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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)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020 AND CONTINUED SUSPENSION OF TRADING

Reference is made to the announcement of Smartac International Holdings Limited (the “**Company**”) dated 30 March 2021 in relation to the delay in publication of 2020 Annual Results and the possible delay in dispatch of 2020 Annual Report and the announcement of the Company dated 15 April 2021 in relation to unaudited annual results for the year ended 31 December 2020 (the “**Unaudited Results**”) (the “**Unaudited Annual Results Announcement**”) (collectively, the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company herein presents the Audited Results of the Company and its subsidiaries (the “**Group**”) as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2020

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i> (Re-presented)
Revenue	3	191,648	25,797
Cost of sales and services		<u>(169,551)</u>	<u>(12,182)</u>
Gross profit		22,097	13,615
Fair value gain on investment properties		800	1,200
Other income	4	7,982	9,044
Selling expenses		(27,565)	(8,933)
Administrative expenses		(45,084)	(36,097)
Other operating expenses		(10,043)	(1,718)
(Allowance for)/reversal of allowance for trade receivables		(936)	150
Allowance for deposits and other receivables		(3,876)	(4)
Reversal of impairment loss on other receivables		18	190
Impairment loss on goodwill		–	(11,451)
Impairment loss on intangible assets		–	<u>(26,962)</u>
Loss from operations		(56,607)	(60,966)
Finance costs		(1,201)	(597)
Share of result of an associate		1,090	1,063
Loss before tax		(56,718)	(60,500)
Income tax (expense)/credit	6	(232)	8,100
Loss for the year		(56,950)	(52,400)
Other comprehensive income for the year:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(7,319)	3,756
Exchange differences reclassified to profit or loss on de-registration of a subsidiary		(1)	–
Other comprehensive income for the year, net of tax		<u>(7,320)</u>	<u>3,756</u>
Total comprehensive income for the year		<u>(64,270)</u>	<u>(48,644)</u>

	<i>Note</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i> (Re-presented)
Loss for the year attributable to:			
Owners of the Company		(49,408)	(37,926)
Non-controlling interests		<u>(7,542)</u>	<u>(14,474)</u>
		<u>(56,950)</u>	<u>(52,400)</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		(57,329)	(34,129)
Non-controlling interests		<u>(6,941)</u>	<u>(14,515)</u>
		<u>(64,270)</u>	<u>(48,644)</u>
LOSS PER SHARE			
Basic (RMB cents)	<i>7(a)</i>	<u>(0.88)</u>	<u>(0.67)</u>
Diluted (RMB cents)	<i>7(b)</i>	<u>(0.88)</u>	<u>(0.67)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Note</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		9,096	7,077
Investment properties		57,800	57,000
Right-of-use assets		8,136	4,096
Construction in progress		–	320
Goodwill		–	–
Intangible assets		433	459
Deposit for acquisition of intangible assets		2,800	–
Investment in an associate		5,024	3,934
Financial assets at fair value through other comprehensive income		–	–
		83,289	72,886
Current assets			
Inventories		22,349	3,310
Trade receivables	9	61,387	5,863
Prepayments, deposits and other receivables		27,886	13,661
Due from related parties		–	200
Current tax assets		139	139
Cash and cash equivalents		60,469	226,374
		172,230	249,547
Current liabilities			
Trade payables	10	2,505	1,590
Accruals and other payables		25,540	21,381
Contract liabilities		156	107
Due to a director		–	896
Due to related parties		–	5,949
Bank loans		8,000	9,000
Lease liabilities		3,393	1,330
Current tax liabilities		189	119
		39,783	40,372
Net current assets		132,447	209,175
Total assets less current liabilities		215,736	282,061

	<i>Note</i>	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Lease liabilities		3,012	675
Deferred tax liabilities		13,119	12,970
		<u>16,131</u>	<u>13,645</u>
NET ASSETS		<u>199,605</u>	<u>268,416</u>
Capital and reserves			
Share capital		252,439	252,439
Reserves		(74,325)	(10,850)
Equity attributable to owners of the Company		178,114	241,589
Non-controlling interests		21,491	26,827
TOTAL EQUITY		<u>199,605</u>	<u>268,416</u>

NOTES:

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”). IFRSs comprise International Financial Reporting Standards (“IFRS”); International Accounting Standards (“IAS”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

The Directors have given careful consideration to the going concern of the Group in light of the fact that the Group incurred a net loss of RMB56,950,000 and had net cash outflow from its operating activities of RMB142,022,000 for the year ended 31 December 2020.

