreements with the Group, the Group agreed to continuously provide the Guarantees and Mortgages upon Completion. Pursuant to the Indemnity Agreements, in exchange for the provision of the Guarantees and Mortgages by the Group, the Guaranteed Parties will pay the Guarantee Fees to the Group at 2.0% per annum of the outstanding loan balances of the Guarantees and Mortgages as at the date of the Equity Transfer Agreement until the repayment date of the respective Outstanding Loans. Taking into account that income is expected to be generated from the Guarantee Fees as a result of providing the Guarantees and Mortgages, the Disposal Group bear the loan liabilities and the Purchaser provides a back-to-back guarantee and shall indemnify any costs incurred by the Group regarding the Guarantees and Mortgages in case of default of the Guaranteed Parties, the Directors (including the independent non-executive Directors) consider that the terms of the continuous provision of the Guarantees and Mortgages are on normal commercial terms and are fair and reasonable, and the continuous provision of the Guarantees and Mortgages are in the interests of the Company and the Shareholders as a whole.

### **Information of the parties**

#### *The guaranteed parties*

The Target Company is a company established in the PRC with limited liability. Its principal business activity is property development and related services.

Tianjin Zall Management is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Target Company. It is principally engaged in investment holding and property development.

#### *The guarantors and mortgagors*

The Vendor is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. The Vendor is principally engaged in investment holding and property development.

Wuhan North Hankou Commercial Market Investment is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding and property development.

The Target Company is a company established in the PRC with limited liability. Its principal business activity is property development and related services.

Mr. Cui is a former director of the Vendor who has resigned in September 2020. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, Mr. Cui is a third party independent of the Company and its connected person.

#### *The lenders and mortgagees*

Tianjin Hexi branch of Industrial and Commercial Bank of China Limited\* (中國工商銀行股份有限公司天津河西支行) is a licensed commercial bank in the PRC and provides a variety of financial services to corporate and personal banking customers.

Tianjin Xiqing Bank of China Fullerton Rural Bank Co., Ltd.\* (天津西青中銀富登村鎮銀行股份有限公司) is a licensed commercial bank in the PRC and provides a variety of financial services to corporate and personal banking customers.

Tianjin Beichen Rural Bank Co., Ltd.\* (天津市北辰村鎮銀行股份有限公司) is a licensed commercial bank in the PRC and provides a variety of financial services to corporate and personal banking customers.

Tianjin Xiqing branch of Bank of Ningxia Co., Ltd.\* (寧夏銀行股份有限公司天津西青支行) is a licensed commercial bank in the PRC and provides a variety of financial services to corporate and personal banking customers.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, each of the lenders and its ultimate beneficial owners is a third party independent of the Company and its connected persons.

#### **Listing rules implication**

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the provision of financial assistance is more than 5% but less than 25%, the provision of Guarantees and Mortgages constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under the Listing Rules.

## DEFINITIONS

“Board”	The board of Directors
“Company”	Zall Smart Commerce Group Ltd. (卓爾智聯集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2098)
“Completion”	completion of the sale and purchase of the Equity Interest in accordance with the Equity Transfer Agreement
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration of RMB1,001.0 million for the Disposal
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Equity Interest
“Disposal Group”	the Target Company and its subsidiaries
“Equity Interest”	the entire equity interest in the Target Company held by the Vendor as at the date of this announcement
“Equity Transfer Agreement”	the equity transfer agreement dated 30 December 2022 entered into between the Vendor and the Purchaser in relation to the Disposal
“Group”	the Company and its subsidiaries
“Guarantee(s)”	the provision of guarantee(s) by the Group in relation to the Outstanding Loan(s)
“Guarantee Fee(s)”	the guarantee fees provided by the Guaranteed Party(ies) regarding the provision of Guarantees and Mortgages by the Group
“Guaranteed Party(ies)”	the Target Company and Tianjin Zall Management, being the guaranteed party(ies) of the Guarantee(s)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Indemnity Agreement(s)”	the indemnity agreement(s) dated 30 December 2022 entered into among the Group, the Purchaser and the respective guaranteed parties in relation to the continuous provision of the Guarantee(s) and Mortgage(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Cui”	Mr. Cui Jinfeng (崔錦鋒先生), a former director of the Vendor who has resigned in September 2020. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, Mr. Cui is a third party independent of the Company and its connected person
“Mortgage(s)”	the provision of mortgage(s) by the Group as security for the Outstanding Loan(s)
“Outstanding Loan(s)”	the outstanding bank loan(s) provided to the Disposal Group by various banks in the principal amount of approximately RMB331.4 million as at the date of the Equity Transfer Agreement
“percentage ratio(s)”	has the same meaning and definition in the Listing Rules
“PRC”	the People’s Republic of China, which for the sole purpose of this announcement, shall exclude the Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	Wuhan Huashang Shidai Group Co., Ltd.* (武漢華商時代集團有限公司), a company established under the laws of the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Zall Development (Tianjin) Co., Ltd.* (卓爾發展(天津)有限公司), a company established in the PRC with limited liability
“Tianjin Zall City Property Services”	Tianjin Zall City Property Services Co., Ltd.* (天津卓爾城物業服務有限公司), a company established in the PRC with limited liability, a wholly-owned subsidiary of the Target Company
“Tianjin Zall E-Commerce”	Tianjin Zall E-Commerce Co., Ltd.* (天津卓爾電子商務有限公司), a company established in the PRC with limited liability, a wholly-owned subsidiary of the Target Company
“Tianjin Zall Logistics”	Tianjin Zall Logistics Co., Ltd.* (天津卓爾物流有限公司), a company established in the PRC with limited liability, a wholly-owned subsidiary of the Target Company

“Tianjin Zall Management”	Tianjin Zall E-commerce Mall Management Co., Ltd.* (天津卓爾電商城管理有限公司), a company established in the PRC with limited liability, a wholly-owned subsidiary of the Target Company
“Wuhan North Hankou Commercial Market Investment”	Wuhan North Hankou Commercial Market Investment Co., Ltd.* (武漢漢口北商貿市場投資有限公司), a company established in the PRC with limited liability, a wholly-owned subsidiary of the Group
“Vendor”	Zall Smart Commerce Group Co., Ltd* (卓爾智聯集團有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

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

Hong Kong, 30 December 2022

*As at the date of this announcement, the Board comprises nine members, of which Mr. Yan Zhi, Dr. Gang Yu, Mr. Wei Zhe, David, Mr. Qi Zhiping, Mr. Yu Wei and Mr. Xia Lifeng are executive Directors; Mr. Cheung Ka Fai, Mr. Wu Ying and Mr. Zhu Zhengfu are independent non-executive Directors.*

\* *For identification purposes only*