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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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This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

ZALL 卓尔智联

Zall Smart Commerce Group Ltd.

卓爾智聯集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2098)

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

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

SUNWAH KINGSWAY

新華滙富

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

A letter from the Board is set out on pages 4 to 13 of this circular. A letter from the Independent Board Committee is set out on page 14 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 27 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.zallcn.com. A notice convening the EGM to be held at Conference Room, Zall International Center, 588 Jianshe Avenue, Wuhan, Hubei, the PRC on Wednesday, 12 March 2025 at 10:30 a.m. or any adjournment thereof is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company’s Hong Kong branch share registrar and transfer office, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, 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 adjournment thereof should you so wish and in such event the relevant form of proxy shall be deemed to be revoked.

19 February 2025

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 27 January 2025 in relation to the Subscription
“Board”	the board of Directors of the Company
“Business Day(s)”	a day (except Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above or a black rainstorm warning is hoisted at any time between 9 a.m. and 5 p.m.) on which licensed banks in Hong Kong are open for business
“Company”	Zall Smart Commerce Group Ltd. (卓爾智聯集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 2098)
“Completion Date”	date of completion of the Subscription pursuant to the terms and conditions of the Subscription Agreement
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting to be held by the Company for the purpose of considering and, if thought fit, approving the Subscription Agreement, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder, including the grant of the Specific Mandate
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent Board committee comprising all the independent non-executive Directors who have no direct or indirect interest in the Subscription, namely Mr. Cheung Ka Fai, Mr. Wu Ying and Mr. Zhu Zhengfu

DEFINITIONS

“Independent Financial Adviser”	Kingsway Capital Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO), being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder, including the grant of the Specific Mandate
“Independent Shareholders”	for the purpose of the Subscription, Shareholders other than (i) Mr. Yan Zhi, (ii) Zall Holdings; (iii) Zall Development; and (iv) any other Shareholders who have a material interest in the Subscription and/or otherwise required under the Listing Rules to abstain from voting on the resolution(s) to be proposed at the EGM
“Latest Practicable Date”	17 February 2025, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2025 or such other date as the Company and Zall Holdings may agree in writing
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	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 Option(s)”	the share option(s) to subscribe for Share(s) under the share option scheme adopted by the Company on 20 June 2011
“Shareholder(s)”	the holder(s) of the Share(s)
“Specific Mandate”	the specific mandate for the allotment and issue of the Subscription Shares, which is subject to approval by the Independent Shareholders’ voting by way of poll at the EGM

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	subscription of the Subscription Shares by Zall Holdings pursuant to the Subscription Agreement
“Subscription Agreement”	a subscription agreement entered into between the Company and Zall Holdings on 27 January 2025 in respect of the Subscription
“Subscription Price”	HK\$0.26 per Subscription Share
“Subscription Share(s)”	1,200,000,000 new Shares to be allotted and issued to Zall Holdings pursuant to the Subscription Agreement
“Zall Development”	Zall Development Investment Company Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Yan Zhi
“Zall Holdings”	Zall Holdings Company Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Yan Zhi
“%”	per cent.

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

ZALL 卓尔智联

Zall Smart Commerce Group Ltd.

卓爾智聯集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2098)

Executive Directors:

Mr. Yan Zhi (Chairman and Co-chief executive officer)

Dr. Gang Yu

Mr. Qi Zhiping (Co-chief executive officer)

Mr. Yu Wei

Ms. Fan Xiaolan

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

19 February 2025

To the Shareholders

Dear Sir or Madam,

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

1. INTRODUCTION

Reference is made to the Announcement dated 27 January 2025 in relation to the Subscription.

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

LETTER FROM THE BOARD

2. THE SUBSCRIPTION

On 27 January 2025 (after trading hours), the Company and Zall Holdings entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and Zall Holdings has conditionally agreed to subscribe for, 1,200,000,000 Subscription Shares in cash under the Specific Mandate at the Subscription Price of HK\$0.26 per Subscription Share for an aggregate consideration of HK\$312,000,000.

The Subscription Agreement

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

The Subscription Shares

The Subscription Shares represent:

- (i) approximately 9.68% of the total issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 8.82% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares subject to completion of the Subscription and assuming there will be no other changes in the total number of issued Shares between the Latest Practicable Date and the Completion Date.

The nominal value of the Subscription Shares is approximately HK\$4,000,000.