In addition, the Company announced on 8 November 2020 that The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) has decided that the Company has failed to maintain a sufficient level of operations as required under Rule 13.24 of the Listing Rules to warrant the continued listing of the shares of the Company (the “Shares”), and that trading in the Shares shall be suspended under Rule 6.01(3) of the Listing Rules which would limit the Company’s ability to raise funds through equity financing.

In view of these circumstances, the Board has estimated the Group’s cash requirements by the preparation of a Group cashflow forecast for the next twelve months and the Board is of the opinion that, together with the internal financial resources of the Group, the Group has sufficient working capital for its present requirements, that is for at least the next twelve months commencing from the date of the consolidated financial statements. Hence, the consolidated financial statements have been prepared on a going concern basis.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Application of new and revised IFRSs

The Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendments to IFRS 16, COVID-19 Related Rent Concessions.

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments had no impact on the consolidated financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform

The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform.

The amendments had no impact on the consolidated financial statements of the Group as the Group is not affected by the interest rate benchmark reform.

Amendment to IFRS 16 COVID-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“**COVID-19 Related Rent Concessions**”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19 Related Rent Concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

(b) New and revised IFRSs in issue but not yet effective

Other than the amendments to IFRS 16 COVID-19 Related Rent Concessions, the Group has not early applied any new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2020. These new and revised IFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendments to IFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16 Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to IAS 37 Onerous contracts — cost of fulfilling a contract	1 January 2022
Annual Improvements to IFRSs 2018–2020 Cycle	1 January 2022
Amendments to IAS 1 Classification of liabilities as current or non-current	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. REVENUE

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major products or service lines and geographical regions:

For the year ended 31 December	Sales of merchandises		Commission income		Sales of hardware and software and installation service		Other IT support service		Other service income		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Primary geographical markets												
Hong Kong	146,116	-	1,944	3,423	-	-	169	-	24	-	148,253	3,423
People's Republic of China ("PRC") except Hong Kong	28,168	10,503	3,945	6,967	285	1,740	482	962	-	-	32,880	20,172
The United States	10,165	2,202	-	-	-	-	-	-	-	-	10,165	2,202
Others	350	-	-	-	-	-	-	-	-	-	350	-
Revenue from external customers	<u>184,799</u>	<u>12,705</u>	<u>5,889</u>	<u>10,390</u>	<u>285</u>	<u>1,740</u>	<u>651</u>	<u>962</u>	<u>24</u>	<u>-</u>	<u>191,648</u>	<u>25,797</u>
Timing of revenue recognition												
Goods and services transferred at a point in time	184,799	12,705	-	-	285	1,740	-	-	-	-	185,084	14,445
Services transferred over time	-	-	5,889	10,390	-	-	651	962	24	-	6,564	11,352
Total	<u>184,799</u>	<u>12,705</u>	<u>5,889</u>	<u>10,390</u>	<u>285</u>	<u>1,740</u>	<u>651</u>	<u>962</u>	<u>24</u>	<u>-</u>	<u>191,648</u>	<u>25,797</u>

4. OTHER INCOME

	2020	2019
	RMB'000	RMB'000
Bank interest income	1,179	2,714
Government grants*	1,390	702
Net foreign exchange gain	-	395
Gross rental income from investment properties	3,011	2,973
Property management fee and related income	1,917	1,867
Value added tax refund	75	120
Gain on disposal of property, plant and equipment	-	5
Gain on de-registration of a subsidiary	11	-
Gain on early termination of a lease	48	-
Gain on disposal of a subsidiary	3	-
Rent concession	32	-
Others	316	268
	<u>7,982</u>	<u>9,044</u>

* During the year, the Group recognised government grants of approximately HK\$768,000 (equivalent to RMB683,000) in respect of COVID-19 related subsidies, of which HK\$754,000 (equivalent to RMB670,000) related to Employment Support Scheme provided by the Hong Kong government. The remaining government grants represented government subsidy granted to enterprise, who had fulfilled certain requirements such as engaging in research and development activities, duly paid taxes in previous years, by the local government that the subsidiaries operate and the use of IT to support its business.

