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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO FORMATION OF JOINT VENTURE

Reference is made to the announcement of Smartac International Holdings Limited dated 17 November 2021 in relation to the formation of joint venture (the “**Announcement**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

FORMATION OF JOINT VENTURE

The Company wishes to provide the following additional information on the joint venture arrangement contemplated under the JV Agreement.

CONTRIBUTION BY THE PARTIES

Shanghai Shijiexian will contribute a total amount of RMB12,096,000 in cash to the JV Company by three instalments, and the first instalment of RMB4,000,000 will include the RMB3,000,000 to be contributed by Shanghai Shijiexian to the JV Company’s registered capital.

The JV Partner will contribute RMB2,000,000 to the registered capital of the JV Company which is the only monetary contribution by the JV Partner. In addition to such capital contribution, the JV Partner has also committed to grant to the JV Company, among others, 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 at nil consideration.

PROFIT GUARANTEE

As part of the joint venture arrangement, the JV Partner has provided a guarantee to Shanghai Shijiexian on the amount of net profit to be generated by the JV Company from the sale of the Health Food during the three financial years ending 31 December 2024 (the “**Guaranteed Period**”). The net profit targets were determined with reference to (i)

Shanghai Shijiexian's total commitment of RMB12,096,000; and (ii) the initial position that Shanghai Shijiexian will hold 60% equity interest in the JV Company upon its establishment.

In the event that the JV Company is unable to meet the net profit target in any financial year during the Guaranteed Period, Shanghai Shijiexian's equity interests in the JV Company will be adjusted upward by such percentage to be calculated based on the agreed formulae set out in the JV Agreement. If the JV Company records a net loss, the equity interests of Shanghai Shijiexian will be adjusted upward to 100%.

For illustration purpose only, for example, in FY2022, the actual unaudited net profit of the JV Company is RMB2,016,000 which is less than the net profit target of RMB3,360,000, the formula will work as follows:

$$\frac{12,096,000}{2,016,000 \times (2,016/336)} \times 100\% = 100\%$$

Based on the above calculation, if the actual unaudited net profit of the JV Company in FY2022 is RMB2,016,000 or less or if the JV Company records a net loss in FY2022, Shanghai Shijiexian will own 100% of the equity interests in the JV Company, i.e., the JV Partner will be required to transfer all the equity interests it owns in the JV Company to Shanghai Shijiexian at nil consideration as compensation.

The Board is of the view that the provision of profit guarantee by the JV Partner provides assurance to the Group as to the expected earnings from the formation of the JV Company and is therefore in the interests of the Company and shareholders of the Company as a whole.

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, 19 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.