Subscription Price

The Subscription Price of HK\$0.26 per Subscription Share represents:

- (i) a discount of approximately 10.34% to the closing price of HK\$0.290 per Share as quoted on the Stock Exchange as at 24 January 2025, being the last trading date immediately preceding the date of the Subscription Agreement;
- (ii) a discount of approximately 9.72% to the average closing price of HK\$0.288 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Subscription Agreement;
- (iii) a discount of approximately 16.93% to the average closing price of HK\$0.313 per Share as quoted on the Stock Exchange for the last three months immediately preceding the date of the Subscription Agreement;
- (iv) a discount of approximately 77.39% to the unaudited consolidated net asset value per Share of approximately HK\$1.15 as at 30 June 2024; and

LETTER FROM THE BOARD

- (v) a discount of approximately 21.21% to the closing price of HK\$0.330 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (vi) a theoretical dilution effect represented by a discount of approximately 1.03%, calculated based on the theoretical diluted price of approximately HK\$0.287 per Share to the theoretical benchmarked price of HK\$0.290 per Share (taking into account the higher of (a) the closing price of the Shares as quoted on the Stock Exchange on the date of the agreement involving the issue; and (b) the average of the closing prices of the Shares as quoted on the Stock Exchange for the previous five consecutive trading days prior to the date of the Announcement).

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

Notwithstanding that the Subscription Price represents a discount to the unaudited consolidated net asset value per Share as at 30 June 2024, having considered:

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

the Directors (excluding (i) the independent non-executive Directors whose view will be provided after taking into account the advice of the Independent Financial Adviser; and (ii) Mr. Yan Zhi who is required to abstain from voting) consider that the Subscription Price is fair and reasonable to the Company.

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

LETTER FROM THE BOARD

Conditions precedent to the Subscription

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

- (i) the Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Subscription Shares, and such approval not having been revoked before completion of the Subscription;
- (ii) the Independent Shareholders having passed all necessary resolutions in the EGM to approve the Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the Subscription Shares and the grant of the Specific Mandate;
- (iii) all necessary consents, approvals, authorisations and/or waivers required to be obtained on the part of the Company to effect the execution, completion and performance of the obligations and other terms of the Subscription Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect;
- (iv) there being no notice, order, judgment, litigation or procedures being, delivered, published, initiated or commenced for the purpose of or otherwise resulting in (a) restricting, or prohibiting the transactions contemplated under the Subscription Agreement, or rendering the same illegal; or (b) having a material adverse effect on Zall Holdings exercising its rights under the Subscription Agreement;
- (v) the warranties given by the Company under the Subscription Agreement being true and accurate in all material respects, and not misleading in any material respects; and
- (vi) there being no material adverse change occurred or likely to occur on the part of the Company before the Completion Date.

Conditions under paragraphs (i) to (iii) cannot be waived by any party to the Subscription Agreement. Zall Holdings may in its absolute discretion at any time waive any of the conditions under paragraphs (iv) to (vi). As at the Latest Practicable Date, none of the conditions above had been fulfilled.

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

LETTER FROM THE BOARD

Completion of the Subscription

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

Ranking of the Subscription Shares

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

Application for listing

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

Fund raising activities of the Company in the past twelve months

The Company did not conduct any equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

Effects on shareholding structure of the Company

As at the Latest Practicable Date, the Company had issued 12,399,505,800 Shares and granted 15,547,407 Share Options. Save for the aforesaid, the Company does not have other classes of securities, derivatives, warrants or other securities which are convertible or exchangeable into Shares.

LETTER FROM THE BOARD

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

	As at the		Immediately after	
	Latest Practicable Date		completion of the Subscription	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Controlling shareholders				
Mr. Yan Zhi	73,833,000	0.60%	73,833,000	0.54%
Zall Holdings	1,309,400,600	10.56%	2,509,400,600	18.45%
Zall Development	7,323,906,268	59.07%	7,323,906,268	53.85%
Directors				
Dr. Gang Yu <i>(Note)</i>	102,760,840	0.83%	102,760,840	0.76%
Mr. Qi Zhiping <i>(Note)</i>	6,296,439	0.05%	6,296,439	0.05%
Mr. Yu Wei	290,000	0.00%	290,000	0.00%
Ms. Fan Xiaolan	270,000	0.00%	270,000	0.00%
Mr. Cheung Ka Fai	180,000	0.00%	180,000	0.00%
Mr. Wu Ying	180,000	0.00%	180,000	0.00%
Mr. Zhu Zhengfu	180,000	0.00%	180,000	0.00%
Public Shareholders	<u>3,582,208,653</u>	<u>28.89%</u>	<u>3,582,208,653</u>	<u>26.34%</u>
Total	<u><u>12,399,505,800</u></u>	<u><u>100.00%</u></u>	<u><u>13,599,505,800</u></u>	<u><u>100.00%</u></u>

