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## **SMARTAC INTERNATIONAL HOLDINGS LIMITED**

**環球智能控股有限公司**

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

**(Stock code: 395)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO FORMATION OF JOINT VENTURE**

Reference is made to the announcement of the Company dated 4 November 2021 in relation to the memorandum of understanding entered into between the Group and the JV Partner on 4 November 2021.

The Board is pleased to announce that on 15 November 2021, Shanghai Shijiexian, a wholly-owned subsidiary of the Company, and the JV Partner entered into the JV Agreement in relation to the formation of the JV Company in the PRC and the establishment of a strategic cooperation between the Group and the JV Partner.

#### **FORMATION OF JOINT VENTURE**

The principal terms of the JV Agreement are as follows:

- Date:** 15 November 2021
- Parties:** (1) Shanghai Shijiexian; and  
(2) the JV Partner

#### **Corporate information of the JV Company**

The JV Company will be established in the PRC with a registered capital of RMB5,000,000 owned as to 60% by Shanghai Shijiexian and 40% by the JV Partner. Out of the RMB5,000,000, RMB3,000,000 will be contributed by Shanghai Shijiexian in cash and RMB2,000,000 will be contributed by the JV Partner in cash. The principal business of the JV Company will be the marketing, promotion and sale of the Health Food in the PRC.

The board of directors of the JV Company will consist of three directors, of whom two will be appointed by Shanghai Shijiexian and one will be appointed by the JV Partner. Shanghai Shijiexian will nominate the chairman of the board who will also act as the legal representative of the JV Company.

The JV Company will have one general manager who will be nominated and appointed by the board of directors of the JV Company and will be responsible for the day-to-day operation and management of the JV Company.

### **Contribution by the parties**

#### *Shanghai Shijiexian*

The total commitment of Shanghai Shijiexian under the JV Agreement is RMB12,096,000 which Shanghai Shijiexian will contribute to the JV Company by three instalments in the following manner:

- (i) a sum of RMB4,000,000 will be paid on the day on which the JV Company is established;
- (ii) if the JV Company is established by 31 December 2021, a sum of RMB4,000,000 will be paid on 31 December 2021; otherwise such sum of RMB4,000,000 will be paid one month after the date on which the JV Company is established; and
- (iii) a sum of RMB4,096,000 will be paid:
  - (1) on 31 March 2022; and
  - (2) within five working days after Shanghai Shijiexian receiving a written notice together with supporting financial statements from the JV Partner or the JV Company that the sales revenue of the JV Company has reached RMB10,000,000;whichever is earlier.

The total commitment of Shanghai Shijiexian which will be funded by the Group's internal resources was agreed by the parties to the JV Agreement after arm's length negotiation after taking into account of (i) the expected cost for establishing the JV Company, and (ii) the capital requirements for commencing the business operation of the JV Company.

#### *JV Partner*

In addition to the cash contribution to the registered capital, the JV Partner has committed to grant to the JV Company a right to market, promote and sell the Health Food in the PRC and a right to use all relevant intellectual property rights (including trademark, patent, copyright and trade secrets) for the purpose of the marketing, promotion and sale of the Health Food. The JV Partner will also introduce sales and operation staff to the JV Company and will use its client base, sales network and professional knowledge and experience to assist in the business development of the JV Company. The initial term for the grant of the said right to the JV Company will commence on the date of establishment of the JV Company and end on 31 December 2024, which term will be automatically extended to 31

December 2027 unless Shanghai Shijiexian or the JV Company notifies the JV Partner in writing expressing its intention not to extend the term within 30 days prior to the expiry of the initial term.

### **Profit guarantee**

The JV Partner has warranted and undertaken to Shanghai Shijiexian that the JV Company will achieve the following sales revenue targets and guaranteed the net profit to be generated by the JV Company from the sale of the Health Food during the three years ending 31 December 2024:

<b>Period</b>	<b>Sales revenue target (RMB'000)</b>	<b>Net profit target (RMB'000)</b>
FY2022	48,000	3,360
FY2023	55,000	3,850
FY2024	63,000	4,410

If during the above period, any of the net profit targets is not met, the equity interests of Shanghai Shijiexian will be adjusted upward according to the following mechanism.

#### *FY2022*

If the actual unaudited net profit of the JV Company in FY2022 is less than the target of RMB3,360,000, the JV Partner will be required to transfer certain equity interests in the JV Company to Shanghai Shijiexian such that immediately after the transfer, Shanghai Shijiexian's equity interests in the JV Company will represent X% of the total interests where X will be:

$$12,096,000/[\text{actual unaudited net profit in FY2022} \times (2,016/336)] \times 100.$$

#### *FY2023*

If the actual unaudited net profit of the JV Company in FY2023 is less than the target of RMB3,850,000, the JV Partner will be required to transfer certain equity interests in the JV Company to Shanghai Shijiexian such that immediately after the transfer, Shanghai Shijiexian's equity interests in the JV Company will represent X% of the total interests where X will be the higher of:

(A)  $12,096,000/[\text{actual unaudited net profit in FY2022} \times (2,016/336)] \times 100$ ; and

(B)  $12,096,000/[\text{actual unaudited net profit in FY2023} \times (2,016/385)] \times 100$ .