5. SEGMENT INFORMATION

The Group has three (2019: three) reportable segments as follows:

- (i) Online to Offline (“O2O”) commerce segment[#] – Management, operation and provision of market strategy of online and offline operations
- (ii) Electronic payment solutions segment* – Provision of electronic payment solutions and related services
- (iii) Others^Δ – Provision of IT system development and support services

[#] The name of this segment was “e-commerce solutions segment” prior to 2020. The name was changed as the Group considered it represents the business nature of this segment and its recent development more specifically.

* The name of this segment was “integrated digital marketing solutions segment” prior to 2020. The name was changed as the Group considered it represents the business nature of this segment more specifically.

^Δ The Group’s other reportable segment mainly represented O2O solutions segment prior to 2020. The chief operating decision maker considered this segment does not meet quantitative thresholds for determining a reportable segment.

The Group’s reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Each of the above operating segments corresponds to related subsidiaries engaging in the respective segment activities.

Segment profits or losses do not include corporate income and expenses and fair value change of the investment properties held and related tax impact. Segment assets do not include corporate assets and investment properties held. Segment liabilities do not include corporate liabilities and deferred tax liability relating to the investment properties.

(i) **Information about reportable segments profit or loss, assets and liabilities:**

	O2O commerce segment		Electronic payment solutions segment		Others		Total	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000 (re-presented)	2020 RMB'000	2019 RMB'000 (re-presented)	2020 RMB'000	2019 RMB'000 (re-presented)
Year ended 31 December								
Revenue from external customers	188,916	19,672	1,950	3,424	782	2,701	191,648	25,797
Segment (loss)/profit	<u>(36,983)</u>	<u>(43,535)</u>	<u>(475)</u>	<u>(1,150)</u>	<u>1,436</u>	<u>861</u>	<u>(36,022)</u>	<u>(43,824)</u>
Interest revenue	43	64	-	-	3	5	46	69
Interest expense	735	53	7	66	459	478	1,201	597
Depreciation and amortisation	4,238	8,062	454	1,048	474	715	5,166	9,825
Share of result of an associate	-	-	-	-	1,090	1,063	1,090	1,063
Income tax expense/(credit)	83	(8,349)	-	-	(51)	(51)	32	(8,400)
(Allowance for)/reversal of allowance for trade receivables	(923)	(7)	8	(8)	(21)	165	(936)	150
(Allowance for)/reversal of allowance for deposits and other receivables	(3,585)	(17)	(11)	20	(199)	(7)	(3,795)	(4)
Impairment loss on goodwill	-	11,451	-	-	-	-	-	11,451
Reversal of impairment loss on other receivables	18	190	-	-	-	-	18	190
Allowance for inventories	8,356	1,718	-	-	-	-	8,356	1,718
Impairment loss on non-current assets	1,550	26,962	-	-	-	-	1,550	26,962
Additions to segment non-current assets	<u>13,384</u>	<u>3,831</u>	<u>3</u>	<u>41</u>	<u>125</u>	<u>38</u>	<u>13,512</u>	<u>3,910</u>
At 31 December								
Segment assets	157,647	54,753	2,570	9,395	15,226	14,624	175,443	78,772
Segment liabilities	(21,150)	(14,747)	(1,703)	(3,938)	(11,644)	(12,449)	(34,497)	(31,134)
Investment in an associate [#]	-	-	-	-	5,024	3,934	5,024	3,934

The investment in an associate is classified under others segment as the management considered the business that the associate engaged was related to the business of that segment.

(ii) **Reconciliations of reportable segments:**

Revenue and profit or loss:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue		
Consolidated revenue	<u>191,648</u>	<u>25,797</u>
Profit or loss		
Total loss of reportable segments	(36,022)	(43,824)
Unallocated amounts:		
Fair value gain on investment properties	800	1,200
Deferred tax relating to fair value gain on investment properties	(200)	(300)
Unallocated head office and corporate expenses	<u>(21,528)</u>	<u>(9,476)</u>
Consolidated loss for the year	<u>(56,950)</u>	<u>(52,400)</u>

Assets and liabilities:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Assets		
Total assets of reportable segments	175,443	78,772
Unallocated amounts:		
Investment properties	57,800	57,000
Unallocated head office and corporate assets	<u>22,276</u>	<u>186,661</u>
Consolidated total assets	<u>255,519</u>	<u>322,433</u>
Liabilities		
Total liabilities of reportable segments	34,497	31,134
Unallocated amounts:		
Deferred tax liabilities relating to investment properties	12,683	12,483
Unallocated head office and corporate liabilities	<u>8,734</u>	<u>10,400</u>
Consolidated total liabilities	<u>55,914</u>	<u>54,017</u>

(iii) **Geographical information:**

The Group's revenue from external customers by location of operations was disclosed in note 3.

