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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 DISPOSAL OF WUHAN ZALL HENG

THE DISPOSAL

On 6 August 2018, Zall Development Wuhan, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with, among other parties, Guangzhou Xintongmei for the disposal of 65% equity interest in Wuhan Zall Heng, a company principally engaging in supply chain business of standardized non-ferrous metals, at the consideration of RMB16,250,000. Upon completion of the Disposal, our Group will cease to have any interest in Wuhan Zall Heng and Wuhan Zall Heng will cease to be a subsidiary of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) of the Disposal is more than 5% and all of the applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are as follows:

- Date : 6 August 2018
- Parties : (1) Zall Development Wuhan
(2) Mr. Huang
(3) Guangzhou Xintongmei

- Subject matter : (1) Zall Development Wuhan agreed to transfer and Guangzhou Xintongmei agreed to acquire 65% equity interest in Wuhan Zall Heng at the consideration of RMB16,250,000; and
- (2) Mr. Huang agreed to transfer and Guangzhou Xintongmei agreed to acquire 35% equity interest in Wuhan Zall Heng at the consideration of RMB8,750,000.
- Payment of the Consideration : The Consideration shall be settled within one day from the date of the Equity Transfer Agreement.
- Should Guangzhou Xintongmei fail to settle the Consideration within the aforementioned period, Guangzhou Xintongmei shall pay liquidated damages calculated at a daily rate of 0.05% of the outstanding amount.
- Pre-completion arrangement : Upon the signing of the Equity Transfer Agreement, the staff lists, financial records, documents and company stamp of Wuhan Zall Heng shall be put under the joint custody of the Parties in a manner to be agreed by the Parties and shall not be used without the unanimous consent of the Parties pending completion of the disposal.
- Completion : Upon the full settlement of the Consideration, Zall Development Wuhan and Mr. Huang shall deliver the data and assets of Wuhan Zall Heng under their respective control to Guangzhou Xintongmei and the Parties shall attend to the relevant industry and commerce administration department to effect the equity interest transfer under the Equity Transfer Agreement within 30 days thereafter.
- Should Zall Development Wuhan and/or Mr. Huang fail to comply with the aforementioned obligations, Zall Development Wuhan and/or Mr. Huang shall pay liquidated damages calculated at a daily rate of 0.05% of the Consideration.
- Other Covenants : Zall Development Wuhan warrants that Wuhan Zall Heng does not have any liability and shall be responsible for the settlement should Wuhan Zall Heng has any liability.
- Mr. Huang warrants that the subsidiaries of Wuhan Zall Heng does not have any liability and shall be responsible for the settlement should the subsidiaries of Wuhan Zall Heng has any liability.

INFORMATION OF WUHAN ZALL HENG

Wuhan Zall Heng is a company incorporated in the PRC with limited liability. Wuhan Zall Heng and its subsidiaries are engaging in supply chain business of standardized non-ferrous metals such as electrolytic copper, electrolytic nickel and aluminum ingots.

Wuhan Zall Heng was incorporated on 5 September 2016. Set out below are certain financial information of Wuhan Zall Heng and its subsidiaries, on a consolidated basis, extracted from the unaudited consolidated financial statements of Wuhan Zall Heng for the periods indicated:

	From incorporation to 31 December 2016	For the year ended 31 December 2017
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Revenue	2,672,464	5,410,375
Net profit/(loss) before taxation	(195)	(2,527)
Net profit/(loss) after taxation	(200)	(2,650)

The unaudited consolidated total asset value and net asset value of Wuhan Zall Heng as at 30 June 2018 were approximately RMB461.6 million and RMB19.1 million, respectively.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, Wuhan Zall Heng will cease to be a subsidiary of the Company and the financial results of Wuhan Zall Heng and its subsidiaries will no longer be consolidated in the Group's financial statements. Based on the unaudited consolidated net asset value of Wuhan Zall Heng as at 30 June 2018, it is estimated that the Company will recognise a gain of approximately RMB3.8 million in relation to the Disposal.

The proceeds of the Disposal will be used as the general working capital of the Group.

BASIS FOR DETERMINATION OF THE CONSIDERATION

The Consideration was determined after arm's length negotiation among the Parties, with reference to the capital contribution of RMB25.0 million paid by the Parties to Wuhan Zall Heng taking into account of the financial performance of Wuhan Zall Heng and its net asset value.

INFORMATION OF THE GROUP AND THE PARTIES

The Group

The Company is an investment holding company and the Group is a leading developer and operator of large-scale consumer product focused wholesale shopping malls in the PRC. The Group also provides supply chain management and trading services, e-commerce services, financial services, warehousing and logistics services for its customers in the online and offline markets.

Zall Development Wuhan

Zall Development Wuhan is an investment holding company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company.

Mr. Huang

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for his interest in Wuhan Zall Heng, Mr. Huang is an Independent Third Party.

Guangzhou Xintongmei

Guangzhou Xintongmei is a company incorporated in the PRC and is principally engaged in the wholesale of metal, metal mine and metal products.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Guangzhou Xintongmei and its ultimate beneficial owners are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As part of the Group's development strategy, the Group has branched out into the supply chain management and other related value-added services business, including establishing Wuhan Zall Heng to engage in the standardized non-ferrous metals sector of the supply chain business. However, having reviewed the business model and performance of Wuhan Zall Heng, the Board decides to explore new strategic directions in the standardized non-ferrous metals sector of the supply chain business and considers that the Disposal allows the Group to optimize the use of its resources. Notwithstanding the Disposal, the Group will continue to develop its supply chain management and other related value-added services business, including engaging in the standardized non-ferrous metals sector through other platforms, should appropriate opportunities arise.

The Directors are of the view that the terms of the Disposal, including the Consideration to be received by Zall Development Wuhan, are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

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DEFINITIONS

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

“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 and the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the aggregate consideration of RMB25.0 million for the disposal of 65% equity interest in Wuhan Zall Heng by Zall Development Wuhan and 35% equity interest in Wuhan Zall Heng by Mr. Huang
“Directors”	the directors of the Company
“Disposal”	the disposal of 65% equity interest in Wuhan Zall Heng by Zall Development Wuhan
“Equity Transfer Agreement”	the equity transfer agreement in relation to the transfer of the entire equity interest in Wuhan Zall Heng dated 6 August 2018 entered into among the Parties
“Group”	the Company and its subsidiaries
“Guangzhou Xintongmei”	Guangzhou Xintongmei Trading Co. Ltd.* (廣州市新全美貿易有限公司), a company incorporated in PRC with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Huang”	Mr. Huang Zhongwu (黃中武先生)
“Parties”	Zall Development Wuhan, Mr. Huang and Guangzhou Xintongmei
“percentage ratio(s)”	has the meanings ascribed to it under Rule 14.07 of the Listing Rules

“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wuhan Zall Heng”	Zall Heng Supply Chain Management (Wuhan) Co., Ltd.* (卓恒供應鏈管理(武漢)有限公司), a company incorporated in PRC with limited liability
“Zall Development Wuhan”	Zall Development (Wuhan) Co., Ltd.* (卓爾發展(武漢)有限公司), a company incorporated in PRC with limited liability and a wholly-owned subsidiary of the Company
“%”	per cent.

* *For identification purpose only*

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

Hong Kong, 6 August 2018

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