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

Information of the Company and Zall Holdings

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

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

LETTER FROM THE BOARD

Reasons for and benefits of the Subscription

The Group has recorded net current liabilities of approximately RMB2,405 million, RMB3,668 million, RMB447 million, RMB1,442 million, and RMB2,830 million for each of the five years ended 31 December 2023. Due to the credit tightening measures imposed against real estate-related businesses, there may be uncertainties and increasing difficulties in obtaining external financing through bank borrowings to fund the Group's projects and operation. Besides, such fund raising method may not be achievable on favourable terms or on a timely basis, as it would inevitably require longer negotiation and processing time with the relevant banks. Pledges of assets and/or other kinds of securities acceptable to banks may be required. There would also be additional interest burden on the Group and an increase in gearing ratio of the Group. In light of the recent market volatility, it is likely that banks would impose more stringent conditions or offer less favourable terms on loans which may ultimately affect the Group's flexibility in its operations.

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

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

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

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

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

LETTER FROM THE BOARD

Use of proceeds

The gross proceeds of the Subscription is expected to be HK\$312,000,000. After deducting related fees and expenses, the net proceeds of the Subscription will amount to approximately HK\$311,700,000. The Company intends to utilise all of the aforesaid net proceeds from the Subscription for repayment of borrowings from an independent third party which amounted to approximately RMB317.3 million and shall be repayable on or before 30 August 2025.

Implication under the Listing Rules

As at the Latest Practicable Date, Zall Holdings was interested in approximately 10.56% of the total issued share capital of the Company. Zall Holdings is wholly owned by Mr. Yan Zhi who in turn holds (i) approximately 0.60% of the total issued share capital of the Company directly; and (ii) 100% shareholding interest in Zall Development which is interested in approximately 59.07% of the total issued share capital of the Company. Mr. Yan Zhi, Zall Holdings and Zall Development are the controlling shareholders of the Company under the Listing Rules. Accordingly, the Subscription Agreement constitutes a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Specific Mandate

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

General

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

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

In accordance with the Listing Rules, any Shareholder who has a material interest in the Subscription Agreement shall abstain from voting on the resolution(s) to approve the Subscription Agreement, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder at the EGM. As at the Latest Practicable Date, Mr. Yan Zhi, Zall Holdings, and Zall Development together are interested in 8,707,139,868 Shares, representing approximately 70.22% of the total issued share capital of the Company, and therefore will be required to abstain from voting on the relevant resolution(s) at the EGM. Save as disclosed above, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, no other Shareholder has a material interest in the Subscription Agreement and will be required to abstain from voting on the relevant resolution(s) at the EGM.

LETTER FROM THE BOARD

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

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

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

3. EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held at Conference Room, Zall International Center, 588 Jianshe Avenue, Wuhan, Hubei, the PRC on Wednesday, 12 March 2025 at 10:30 a.m. at which ordinary resolution(s) will be proposed for the approval by the Independent Shareholders of the Subscription Agreement, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder including the grant of the Specific Mandate, is set out on pages EGM-1 to EGM-2 of this circular.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement on the results of the poll will be made by the Company after the EGM in the manner prescribed under Rules 13.39(5) and 13.39(5A) of the Listing Rules.

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 7 March 2025 to Wednesday, 12 March 2025 (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 duly completed transfer forms and the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Thursday, 6 March 2025.

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 and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, 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 and in such event the relevant form of proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

4. RECOMMENDATION ON THE SUBSCRIPTION

Having considered the basis for determining the Subscription Price, and the reasons for and benefits of the Subscription as set out above, the Directors (excluding (i) the independent non-executive Directors whose view is set out in the letter from the Independent Board Committee (set out on page 14 of this circular) after taking into account the advice of the Independent Financial Adviser; and (ii) Mr. Yan Zhi who is required to abstain from voting) are of the view that the terms of the Subscription Agreement, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better, and in the interests of the Company and the Shareholders as a whole.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that, whilst the Subscription is not conducted in the ordinary and usual course of business of the Group, the terms of the Subscription Agreement, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms or better, and in the interests of the Company and the Shareholders as a whole, and accordingly recommends the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Subscription.

5. ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board
Zall Smart Commerce Group Ltd.
Yan Zhi
Chairman

ZALL 卓尔智联

Zall Smart Commerce Group Ltd.

卓爾智聯集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2098)

19 February 2025

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular dated 19 February 2025 (the “**Circular**”) issued by the Company to the Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Subscription Agreement, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder (including the grant of the Specific Mandate) are fair and reasonable, on normal commercial terms or better, and in the interest of the Company and the Shareholders as a whole.