The majority of the Group's non-current assets are located in the PRC. Accordingly, no geographical analysis is presented.

(iv) **Revenue from major customers:**

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Customer A	23,053	–
Customer B	<u>20,430</u>	<u>–</u>

Each of the major customers represents a single external customer whose sale transaction is generated from O2O commerce segment of the Group.

6. INCOME TAX EXPENSE/(CREDIT)

Income tax has been recognised in profit or loss as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax — Hong Kong Profits Tax Provision for the year	<u>83</u>	<u>—</u>
Deferred tax Provision for the year	<u>149</u>	<u>(8,100)</u>
Income tax expense/(credit)	<u><u>232</u></u>	<u><u>(8,100)</u></u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.

Under the two-tiered Profits Tax regime, the first HK\$2 million of profits of the qualifying group entity established in Hong Kong will be charged at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%.

PRC Enterprise Income Tax (“EIT”) has been provided at a rate of 25% (2019:25%).

No provision for PRC EIT has been made in the consolidated financial statements since certain subsidiaries of the Group have sufficient tax loss brought forward to set off against the assessable profit for the years ended 31 December 2020 and 2019.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group’s subsidiaries operate, based on existing legislation, interpretation and practices in respect thereof.

One of the Group’s subsidiaries operating in Suzhou, the PRC, was recognised as an advance technology enterprise (高新技術企業) in 2019 and was entitled to enjoy an income tax concession at preferential rate of 15% effective from 1 January 2019. In order to enjoy the preferential rate of 15%, the subsidiary is required to apply for renewal every three years from first year of approval.

7. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of RMB49,408,000 (2019: RMB37,926,000) and the weighted average number of ordinary shares of 5,635,970,924 (2019: 5,635,970,924) in issue during the year.

(b) Diluted loss per share

No diluted loss per share for the year ended 31 December 2020 and 2019 is presented as the Company had no potential ordinary shares outstanding.

8. DIVIDENDS

The directors do not recommend payment of any dividend for the year ended 31 December 2020 (2019: Nil).

9. TRADE RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables (<i>note</i>)	62,686	6,273
Less: Allowance	(1,299)	(410)
	<u>61,387</u>	<u>5,863</u>

Note:

The Group's trading terms with customers are mainly on credit. The credit terms generally range from cash on delivery to 180 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

The ageing analysis of the Group's trade receivables, based on the invoice date, and net of allowance, is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Up to 3 months	55,904	5,799
3 to 6 months	5,369	10
6 months to 1 year	31	46
Over 1 year	83	8
	<u>61,387</u>	<u>5,863</u>

10. TRADE PAYABLES

The ageing analysis of the Group's trade payables, based on the date of receipt of goods or service consumed, is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Up to 3 months	1,768	882
3 to 6 months	29	–
6 months to 1 year	–	–
Over 1 year	708	708
	<u>2,505</u>	<u>1,590</u>

