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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)

QUARTERLY UPDATE ON RESUMPTION PROGRESS AND SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO DISPOSAL OF A NON-WHOLLY OWNED SUBSIDIARY

This announcement is made by Smartac International Holdings Limited (the “**Company**”) pursuant to Rule 13.24A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

References are made to (a) the announcements of the Company dated 25 May 2021, 31 May 2021, 22 June 2021, 24 June 2021, 30 June 2021, 2 July 2021, 7 July 2021, 27 August 2021 and 30 September 2021, respectively, in relation to, among others, the suspension and resumption of trading of the Company’s shares on the Stock Exchange and the resumption guidance issued by the Stock Exchange; (b) the announcements of the Company dated 17 November 2021 and 19 November 2021 in relation to the formation of a joint venture company; and (c) the announcement of the Company dated 3 December 2021 in relation to the disposal of a non-wholly owned subsidiary of the Company (collectively, the “**Announcements**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

The Board wishes to inform the Shareholders and potential investors of the Company of the progress of actions recently taken by the Company to fulfil the Resumption Guidance, including the latest development of the Group’s business operations.

UPDATE ON RESUMPTION PROGRESS

Publish all outstanding financial results

As disclosed in the announcement of the Company dated 30 September 2021, the Company has published all outstanding financial results required under the Listing Rules (i.e., the annual results announcement and the annual report for the year ended 31 December 2020). The 2021 interim results announcement was published on 27 August 2021 and the 2021 interim report was published on 14 September 2021, both within the time required under the Listing Rules.

The consolidated financial statements of the Company for the year ended 31 December 2020 were subject to two audit qualifications in relation to the recoverability of trade receivables and the net realisable value of inventories. In this respect, the Group has continued to proactively improve the realisation of inventory and collection of trade receivables. Allowances for trade receivables and impairment of inventories have been duly made in the Group's condensed consolidated statements of financial position.

With a view to improve the Group's cash position, the Group has been steadily collecting trade receivables from customers and considerable progress has been made. Up to the date of this announcement, approximately 57% of the trade receivables after impairment as at 30 June 2021 have been subsequently settled. Further, the Group's trade receivables have reduced after the disposal of subsidiaries of the Company in 2021. The total trade receivables of the Group have reduced from approximately RMB19.9 million as at 30 June 2021 to approximately RMB7.8 million as at 30 November 2021, and cash and cash equivalents of the Group have increased from approximately RMB47 million as at 30 June 2021 to approximately RMB54.6 million as at 30 November 2021.

The Group will continue to resolutely follow up with all the overdue trade receivables from customers and pursue legal proceedings if required to achieve timely collection of trade receivables; and to procure its sales and marketing teams to proceed with and speed up the inventory realisation process.

Restructure of Board composition

As part of the efforts to achieve resumption of trading on the Stock Exchange, the Company has been cautiously and carefully planning and executing its plan for establishment of a Board with diversified experience and expertise in (a) online to offline (“O2O”) commerce industry in the PRC and Hong Kong; and (b) corporate governance principles and practices.

Set forth below are the milestones of the Company in its Board restructuring plan since April 2021:

April 2021	—	resignation of Mr. Ho Chi Kin as executive Director and chief executive officer of the Company
June 2021	—	appointment of Mr. Ke Haiwei (“ Mr. Ke ”) as chief operational officer

June 2021	—	appointment of Mr. Wong Wai Wai (“ Mr. Wong ”) as chief investment officer
July 2021	—	appointment of Mr. Ke as an executive Director and redesignation of Mr. Ke from chief operational officer to joint chief executive officer
July 2021	—	appointment of Mr. Wong as an executive Director and redesignation of Mr. Wong from chief investment officer to joint chief executive officer
September 2021	—	appointment of Mr. Wang Haoxian (“ Mr. Wang ”) as an independent non-executive Director and a member of the audit committee, the nomination committee and the remuneration committee of the Board

For details of the biography of Mr. Ke, Mr. Wong and Mr. Wang, please refer to the announcements of the Company dated 24 June 2021, 2 July 2021 and 30 September 2021, respectively. The current Board comprises members from a well-balanced diversity of background, professional qualification, exposure and experience in the O2O commerce sector and a number of other industries, with in-depth knowledge in corporate governance and Listing Rules compliance matters. In order to ensure each and every Director is kept abreast of the development of the regulatory landscape relating to the Company including without limitation the requirements under the Listing Rules, the Company will continue to engage professional advisers to provide trainings to the Directors.