We wish to draw your attention to (i) the letter from the Board set out on pages 4 to 13 of the Circular; (ii) the letter from the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription set out on pages 15 to 27 of the Circular; and (iii) the additional information as set out in the appendix to the Circular.

Having considered the terms and conditions of the Subscription and the factors and reasons considered by and the opinion of the Independent Financial Adviser stated in its letter of advice contained in the Circular, we are of the view that, whilst the Subscription is not conducted in the ordinary and usual course of business of the Group, the terms of the Subscription Agreement, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder (including the grant of the Specific Mandate) are fair and reasonable as far as the Independent Shareholders are concerned, on normal commercial terms or better, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Subscription.

Yours faithfully,

For and on behalf of the

Independent Board Committee

Mr. Cheung Ka Fai Mr. Wu Ying Mr. Zhu Zhengfu

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



19 February 2025

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

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription, details of which are set out in the Letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 19 February 2025 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 27 January 2025 (after trading hours), the Company and Zall Holdings entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and Zall Holdings has conditionally agreed to subscribe for, 1,200,000,000 Subscription Shares in cash under the Specific Mandate at the Subscription Price of HK\$0.26 per Subscription Share for an aggregate consideration of HK\$312 million.

As at the Latest Practicable Date, Zall Holdings was interested in approximately 10.56% of the total issued share capital of the Company. Zall Holdings is wholly owned by Mr. Yan Zhi who in turn holds (i) approximately 0.60% of the total issued share capital of the Company directly; and (ii) 100% shareholding interest in Zall Development which is interested in approximately 59.07% of the total issued share capital of the Company. Mr. Yan Zhi, Zall Holdings and Zall Development are the controlling shareholders of the Company under the Listing Rules. Accordingly, the Subscription Agreement constitutes a connected transaction 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

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

We are independent from and not connected with the Group, its substantial shareholders, directors or chief executive, or any of their respective associates pursuant to Rule 13.84 of the Listing Rules. As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. During the last two years, we have not been engaged as any financial adviser to the Company. Accordingly we are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Subscription.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered, among other things, (i) the Circular; (ii) the Subscription Agreement; (iii) the annual report of the Company for the year ended 31 December 2023 (the “**2023 Annual Report**”); (iv) the interim report of the Company for the six months ended 30 June 2024 (the “**2024 Interim Report**”); and (v) relevant market data and information available from public sources and the website of the Stock Exchange. We have also relied on all relevant information and representations supplied, and the opinions expressed, by the Directors and the management of the Company. We have assumed that all such information and representations contained or referred to in the Circular are true and accurate in all material respects as at the date thereof. The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have also confirmed that, having made all reasonable enquiries and to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no material facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company, and they have confirmed that no material information have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

I. Information of the Company

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

The table below sets forth a summary of the financial highlights of the Group for each of the two years ended 31 December 2023 and for the six months ended 30 June 2023 and 2024 as extracted from the 2023 Annual Report and the 2024 Interim Report:

	For the year ended		For the six months ended	
	31 December		30 June	
	2022	2023	2023	2024
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	110,906,215	125,290,479	54,931,545	68,276,396
Segment results				
– sales of properties and related services	106,751	157,657	64,112	54,321
– supply chain management and trading business	110,409,906	124,691,353	54,678,564	68,047,691
– rentals from investment properties	240,936	283,506	115,408	122,416
– financing income	87,236	59,262	34,924	31,029
– others	61,386	98,701	38,537	20,939
Profit/(loss) for the year/period	(2,981,191)	65,676	37,152	40,760

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparison between the six months ended 30 June 2024 and 2023

The Group recorded a total revenue of approximately RMB68,276.4 million for the six months ended 30 June 2024, representing an increase of approximately RMB13,344.9 million or approximately 24.3% as compared to the revenue of approximately RMB54,931.5 million for the six months ended 30 June 2023 which was primarily due to the increase in revenue from supply chain management and trading business.

The Group recorded a net profit of approximately RMB40.8 million for the six months ended 30 June 2024, representing an increase of approximately 9.7% as compared to the net profit of approximately RMB37.2 million for the six months ended 30 June 2023.

Comparison between the year ended 31 December 2023 and 2022

The total revenue of the Group increased from approximately RMB110,906.2 million for the year ended 31 December 2022 to approximately RMB125,290.5 million for the year ended 31 December 2023, representing an increase of approximately 13.0%. According to the 2023 Annual Report, the increase was primarily due to the increase in revenue from supply chain management and trading business.

The Group recorded a net loss of approximately RMB2,981.2 million for the year ended 31 December 2022 and recorded net profit of approximately RMB65.7 million for the year ended 31 December 2023.