MATERIAL DIFFERENCES BETWEEN UNAUDITED RESULTS AND AUDITED RESULTS

The auditing process for the Audited Results had not been completed as at the date of publication of the Unaudited Annual Results Announcement. Since subsequent adjustments have been made to the Unaudited Results contained in the Unaudited Annual Results Announcement upon the completion of audit, shareholders and potential investors of the Company are advised to pay attention to certain differences between the Unaudited Results contained in the Unaudited Annual Results Announcement and the Audited Results in this announcement. Set out as below are principal details and reasons for the differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Disclosure in this announcement RMB'000	Disclosure in the Unaudited Annual Results Announcement RMB'000	Difference RMB'000	Notes
Other operating expenses	(10,043)	(8,493)	(1,550)	1
Loss from operations	(56,607)	(55,057)	(1,550)	1
Loss before tax	(56,718)	(55,168)	(1,550)	1
Loss for the year	(56,950)	(55,400)	(1,550)	1
Other comprehensive income for the year:				
<i>Items that may be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	(7,319)	(7,406)	87	1
Other comprehensive income for the year, net of tax	(7,320)	(7,407)	87	1
Total comprehensive income for the year	(64,270)	(62,807)	(1,463)	1
Loss for the year attributable to:				
Owners of the Company	(49,408)	(47,858)	(1,550)	1
Total comprehensive income for the year attributable to:				
Owners of the Company	(57,329)	(55,866)	(1,463)	1
LOSS PER SHARE				
Basic (RMB cents)	(0.88)	(0.85)	(0.03)	1
Diluted (RMB cents)	(0.88)	(0.85)	(0.03)	1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Disclosure in this announcement RMB'000	Disclosure in the Unaudited Annual Results Announcement RMB'000	Difference RMB'000	Notes
Non-current assets				
Property, plant and equipment	9,096	10,559	(1,463)	1
Deposit for acquisition of intangible assets	2,800	–	2,800	2
Total non-current assets	83,289	81,952	1,337	1, 2
Current assets				
Prepayments, deposits and other receivables	27,886	30,686	(2,800)	2
Total current assets	172,230	175,030	(2,800)	2
Net current assets	132,447	135,247	(2,800)	2
Total assets less current liabilities	215,736	217,199	(1,463)	1
NET ASSETS	199,605	201,068	(1,463)	1
Capital and reserves				
Reserves	(74,325)	(75,615)	1,290	1, 3
Equity attributable to owners of the Company	178,114	176,824	1,290	1, 3
Non-controlling interests	21,491	24,244	(2,753)	3
TOTAL EQUITY	199,605	201,068	(1,463)	1

Notes:

1. Impairment loss on property, plant and equipment of RMB1,550,000 was made in the Audited Results after taking into account of additional information in the impairment assessment performed by the management upon revision of the budget and business plan regarding the realisation of the Group's inventories through sales based on the recent performance.
2. Deposit of RMB2,800,000 for acquisition of intangible assets was reallocated to non-current assets in the Audited Results.
3. Being the effect of transfer of interest among the Company and non-controlling interest from acquisition of 30% equity interest in Haihai Limited ("Haihai").

Save as disclosed in this announcement and the corresponding adjustments in totals, percentages, ratios and comparative figures related to the above material differences, all other information contained in the Unaudited Annual Results Announcement remain unchanged.

EXTRACTS OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2020:

Qualified Opinion

In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraphs set out below, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

(a) Recoverability of trade receivables

As set out in note 29 to the consolidated financial statements, the carrying amount of trade receivables as at 31 December 2020 was RMB61,387,000 net of allowances of RMB1,299,000. Allowance for impairment of trade receivables charged to profit or loss for the year ended 31 December 2020 was RMB936,000. Up to the date of approval of these consolidated financial statements, trade receivables of RMB42,586,000 as at 31 December 2020 have not been settled. The Group has issued legal demand letters to a number of customers in respect of overdue amounts. In addition, we have not been provided with customer specific credit information in respect of new customers during the year ended 31 December 2020 with no prior credit history with the Group or existing customers who were in default of payment. As a result, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves that the allowance for impairment of trade receivables was properly stated as at 31 December 2020.

(b) Net realisable value of inventories

As set out in note 28 to the consolidated financial statements, the carrying amount of inventories as at 31 December 2020 was RMB22,349,000 net of allowance of RMB9,873,000. Allowance for inventories charged to profit or loss for the year ended 31 December 2020 was RMB8,356,000. Up to the date of approval of these consolidated financial statements, inventories of approximately RMB2.5 million have been realised through sales. The sales forecast prepared by the management for the period to 31 December 2021 shows that realisation of inventories will continue to be slow due to the uncertain market conditions. As a result, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves that the allowance for net realisable value of the inventories was properly stated as at 31 December 2020.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MANAGEMENT DISCUSSION AND ANALYSIS

Caution regarding forward-looking statements

This Management Discussion and Analysis contains forward-looking statements which reflect the Company’s current beliefs with respect to future events and are based on information currently available to the Company. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. When reviewing the Company’s forward-looking statements, investors and others should not place undue reliance on these forward-looking statements and should carefully consider the foregoing factors and other uncertainties and potential events. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update the forward-looking statements. The Company has an ongoing obligation to disclose material information as it becomes available.

Business Review

The Company is an investment holding company, and its subsidiaries mainly provide (i) O2O commerce, and (ii) electronic payment solutions and related services.