FY2024

If the actual unaudited net profit of the JV Company in FY2024 is less than the target of RMB4,410,000, the JV Partner will be required to transfer certain equity interests in the JV Company to Shanghai Shijiexian such that immediately after the transfer, Shanghai Shijiexian's equity interest in the JV Company will represent X% of the total interests where X will be the higher of:

- (A)  $12,096,000 / [\text{actual unaudited net profit in FY2022} \times (2,016/336)] \times 100$ ;
- (B)  $12,096,000 / [\text{actual unaudited net profit in FY2023} \times (2,016/385)] \times 100$ ; and
- (C)  $12,096,000 / [\text{actual unaudited net profit in FY2024} \times (2,016/441)] \times 100$ .

### **INFORMATION OF THE GROUP AND THE JV PARTNER**

The Group is principally engaged in the business of online to offline (O2O) commerce (including, among others, the marketing and distribution of healthcare products) and electronic payment solutions.

The JV Partner is a company established in the PRC. Based on the public record, the JV Partner is owned as to 10% and 90% by Qiu Amin\* (邱阿敏) and Xiamen Xinruisheng Consulting Management Co., Ltd.\* (廈門鑫銳晟諮詢管理有限公司), respectively, which in turn is owned as to 10% and 90% by Liu Guoying\* (劉國英) and Hou Beixia\* (侯貝霞), respectively, as at the date of this announcement.

To the best knowledge, information and belief of the directors of the Company having made all reasonable enquiries, the JV Partner and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE JV AGREEMENT**

The JV Partner is a manufacturer and distributor of health food, skin care, personal care and other healthcare products which are predominately sold and distributed in the PRC. The Health Food is amongst the products being distributed by the JV Partner. According to the information provided by the JV Partner, the Health Food have gained market recognition over time and the revenue generated from the sale of the Health Food has recorded significant increase over recent years and is expected to continuously increase in future.

The Board is of the view that the strategic cooperation between the Group and the JV Partner as contemplated under the JV Agreement will enable the Group (a) to diversify its revenue sources and to scale up the Group's business operations; (b) to expand the Group's online to offline (O2O) commerce business in relation to the health food industry through the sale and distribution of the Health Food; and (c) to enhance competitiveness and presence in the fast-growing health food market in the PRC by taking advantage of (i) the Group's trading expertise and financial resources; and (ii) the JV Partner's quality products, proven track record of the Health Food, client base and sales network, all of which could drum up the Group's business and improve its financial position.

Based on the above, the Board considers that the terms of the JV Agreement (including the profit guarantee) are fair and reasonable and in the interests of the Company and shareholders of the Company as a whole.

## **LISTING RULES IMPLICATIONS**

As the highest percentage ratio (as defined in the Listing Rules) in respect of the transactions contemplated under the JV Agreement is more than 5% but less than 25%, the entering into of the JV Agreement and the transaction contemplated thereunder constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

“Board”	the board of directors of the Company
“Company”	Smartac International Holdings Limited, 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: 395)
“FY2022”	financial year ending 31 December 2022
“FY2023”	financial year ending 31 December 2023
“FY2024”	financial year ending 31 December 2024
“Group”	the Company and its subsidiaries
“Heath Food”	three brands of health food owned by the JV Partner in the PRC, namely (i) G.L-Enzyme (青檸酵素原液); (ii) Roselle & Cranberry Drinks (洛蔓複合飲品); and (iii) Sturgeon Drink (鱈龍複合飲)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Agreement”	the joint venture agreement dated 15 November 2021 and entered into between Shanghai Shijiexian and the JV Partner
“JV Company”	the company to be established by Shanghai Shijiexian and the JV Partner pursuant to the JV Agreement
“JV Partner”	Xiamen Yizhimei Biotechnology Co., Limited* (廈門懿旨美生物科技有限公司), a company established in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China which, for the purpose of this announcement, shall exclude Hong Kong, the Macao Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Shijiexian”	Shanghai Shijiexian Network Technology Co., Limited* (上海視界綫網絡科技有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

The English translation of Chinese names marked with “\*” in this announcement, where indicated, is included for identification purpose only, and should not be regarded as the official English translation of such Chinese names. If there is any inconsistency between the Chinese names and their English translations, the Chinese names shall prevail.

#### **CONTINUED SUSPENSION OF TRADING**

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2021 and will remain suspended until the Company fulfils the Stock Exchange’s guidance for the resumption of trading in the shares.

By order of the Board of  
**Smartac International Holdings Limited**  
**Yang Xin Min**  
*Chairman*

Hong Kong, 17 November 2021

*As at the date of this announcement, the Board comprises (i) three executive directors, Mr. Yang Xin Min (Chairman), Mr. Ke Haiwei (Joint Chief Executive Officer) and Mr. Wong Wai Wai (Joint Chief Executive Officer); and (ii) three independent non-executive directors, Dr. Cheng Faat Ting Gary, Mr. Poon Lai Yin Michael and Mr. Wang Haoxian.*