Set out below is a summary of the consolidated financial position of the Group, as extracted and summarised from the 2023 Annual Report and 2024 Interim Report:

	As at 31 December 2022	As at 31 December 2023	As at 30 June 2024
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
Total assets	60,359,070	63,778,674	63,899,098
Total liabilities	46,210,964	49,571,989	49,654,447
Net assets	14,148,106	14,206,685	14,244,651

The net assets of the Group slightly increased from approximately RMB14,148.1 million as at 31 December 2022 to approximately RMB14,206.7 million as at 31 December 2023 and further increased to approximately RMB14,244.7 million as at 30 June 2024.

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II. Information of Zall Holdings

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

III. Reasons for and benefits of the Subscription

According to the Letter from the Board, the Company considers that the Subscription will (i) strengthen the collaboration between the Company and the controlling shareholders; (ii) demonstrate the commitment of the controlling shareholders to the Company and the confidence of the controlling shareholders towards the prospects of the Group; and (iii) strengthen the liquidity and capital base of the Group. The Group has been recorded net current liabilities for consecutive five years. Due to the credit tightening measures imposed against real estate-related businesses, there may be uncertainties and increasing difficulties in obtaining external financing through bank borrowings to fund the Group's projects and operation. We have reviewed the historical financial position of the Group and noted the same.

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

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

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

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

In respect of rights issue or open offer to existing Shareholders, although the existing Shareholders would be able to maintain their pro rata shareholding in the Company, these fund raising methods would need a relatively longer timeframe to complete, as there would be relatively lengthy and heavy preparation work for issuing of a more detailed listing document. Furthermore, given (i) the relatively low trading volume of the Shares; (ii) the prevailing market prices of the Shares; and (iii) investors' fastidious preference due to the prevailing stock market conditions, recent market sentiment and the current adverse market environment due to external economic

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

downward pressure, it would be difficult for the Company to pursue sizeable equity financing alternatives in the stock market without providing considerable discount to subscription prices for shares and/or underwriting fees as an incentive to attract prospective investors.

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

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

As stated in the Letter from the Board, the Group intends to utilise all net proceeds from the Subscription for repayment of borrowings from an independent third party which amounted to approximately RMB317.3 million and shall be repayable on or before 30 August 2025.

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

IV. Principal terms of the Subscription Agreement

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

Subscription Price

The Subscription Price of HK\$0.26 per Subscription Share represents:

- (i) a discount of approximately 21.21% to the closing price of HK\$0.330 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (ii) a discount of approximately 10.34% to the closing price of HK\$0.290 per Share as quoted on the Stock Exchange as at 24 January 2025, being the last trading date immediately preceding the date of the Subscription Agreement;
- (iii) a discount of approximately 9.72% to the average closing price of HK\$0.288 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Subscription Agreement; and
- (iv) a discount of approximately 77.39% to the unaudited consolidated net asset value per Share of approximately HK\$1.15 as at 30 June 2024.

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

(a) *Historical price movement of Share*

Set out below is the diagram demonstrating the daily closing price of Share as quoted on the Stock Exchange during the period (the “**Review Period**”) commencing from 25 January 2024 to 24 January 2025 (the “**Last Trading Day**”).



Source: website of the Stock Exchange

During the Review Period, the lowest closing price and highest closing price of Share as quoted on the Stock Exchange was HK\$0.223 recorded on 14 March 2024 and HK\$0.465 recorded on 2 May 2024, respectively. The average closing price of Share during the Review Period is approximately HK\$0.338. The Subscription Price will be HK\$0.26 which lies within the lowest and the highest of the closing price of Share during the Review Period.

As discussed with the management of the Company, the market price of the Shares has been consistently trading below the then consolidated net asset value per Share since January 2024, which implies that potential investors (including Zall Holdings) may not be willing to subscribe for new Shares at a price as high as the said unaudited consolidated net asset value per Share, and also indicates that such investors have the option to acquire Shares on market at a substantially discounted price to the unaudited consolidated net asset value per Share.

We have reviewed the closing price of the Shares since January 2024 and up to the Latest Practicable Date and noted that the Shares had been trading below the net asset value per share.

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(b) *Trading volume and liquidity of the Shares*

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

	average daily trading volume of Share	% of the average daily trading volume to the total number of issued Shares as at Last Trading Day (Note)
2024		
January (starting from 25 January 2024)	144,400	0.0012%
February	152,263	0.0012%
March	181,800	0.0015%
April	1,303,800	0.0105%
May	693,191	0.0056%
June	596,684	0.0048%
July	179,318	0.0014%
August	124,136	0.0010%
September	640,526	0.0052%
October	280,381	0.0023%
November	160,952	0.0013%
December	223,200	0.0018%
2025		
January (up to and including 24 January 2025)	54,000	0.0004%

Source: website of the Stock Exchange

Note: The total number of issued Shares as at Last Trading Day was 12,399,505,800 Shares.