(i) O2O commerce segment

During the year ended 31 December 2020, the Group integrated the online and offline operations in Hong Kong and the PRC with a view to consolidate its resources and concentrate its efforts to enhance the Group’s capabilities as an e-commerce service provider. The O2O commerce segment is mainly involved in (i) provision of integrated online and offline commerce solutions for licensed brands; (ii) provision of innovative e-tailing solutions for the sales and distribution of branded goods; and (iii) provision of customised supply chain management solutions for enterprises.

With regard to the e-tailing solutions business, online retailing has increased in popularity in the wake of social distancing measures implemented since the COVID-19 outbreak. To capitalise on this trend, the Group has been proactively exploring opportunities by way of launching new products, optimizing its existing product offerings and expanding its clientele by cooperating with leading brands from around the world, along with major e-commerce platforms such as T-mall and JD.com and suppliers. Moreover, the Group has built an experienced e-commerce team in the PRC in early 2020, which is tasked with setting up retail outlets and conducting promotions on the internet. Worth noting as well is the Group's signing of franchise agreements with the international luxury lifestyle brand Stella McCartney in March 2020 to sell its fashion apparel and accessories in the PRC. Furthermore, the Group entered into a distribution agreement with Nutronic Healthcare Company Limited and Nutronic Biomedical Group Limited (wholly-owned subsidiaries of Huakang Biomedical Holdings Company Limited (HKEX stock code: 8622)) in September 2020 for the exclusive right to sell, market and distribute fertility-enhancing supplements under the Nutronic brands.

On the brick-and-mortar front, the softening of the rental market and decline in staff costs, as well as travel restrictions that have driven local consumption, have combined to create the perfect opportunity for the Group to enter the Hong Kong retail market. The Group has thus established physical presence in the city since October 2020 by introducing two international beauty brands, namely, Grace Cole and Mimi Luzon. Four pop-up stores and one concept store have been opened in popular shopping malls and department stores respectively. As a leading British brand renowned for its fragrant bath and body products, Grace Cole was well received not only in Hong Kong, but also in Southeast Asia. As for Mimi Luzon, a top skincare brand from Israel, although the products received encouraging response, the concept store was intermittently closed as part of measures to halt the spread of the COVID-19 virus.

The Group also actively explored new business opportunities, including from the Hong Kong Government's Distance Business Programme under the Anti-epidemic Fund. In addition to providing online and offline WeChat Pay services for merchants under the electronic payment solutions segment, the Group also assisted them in expanding their online and offline presence through setting up of WeChat official accounts, WeChat Mall(s) and WeChat mini programs, which enhance the reach and visibility of the Group's O2O commerce business among the population.

Segment revenue for the year ended 31 December 2020 soared by 860.3% to approximately RMB188,916,000 (2019: approximately RMB19,672,000), representing approximately 98.6% of the Group's total revenue. The upsurge was mainly due to the addition of supply chain solutions business and e-tailing solutions business when online consumption began to accelerate amid the COVID-19 outbreak.

(ii) Electronic payment solutions segment

The electronic payment solutions segment provides mobile payment services in Hong Kong through a subsidiary of the Company, Haihai, to merchants with payment access, settlement and marketing functions offered by WeChat Pay. Haihai has been working with merchants principally engaged in retailing, including medical and pharmaceutical services, cosmetics and beauty, jewelry, apparel, food and beverage, etc., so as to offer customers a more convenient and fast mobile payment option when making both online and offline purchases.

Segment revenue for the year ended 31 December 2020 slipped by 43.0% to approximately RMB1,950,000 (2019: approximately RMB3,424,000). The decline was mainly due to the drop in WeChat Pay transaction value as a result of significantly fewer tourists and reduced local spending during the pandemic.

Financial Review

The Group recorded a significant revenue increase of 642.9% from approximately RMB25,797,000 for the year ended 31 December 2019 to approximately RMB191,648,000 for the year ended 31 December 2020, which was mainly attributable to the revenue growth from the O2O commerce segment by approximately RMB169,244,000 through the provision of supply chain solutions business and e-tailing solutions business.

Cost of sales and services mainly included cost of merchandises sold under the O2O commerce segment. The amount rose from approximately RMB12,182,000 for the year ended 31 December 2019 to approximately RMB169,551,000 for the year ended 31 December 2020 mainly due to the increase in cost of merchandises sold under the supply chain solutions business and the e-tailing solutions business.

