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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

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

References are made to 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, 30 September 2021 and 15 December 2021 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 (collectively, the “**Announcements**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders (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

One resumption guidance issued by the Stock Exchange on 24 May 2021 was the publication of all outstanding financial results under the Listing Rules and address any audit modifications. By June 2021, the Company has published all outstanding financial results required under the Listing Rules. All subsequent financial results of the Company were published 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 (the “**2020 Audit Qualifications**”). In this

respect, the Group has continued to proactively improve collection of trade receivables and the realisation of inventory. Allowances for trade receivables and impairment of inventories have been duly made in the Group's annual results for the year ended 31 December 2021. As disclosed in the Company's 2021 annual results announcement dated 25 March 2022, the Company's auditors are of the opinion that, except for the fact that the 2020 Audit Qualifications formed the basis for the comparative figures presented in the Company's consolidated financial statements for the year ended 31 December 2021, the Company's consolidated financial statements give a true and fair view of its consolidated financial position as at 31 December 2021.

With a view to improve the Group's cash position, the Group has been proactively collecting trade receivables from customers and considerable progress has been made. Up to 31 December 2021, approximately 72.4% of the trade receivables after impairment as at 30 June 2021 have been subsequently settled. The total trade receivables of the Group has reduced from approximately RMB19.9 million as at 30 June 2021 to approximately RMB5.5 million as at 31 December 2021.

The Group will continue to proactively 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.

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 online to offline (“**O2O**”) commerce and electronic payment solutions. The Group has maintained its business operations despite 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.

The Company had announced on 17 November 2021 and 19 November 2021 in relation to the formation of joint venture and establishment of strategic cooperation with Xiamen Yizhimei Biotechnology Co., Limited* (廈門懿旨美生物科技有限公司) (the “**JV Partner**”). Zhangzhou Keruilin Biotechnology Co., Limited* (漳州市科睿琳生物科技有限公司) (the “**JV Company**”) was established in the PRC on 29 November 2021 which was owned as to 60% by the Group and 40% by the JV Partner. The principal business of the JV Company is the marketing, promotion and sale of health food in the PRC. Since the JV Company commenced its business operations in December 2021, it has procured sales of approximately RMB2 million up to 31 December 2021.

On 22 February 2022, after further discussion with the JV Partner, the Group acquired the remaining 40% equity interest in the JV Company from the JV Partner (the “**Acquisition**”). Since the completion of the Acquisition, the JV Company has become an indirect wholly owned subsidiary of the Company. The Board is of the view that the Acquisition enables the Group to capitalise on the JV Company's business development which could ramp up the Group's revenue. For further information on the Acquisition, please refer to the Company's announcement dated 22 February 2022.

During the period from 1 January 2022 to 28 February 2022, the JV Company had procured sales of approximately RMB1.7 million.

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 redeployed its human resources and streamlined its operational structure with the aim to enhance efficiency. The Board believes that such changes could reduce the Group's administrative expenses and reduce operating costs.

The Board will continue to review the Group's existing business operations from time to time and endeavours to improve the business operation and financial position of the Group by proactively looking for suitable cooperation opportunities in the PRC and Hong Kong which provides for opportunities to leverage our management expertise and experience, and to further expand the Group's O2O commerce business and to 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 the 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.

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, 31 March 2022

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, Mr. Poon Lai Yin Michael, Mr. Wang Haoxian and Mr. Leung Kwong Choi.

** For identification purposes only*