Latest developments of the Group’s business operations

The Company is an investment holding company and its subsidiaries are principally engaged in the business of O2O commerce and electronic payment solutions. The Group has maintained its business operations since the suspension of trading in shares of the Company on 1 April 2021. As at the date of this announcement, the Group has been carrying on its business as usual. Since the suspension of trading in shares of the Company, the Board has conducted internal strategic reviews for the purpose of improving the business operations and financial position of the Group in response to Rule 13.24 of the Listing Rules. In this connection, following such internal reviews, the Board has adopted the following strategies:

- (1) *Explore potential business opportunities with a view to improve the overall financial performance of the Group, which includes the possibility of strategic cooperation with potential business partners*

The Company had announced on 17 November 2021 and 19 November 2021 that the Group had intended to establish a strategic cooperation with the JV Partner through formation of the JV Company in the PRC. The principal business of the JV Company is the marketing, promotion and sale of Health Food in the PRC. As part of the JV Agreement, the JV Partner has provided a profit guarantee to the Group in relation to the net profit to be generated by the JV Company from the sale of Health Food for the three years ending 31 December 2024.

The Board is of the view that the strategic cooperation between the Group and the JV Partner and the provision of profit guarantee by the JV Partner will enable the Group to (a) diversify its revenue sources; (b) scale up its business operations and improve its financial performance; (c) expand its O2O commerce business in relation to the health food industry; and (d) enhance its competitiveness and presence in the fast-growing health food market in the PRC.

The Company is pleased to announce that the JV Company had been established in the PRC on 29 November 2021 and the Group had injected RMB3 million to the registered capital and RMB1 million to the capital commitment of the JV Company pursuant to the JV Agreement. The JV Company has commenced its business operations in early December and has procured estimated sales of approximately RMB2 million up to the date of this announcement.

(2) *Streamline the Group's existing business with a view to enhance the Group's profitability, which includes disposal of loss-making subsidiaries*

The Company had announced on 30 September 2021 that the Group had entered into the Disposal Agreement with an independent third party to dispose of the entire issued share capital of Upfront Success Holding Limited, a then wholly owned subsidiary of the Company and its non-wholly owned subsidiaries. These companies were engaged in O2O commerce business in the PRC and Hong Kong.

The Company had also announced on 3 December 2021 that the Group had entered into the Sale and Purchase Agreement with an independent third party to dispose of 51% of the issued share capital of Smartronic Limited, a then non-wholly owned subsidiary of the Company, which is principally engaged in the sale, marketing and distribution of, among others, certain male and female fertility supplements, in the PRC and Hong Kong.

The above companies have incurred substantial losses since 2020. The Board did not foresee a significant turnaround in the near future and believed that it was more commercially favourable to cease the Group's investment in such loss recurring businesses and to dispose of the Group's interests therein. The Board considers that such disposal allows the Group to streamline its business operations and to allocate its financial resources to the development of other lines of operations.

(3) *Adopt cost reduction measures with a view to enhance cost efficiency*

The Group has performed internal reviews on the existing cost structure of the Group's different business lines with a view to minimise unnecessary costs and to enhance efficiency.

The Group has centralised its inventories from eight public warehouses to one self-managed central warehouse and has redeployed its human resources accordingly to enhance operational efficiency. The Board is of the view that such changes could substantially reduce the Group's warehouse expenses and will in turn lead to a decrease in selling expenses.

The Board will continue to review the Group's existing business operations from time to time and actively endeavours to improve the business operation and financial position of the Group by looking for suitable cooperation opportunities in the PRC and Hong Kong which can (a) leverage our management expertise and experience; (b) further expand the Group's O2O commerce business; and (c) increase the Group's market share in the O2O commerce industry. Furthermore, the Board will continue to review and assess the performance of each of its business lines and explore opportunities to dispose of other loss-making business to potential interested party(ies) where appropriate in order to streamline the structure of the Group. The Board will also continue to review the financial performance of the Group and adopt appropriate cost control measures in response to the harsh market environment.

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE DISPOSAL OF A NON-WHOLLY OWNED SUBSIDIARY

Reference is made to the Company's announcement dated 3 December 2021 in relation to the Group's disposal of a non-wholly owned subsidiary, namely, Smartronic Limited. On 3 December 2021, the Group had disposed of all its interests in Smartronic Limited to the Purchaser. Based on information provided by the Purchaser, the Purchaser is an investment holding company incorporated in the British Virgin Islands and its ultimate beneficial owner is Zhang Xiyu. To the best knowledge, information and belief of the directors of the Company having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

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.

The Board wishes to update the Shareholders and potential investors of the Company that the Group has been continuously making effort in taking steps to fulfil the Resumption Guidance. The Board has been taking steps to address and comply with concerns raised by, and guidance provided by the Stock Exchange. Further, announcements have been published from time to time in accordance with the Listing Rules and on a voluntary basis to inform the Shareholders and potential investors of the Company about the status and updates as to the Group's latest developments. The Company will continue to keep the Shareholders and potential investors of the Company informed of any material development to the matters mentioned in this announcement including, among others, the Group's business operations and financial performance, as and when appropriate and in accordance with the Listing Rules.

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

Hong Kong, 15 December 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.