Selling expenses mainly included employee benefit expenses of sales and marketing staff, marketing and promotion expenses, e-commerce platform charges and logistics and warehouse expenses. The balance increased from approximately RMB8,933,000 for the year ended 31 December 2019 to approximately RMB27,565,000 for the year ended 31 December 2020 mainly attributable to the increase in headcounts of sales and marketing staff and marketing and promotion expenses incurred for the O2O commerce business.

Administrative expenses mainly included employee benefit expenses of corporate and administrative staff, legal and professional fee, depreciation and office expenses. The balance increased from approximately RMB36,097,000 for the year ended 31 December 2019 to approximately RMB45,084,000 for the year ended 31 December 2020 mainly due to the increase in corporate legal and professional fee and employee benefit expenses.

Other operating expenses mainly represented allowance for inventories and impairment of property, plant and equipment. The amount increased from approximately RMB1,718,000 for the year ended 31 December 2019 to approximately RMB10,043,000 mainly due to low realisation of inventories through sales.

Prospects

In light of vaccine rollouts, control of the COVID-19 pandemic is expected in the future, which in turn will boost consumption sentiment. The management therefore anticipates the global economy will return to a positive trajectory. While the virus will eventually be defeated, one trend that will continue is the shift towards online consumption, an area that the Group has invested considerable resources into developing over the past year.

In terms of product categories, the management has set its sights on health supplements and beauty products, which possess great market potential in the PRC and Hong Kong, especially the former, driven by the public's heightened concerns over their health since the pandemic. Consequently, the Group will source more brands from Hong Kong and overseas that have been eyeing the vast PRC online market.

Leveraging the initial success of Grace Cole in Hong Kong and Southeast Asia, the Group's e-commerce team has within a short time period, i.e. in January 2021, set up a flagship store for Grace Cole on T-mall, which is a testament to the Group's effective business strategy of incubating international brands in Hong Kong before making a push into the PRC market. With the maturing e-commerce business, supported by an experienced team of professionals, the management is confident that this business will grow steadily, and the Group will be able to reap its rewards.

As regards the WeChat Pay business, the entry restrictions in Hong Kong and the PRC will be lifted once the pandemic is under control, which will lead to a revival of inbound tourists.

Looking ahead, the Group aspires to offer integrated online and offline one-stop solutions to a portfolio of high-quality overseas brands, and acquire a group of high-value customers, so as to ultimately create greater value for its shareholders.

Liquidity and financial resources

As at 31 December 2020, the Group's bank and cash balances were approximately RMB60,469,000 (at 31 December 2019: approximately RMB226,374,000) and bank loans were RMB8,000,000 (at 31 December 2019: RMB9,000,000). All bank loans were denominated in Renminbi and repayable within one year. Bank loans of RMB8,000,000 were arranged at fixed interest rates as at 31 December 2020 (at 31 December 2019: RMB9,000,000). The bank loans were secured by charge over the right-of-use assets, building, investment properties and personal guarantee provided by a director of subsidiaries of the Company. The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
US\$	1,964	51
HK\$	43,048	212,664
RMB	15,419	13,652
Others	38	7
	<u>60,469</u>	<u>226,374</u>

As disclosed in 2018 annual report, the Company had completed the placing of 812,500,000 ordinary shares on 12 December 2018 which generated a net proceed of approximately RMB226,926,000 (equivalent to approximately HK\$257,380,000 after deducting relevant expenses incurred in relation to the placing), which was mainly used as general working capital for existing business and for investment of new business in the upstream and downstream of the Group's principal business if opportunities arise.

As at 31 December 2020, the aforesaid net proceed uses which are consistent with the intended use of proceeds has been applied as follows:

	Intended use of proceeds <i>HK\$'000</i>	Utilised amount of proceeds <i>HK\$'000</i>	Unutilised amount of proceeds <i>HK\$'000</i>
(i) General working capital for existing business	257,380 (for both (i) and (ii))	218,522 (for both (i) and (ii))	38,858 (for both (i) and (ii))
(ii) Investment of new business in the upstream and downstream of the Group's principal business	<u> </u>	<u> </u>	<u> </u>
Total	<u>257,380</u>	<u>218,522</u>	<u>38,858</u>

The unutilised proceeds, which being placed at the Group's bank accounts as at 31 December 2020, are expected to be utilised as intended (i.e. general working capital for existing business of the Group and for investment of new business in the upstream and downstream of the Group's principal business if opportunities arise) for the coming six months period up to June 2021.

