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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, 15 December 2021, 31 March 2022 and 29 June 2022 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

Pursuant to one of the resumption guidance issued by the Stock Exchange on 24 May 2021, the Company must publish 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 and reports of the Company (including the annual report for the year ended 31 December 2021 and interim report for the six months ended 30 June 2022) 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 the 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 and 2021 annual report published on 26 April 2022, the Company’s auditors are of the opinion that, except for the effects of the 2020 Audit Qualifications which 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.

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 and 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.

Despite the lingering challenges and economic impacts arising from the COVID-19 pandemic, the Group had made significant progress in improving its financial position. As disclosed in the 2022 interim report published on 23 September 2022, the loss before tax of the Group reduced from approximately RMB61.7 million for the six months ended 30 June 2021 to approximately RMB15.4 million for the six months ended 30 June 2022, representing a significant improvement of approximately 75.1%.

The Company has continued to take steps to improve and develop its business operations and the Group has achieved the following during the third quarter of 2022:

- (1) *Further streamlined the Group’s existing business and disposed underperforming subsidiaries and associate to enhance the Group’s profitability*

The Company had announced on 5 September 2022 that the Group had entered into a sale and purchase agreement with an independent third party to dispose of 27.4% equity interest of Shanghai Zewei Information Technology Co. Ltd.* (上海澤維信息技術有限公司), a then associate of the Company, which was principally engaged in the provision of information inquiries and sharing services, including without limitation, the supply of integrated mobile marketing solutions, research and development of computation software and provider of electronic business information enquiry and related services in the PRC.

The Company had also announced on 8 September 2022 that the Company had entered into a share repurchase agreement with LCE Group Limited (“**LCE Group**”), a then non-wholly owned subsidiary of the Company, to dispose of 51% of the issued share capital of LCE Group. Upon completion of the disposal of LCE Group, the Company ceased to have any interest in LCE Group and its wholly owned subsidiaries. The subsidiaries of LCE Group were principally engaged in the business of trading of goods, provision of marketing strategy and operation of online shop on e-commerce platforms in the PRC.

The above companies have underperformed and did not achieve satisfactory financial results. 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 underperforming 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. For further information on the above disposals, please refer to the Company’s announcement dated 5 September 2022 and 8 September 2022, respectively.

(2) *Continue effort to develop and expand the Group’s newly acquired business operation*

The Group has further developed and expanded the business of Xiamen Keruilin Biotechnology Co., Limited* (廈門市科睿琳生物科技有限公司) (“**Xiamen Keruilin**”) (previously known as Zhangzhou Keruilin Biotechnology Co., Limited* (漳州市科睿琳生物科技有限公司)), a wholly owned subsidiary of the Company, which is mainly engaged in the marketing, promotion and sale of a full range of consumer products in the PRC. For further information on the acquisition, please refer to the Company’s announcement dated 22 February 2022. Xiamen Keruilin currently sells various brands of health food products and alcoholic beverage, such as natural enzyme products, health drinks and liquors, to end customers or through distributors who then distribute the products to their end consumers.

Xiamen Keruilin has continued to demonstrate good signs of growth and development potential, as can be seen from the fact that during the period from 1 January 2022 to 31 August 2022, Xiamen Keruilin had procured sales of approximately RMB10.1 million. As at the date of this announcement, Xiamen Keruilin has also entered into cooperation memoranda of understanding with four distributors in the PRC which set out their expected purchase amount for alcoholic beverages from Xiamen Keruilin for the period from September 2022 to December 2023.

- (3) *Seized potential business opportunities through strategic cooperation with potential business partners with an aim to diversify the product mix and improve the overall financial performance of the Group*

The Company had announced on 30 September 2022 that the Group had entered into a memorandum of understanding (the “**MOU**”) with a potential business partner (the “**Business Partner**”), an independent third party, for a proposed acquisition of 60% equity interest of the Business Partner through capital injection by the Group or a proposed formation of a joint venture company in the PRC which will be owned as to 60% by the Group and 40% by the Business Partner (the “**Proposed Company**”). The Business Partner is a manufacturer of modular energy storage equipment and related products (the “**Energy Storage Products**”), which are predominantly sold and distributed in the PRC. According to the MOU, the Business Partner will grant to the Proposed Company a right to market and sell the Energy Storage Products, and the Group would inject the necessary operating capital to the Proposed Company. The Group and the Business Partner intend to enter into a formal agreement in connection with the acquisition or formation of the Proposed Company within 90 days from the date of the MOU.

The Board is of the view that such strategic cooperation between the Group and the Business Partner will replicate the success of the business model of Xiamen Keruilin and enable the Group to, amongst other things, (i) expand its O2O commerce business by diversifying its product mix; (ii) scale up its business operations and improve its financial performance; and (iii) enhance its competitiveness and presence in the fast-growing energy storage market in the PRC. For further information on the MOU, please refer to the Company’s announcement dated 30 September 2022.

The Board will continue to review the Group’s existing businesses 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. The Board will also continue to review the financial performance of the Group and adopt appropriate cost control measures in response to changing 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 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, 30 September 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 purpose only*