As illustrated in the above table, the average daily trading volume of Share ranged from approximately 54,000 shares to 1,303,800 shares, representing approximately 0.0004% to 0.0105% of the total number of issued Shares. The average daily trading volume of Shares among the Review Period was approximately 376,898 shares, representing approximately 0.0030% of the total number of issued Shares.

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In addition, among 246 trading days of the Review Period, 138 out of 246 days had the trading volume of Share below 100,000 shares. Taking into account (i) 1,200,000,000 Subscription Shares and (ii) the highest and lowest average daily trading volume of approximately 1,303,800 Shares and 54,000 Shares respectively during the Review Period, the number of trading days required for the disposal of the Subscription Shares will be approximately 920 trading days and 22,222 trading days respectively.

(c) *Market Comparables analysis*

In assessing the fairness and reasonableness on the Subscription, we have conducted a search on the website of the Stock Exchange for all the transactions involving subscription of new shares of listed companies (but excluding debt capitalization and long-suspended companies i.e. over 6 months) which were announced from 25 December 2024 to the Last Trading Day, being one month period prior to the date of the Subscription Agreement (the “**Comparable Period**”). We have considered the proposed subscription of new shares by either connected persons or independent third parties in our research, since the terms of such subscriptions are arrived at based on prevailing market conditions regardless of whether the respective subscribers are connected persons or not and represent an unbiased reference on market terms, therefore providing a good reference in our evaluation of the terms of the Subscription Agreement. We considered the Comparable Period as sufficient and appropriate for the analysis based on the following basis (a) the comparable transactions during such period are close to the date of the Subscription Agreement and therefore reflecting the latest market prevailing conditions and considered to be conducted under similar and recent market conditions and sentiments; and (b) there are sufficient comparable companies in this period such that the average figures calculated are not likely to be significantly affected by any individual comparable transaction for our analysis.

Based on the said criteria, we have identified 26 comparable transactions (the “**Subscription Comparables**”) which we consider to be exhaustive and sufficient to assess the fairness and reasonableness of the Subscription Price. Although the circumstances surrounding the Subscription Comparables may be different from those relating to the Company, we consider that the Comparable Period is adequate and fair and reasonable to capture the prevailing market conditions in relation to the Subscription transactions which the Subscription Comparables, serving as a general market information and reference to prevailing market practices in relation to recent transactions involving subscription of new shares conducted by the companies listed on the Stock Exchange and may help us to assess and evaluate the fairness and reasonableness of the Subscription Price. Set out below is a comparison of the Subscription Comparables:

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Date	Company	Stock code	Premium/ (discount) of the subscription price over/to closing price per share on the last trading day prior to the date of the respective agreement %	Premium/ (discount) of the subscription price over/to average closing price for the last five trading days prior to the date of the respective agreement %
24 January 2025	Allied Sustainability and Environmental Consultants Group Limited	8320	(10.71)	(7.58)
24 January 2025	Ficus Technology Holdings Limited	8107	1.69	0.67
22 January 2025	Gudou Holdings Limited	8308	(26.83)	(10.04)
22 January 2025	Winshine Science Company Limited	209	(19.08)	(19.10)
22 January 2025	Zijing International Financial Holdings Limited	8340	(10.71)	(12.59)
21 January 2025	Kantone Holdings Limited	1059	(9.95)	(10.70)
21 January 2025	China In-Tech Limited	464	50.00	45.35
20 January 2025	Crown International Corporation Limited	727	14.29	10.55
18 January 2025	XtalPi Holdings Limited	2228	(7.96)	(4.93)
17 January 2025	New City Development Group Limited	456	(18.75)	(18.75)
16 January 2025	Tianjin TEDA Biomedical Engineering Company Limited	8189	(15.87)	(13.96)
15 January 2025	CHK Oil Limited	632	(14.44)	(19.60)
15 January 2025	EPI (Holdings) Limited	689	(10.53)	(14.14)
10 January 2025	Adtiger Corporations Limited	1163	(10.89)	(11.07)
10 January 2025	Zhongshen Jianye Holding Limited	2503	(13.79)	(15.25)

