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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)

TERMINATION OF MAJOR TRANSACTION IN RELATION TO THE LEASE AGREEMENT

References are made to (i) the circular of Zall Smart Commerce Group Ltd. (the “**Company**”) dated 24 October 2017 (the “**Circular**”) in relation to the lease agreement (the “**Lease Agreement**”) dated 11 September 2017 entered into among Wuhan North Hankou Trade Market Investment Co., Ltd.* (武漢漢口北商貿市場投資有限公司) (“**North Hankou Trade Market**”) and Zall Investment Group Co., Ltd.* (卓爾投資集團有限公司) (“**Zall Investment Group**”, together with North Hankou Trade Market, the “**Lessors**”), both being a wholly-owned subsidiary of the Company, as lessors, and Jiangsu Eastide Group Co., Ltd* (江蘇一德集團有限公司) (“**Jiangsu Eastide**”), as lessee; and (ii) the announcement of the Company dated 17 December 2020 in relation to the transfer agreement (the “**Transfer Agreement**”) dated 17 December 2020 entered into among the Lessors, Jiangsu Eastide and Wuhan Dequn Business Management Co., Ltd* (武漢德群商業管理有限公司) (“**Wuhan Dequn**”) pursuant to which all parties to the Transfer Agreement agreed that all rights and obligations of Jiangsu Eastide under the Lease Agreement shall be fully transferred to Wuhan Dequn. Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Circular.

THE TERMINATION AGREEMENT

The Board announces that on 15 February 2022, the Lessors and Wuhan Dequn entered into a termination agreement (the “**Termination Agreement**”) pursuant to which the Lessors and Wuhan Dequn agreed to terminate the Lease Agreement (as amended by the Transfer Agreement) (the “**2020 Lease Agreement**”) effective from 15 February 2022.

Pursuant to the Termination Agreement, Wuhan Dequn has surrendered the tenancy under the 2020 Lease Agreement and has settled all the relevant outstanding fee, including but not limited to the management fee, utility fee and garbage disposal fee, for the Leased Premises up to and including 14 February 2022. The Lessors have granted to Wuhan Dequn a waiver in respect of the obligation of Wuhan Dequn to pay the lease fee in the amount of approximately RMB288.0 million calculated according to the 2020 Lease Agreement during the period from 1 July 2021 to 14 February 2022.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TERMINATION AGREEMENT

The Leased Premises are located in the North Hankou market in Wuhan, which is one of the major wholesale shopping malls developed by the Group. The North Hankou market comprises major specialised wholesale markets including Footwear and Leatherwear Mall, Hotel Supplies Mall, Architectural Builders' Hardware and Lighting Mall.

Wuhan Dequn indicated to the Lessors and the Company that the lower than expected increase in the level of lease fee charged by Wuhan Dequn to the merchants operating in the Leased Premises due to the impact of the COVID-19 pandemic in recent years had resulted in Wuhan Dequn incurring a loss in managing the Leased Premises, taking into account that the lease fee payable by Wuhan Dequn to the Lessors under the 2020 Lease Agreement was determined with reference to, among others, the prevailing market rent in 2017.

In light of the circumstance reported by Wuhan Dequn and the change in market conditions, the Directors considered that the entering into of the Termination Agreement will enable the Group to acquire and take over the marketing resources and customer data of Wuhan Dequn for the past few years and be directly involved in the management of the Leased Premises with calibrated marketing approaches and innovative services. In view of the above, the Directors consider that the Termination Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, and do not have any material adverse effect on the business and financial position of the Group.

GENERAL

The 2020 Lease Agreement and the transactions contemplated thereunder are of revenue nature and carried out in the ordinary and usual course of business of the Group. As the Lease Fee, on an annual basis, does not represent 200% or more increase in the scale of the Group's existing operations conducted through lease arrangement of such kind, the Company considers that the 2020 Lease Agreement is an operating lease which, by virtue of its size, nature or number, does not have any significant impact on the operations of the Group. Therefore, the Termination Agreement does not fall within the definition of a "transaction" of the Company under Rule 14.04(1)(d) of the Listing Rules.

This announcement is published by the Company pursuant to Rule 14.36 of the Listing Rules as the termination of the 2020 Lease Agreement constitute termination of a previous transaction announced under Chapter 14 of the Listing Rules.

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

Hong Kong, 15 February 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 the executive Directors; and Mr. Cheung Ka Fai, Mr. Wu Ying and Mr. Zhu Zhengfu are the independent non-executive Directors.

* *For identification purposes only*