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Date	Company	Stock code	Premium/ (discount) of the subscription price over/to closing price per share on the last trading day prior to the date of the respective agreement %	Premium/ (discount) of the subscription price over/to average closing price for the last five trading days prior to the date of the respective agreement %
09 January 2025	Emperor Watch & Jewellery Limited	887	(1.76)	0.12
08 January 2025	China Tianbao Group Development Company Limited	1427	82.96	76.62
08 January 2025	China Fortune Holdings Limited	110	44.44	43.60
07 January 2025	Zhongshi Minan Holdings Limited	8283	(9.10)	(13.42)
07 January 2025	Champion Technology Holdings Limited	92	(16.95)	(14.63)
07 January 2025	Yeahka Limited	9923	(13.82)	(15.30)
07 January 2025	Mindtell Technology Limited	8611	(7.14)	(7.14)
	Minimum		(26.83)	(19.60)
	Maximum		82.96	76.62
	Average		(3.40)	(3.33)
	The Subscription		(10.34)	(9.72)

As illustrated in the table above, the discount of the Subscription Price was (i) within the range of the Subscription Comparables from discount of approximately 26.83% to premium of approximately 82.96% and is below the average discount of the Subscription Comparables of approximately 3.40% as compared with their respective closing prices on the date of their respective agreement; and (ii) within the range of the Subscription Comparables from discount of approximately 19.60% to premium of approximately 76.62% and is below the average discount of the Subscription Comparables of approximately 3.33% as compared with their respective average closing price for the last five trading days prior to the date of their respective agreement.

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Although the Subscription Price is below the average of the closing price of Share during the Review Period and is below the average discount of the Subscription Comparables, taking into account that (i) the Company has a need to raise funding from the Subscription for the repayment of the debt, however, it may be uncertainties and increasing difficulties in obtaining external financing or create additional interest burden on the Group due to the net current liabilities position of the Group of approximately RMB2,405 million, RMB3,668 million, RMB447 million, RMB1,442 million and RMB2,830 million respectively for each of the five years ended 31 December 2023; (ii) the Subscription Price falls within the range of the lowest closing price and the highest closing price of Share during the Review Period; (iii) 21 out of 26 Subscription Comparables offered discount; and (iv) the liquidity of the Shares during the Review Period was low and over 50% of the Review Period had trading volume below 100,000 Shares per day, in particular, the ratio of the Subscription Shares to the average daily trading volume, we consider the Subscription Price is fair and reasonable.

V. Financial effects of the Subscription

Liquidity

Upon the completion of the Subscription, the Group's working capital and liquidity positions will be improved as the cash and bank balances will be increased by the net proceeds of approximately HK\$311.7 million. Accordingly, the cash position, gearing ratio and current ratio of the Group are expected to be improved upon the completion of the Subscription.

Net assets

Upon completion of the Subscription, the net assets of the Group are expected to increase as a result of the availability of the proceeds from the Subscription.

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

VI. Effects on shareholding structure of the Company

With reference to the shareholding table in the section headed "Effects on shareholding structure of the Company" in the Letter from the Board, upon completion of the Subscription, the shareholding interests of the existing public Shareholders in the Company would decrease from approximately 28.89% at the Latest Practicable Date to approximately 26.34%, assuming no other change in the issued share capital of the Company other than the issue of Subscription Shares. In this regard, taking into account (i) the reasons for and benefits of the Subscription; and (ii) the terms of the Subscription Agreement, including the allotment and issue of the Subscription Shares under the Specific Mandate and transaction contemplated thereunder being fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the said level of dilution to the shareholding interests of the public Shareholders as a result of the Subscription is acceptable.

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RECOMMENDATION

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

Yours faithfully,

For and on behalf of

Kingsway Capital Limited

Stanley Chung

Managing Director

Jack Wan

Responsible Officer

Note: Mr. Stanley Chung has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance since 2006. Mr. Jack Wan is a responsible officer of type 6 (advising on corporate finance) regulated activity and has more than nine years of experience in corporate finance and investment banking. Both Mr. Stanley Chung and Mr. Jack Wan 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 C3 “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	8,633,306,868 (L) ⁽¹⁾	69.63%
	Beneficial owner	73,833,000 (L)	0.60%
Yu Gang	Beneficial owner	270,000 (L)	0.00%
	Interest of spouse	11,800,000 (L)	0.10%
	Interest of a controlled corporation	90,690,840 (L) ⁽²⁾	0.73%
Qi Zhiping	Beneficial owner	4,294,551 (L) ^{(3)(a)}	0.03%
	Interest of spouse	16,771,924 (L) ^{(3)(b)}	0.14%
Yu Wei	Beneficial owner	290,000 (L)	0.00%
Fan Xiaolan	Beneficial owner	270,000 (L)	0.00%
Cheung Ka Fai	Beneficial owner	180,000 (L)	0.00%
Wu Ying	Beneficial owner	180,000 (L)	0.00%
Zhu Zhengfu	Beneficial owner	180,000 (L)	0.00%

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

Notes:

- (1) The 7,323,906,268 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) The 90,690,840 Shares are held by Smartedge Group Limited, an entity owned as to 50% each by Dr. Gang Yu and his spouse.
- (3) (a) These interests comprise 3,517,180 Shares and 777,371 underlying Shares in respect of Share Options granted by the Company pursuant to the Share Option Scheme, details of which are set out in the section headed “Share Option Schemes” in the interim report of the Company published on 23 September 2024.
- (b) These interests comprise 2,779,259 Shares and 13,992,665 underlying Shares in respect of Share Options granted by the Company to the spouse of Mr. Qi Zhiping pursuant to the Share Option Scheme, details of which are set out in the section headed “Share Option Schemes” in the interim report of the Company published on 23 September 2024.

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

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

Name of Director	Number of Share Options held	Exercise price (HK\$)	Grant date	Vesting date and exercise period
Qi Zhiping	777,371	HK\$8.48	22 December 2017	From the date when the exercise conditions are met to 21 December 2027 <i>(Note)</i>
Spouse of Mr. Qi Zhiping	13,992,665	HK\$8.48	22 December 2017	From the date when the exercise conditions are met to 21 December 2027 <i>(Note)</i>

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

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

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

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

3. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

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

As at the Latest Practicable Date, none of the Directors (or proposed Directors) had any direct or indirect interests in any assets which had been, since 31 December 2023 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date and save as disclosed in the interim report of the Company for the six months ended 30 June 2024, 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
Kingsway Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Kingsway 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, Kingsway 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 2023 (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 was no material adverse change in the financial or trading position of the Group since 31 December 2023, 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) for a period of 14 days from the date of this circular:

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

ZALL 卓尔智联

Zall Smart Commerce Group Ltd.

卓爾智聯集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2098)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**EGM**”) of Zall Smart Commerce Group Ltd. (the “**Company**”) will be held at Conference Room, Zall International Center, 588 Jianshe Avenue, Wuhan, Hubei, the PRC on Wednesday, 12 March 2025 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without modification(s) the following resolution(s) as ordinary resolution(s) of the Company. Unless otherwise indicated, words and expressions that are not expressly defined in this notice of EGM shall bear the same meaning as that defined in the circular of the Company dated 19 February 2025 (the “**Circular**”):

ORDINARY RESOLUTION

“**THAT:**

- (a) the Subscription Agreement entered into between the Company and Zall Holdings (a copy of the Subscription Agreement has been produced to the EGM, marked “A” and signed by the chairman of the EGM for identification purpose) and the consummation of transactions contemplated thereunder as more particularly described in the Circular and the terms and conditions set out in the Subscription Agreement be and are hereby approved, confirmed and ratified;
- (b) conditional upon the Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in the Subscription Shares on the Stock Exchange, the Directors be and are hereby granted a Specific Mandate to exercise all the powers of the Company to allot and issue the Subscription Shares in accordance with the terms and conditions of the Subscription Agreement; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) any one of the Directors be and is hereby authorised for and on behalf of the Company to take any action and execute such other documents, instruments and agreements (whether under common seal or not) as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Subscription Agreement and the transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, including, without limitation, the allotment and issue of the Subscription Shares under the relevant specific mandate.”

By order of the Board
Zall Smart Commerce Group Ltd.
Yan Zhi
Chairman

Hong Kong, 19 February 2025

Notes:

1. An eligible Shareholder is entitled to appoint one or, if he/she holds two or more Shares, more proxies to attend and vote in his/her stead. A proxy does not need to be a Shareholder.
2. In the case of joint registered holders of any Share, any one of such persons may vote at the EGM (or any adjournment thereof), either in person or by proxy, in respect of such Share as if he/she was solely entitled thereto, but if more than one of such joint holders be present at the EGM, 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 and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not less than 48 hours before the time scheduled for holding the EGM (or any adjournment thereof).
4. Completion and return of the form of proxy will not preclude a Shareholder from attending and voting in person at the EGM (or any adjournment thereof) should he/she so wish, and in such event, the form of proxy shall be deemed to be revoked.
5. The register of members of the Company will be closed from Friday, 7 March 2025 to Wednesday, 12 March 2025 (both days inclusive), during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Thursday, 6 March 2025.
6. The resolution(s) set out in this notice will be decided by poll at the EGM.

As at the date of this notice, the Board comprises eight members, of which Mr. Yan Zhi, Dr. Gang Yu, Mr. Qi Zhiping, Mr. Yu Wei and Ms. Fan Xiaolan are executive Directors; Mr. Cheung Ka Fai, Mr. Wu Ying and Mr. Zhu Zhengfu are independent non-executive Directors.