Human resources

As at 31 December 2020, the Group had 154 employees (at 31 December 2019: 97 employees). Employee benefits expenses (including directors' emoluments) for the year ended 31 December 2020 were approximately RMB32,834,000 (2019: approximately RMB23,748,000). Employees were remunerated based on their performance, experience and prevailing industry practice. The Company has adopted a share option scheme for eligible persons and discretionary bonuses are payable to staff based on performance and in accordance with the Group's overall remuneration policies.

Pledged assets

As at 31 December 2020, the Group's banking facilities and bank loans totalling RMB8,000,000 (2019: RMB9,000,000) are secured by:

- Charge over the Group's building located in the PRC with carrying amount of approximately RMB4,542,000 (2019: approximately RMB4,812,000);
- Charge over the Group's investment properties with fair value of approximately RMB57,800,000 (2019: approximately RMB57,000,000);
- Charge over the Group's right-of-use assets related to leasehold lands in the PRC with carrying amount of approximately RMB1,950,000 (2019: approximately RMB2,006,000); and
- Personal guarantee from a director of the Company's subsidiaries.

Foreign exchange exposure

Major subsidiaries of the Group operate in the PRC and most of the transactions are denominated in Renminbi. As certain of the Group's monetary assets and liabilities are denominated in Hong Kong dollars and United States dollars, any significant exchange rate fluctuations of Hong Kong dollars and United States dollars against Renminbi may have financial impacts to the Group. Currently, the Group does not use any derivative financial instruments. Nevertheless, the Group will review the risk from time to time and take response measures if necessary.

Contingent liabilities

The Company acquired 51% equity interests in LCE Group Limited (“**LCE Group**”) from the vendor (a BVI company) in 2017. This transaction is regarded as indirect transfer of the PRC subsidiaries of LCE Group by non-tax residents and fall within the scope as described in the Public Notice [2015] No. 7 (“**Public Notice 7**”) issued by the State Administration of Taxation (the “**SAT**”).

The capital gain derived from such indirect transfer will be subject to EIT and the withholding agent should withhold the EIT amount for settlement with the PRC tax authorities pursuant to the Public Notice [2017] No. 37 and Public Notice 7 issued by the SAT. The PRC tax authorities would demand from the withholding agent for the payment of EIT and impose penalty of 50% to 3 times of the unpaid EIT. The penalty may be relieved if the share transfer transaction has been voluntarily reported to the PRC tax authorities.

On 28 December 2017, the Group paid RMB58,358,000 (equivalent to HK\$70,000,000) to the vendor. On 25 June 2018, the Company issued consideration shares of RMB5,414,000 (equivalent to HK\$6,541,000) to the vendor as part of the consideration. Neither the Group nor the vendor has reported the share transfer transaction or has settled the EIT to the PRC tax authorities upon consideration being partially settled according to the sale and purchase agreement. The Board was of opinion that a provision of RMB5,581,000 calculated based on the cash consideration paid to the vendor as of 31 December 2017 and further provision of RMB566,000 regarding the shares granted during 2018 was sufficiently made. They considered that the risk of having a penalty imposed by the PRC tax authorities arising from non-compliance was reasonably low.

Apart from the above, the Group has no other material contingent liabilities as at 31 December 2019 and 2020.

Non-adjusting events after the reporting period

On 7 May 2021, the Company has withdrawn its request for the Listing Committee of the Stock Exchange’s decision to uphold the decision of the Stock Exchange to suspend trading in the Shares under Rule 6.01(3) of the Listing Rules for failure to maintain a sufficient level of operations as required under Rule 13.24 of the Listing Rules to warrant the continued listing of the Shares and to proceed with cancellation of the listing of the Shares under Rule 6.01A(1) of the Listing Rules if trading remains suspended for a continuous period of 18 months to be referred to the Listing Review Committee of the Stock Exchange for review pursuant to Rule 2B.06(2) of the Listing Rules. Pursuant to Rule 6.01A of the Listing Rules, the Company shall have a period of 18 months from 1 April 2021 (being the date from which trading in the Shares on the Stock Exchange has been suspended), expiring on 30 September 2022 to take appropriate actions to demonstrate its compliance with Rule 13.24 of the Listing Rules, failing which the Stock Exchange may cancel the listing of the Shares. Further announcements will be made by the Company in respect of this matter as and when appropriate and in accordance with the Listing Rules.

Comparative figures

The expenses presented in the consolidated statement of profit or loss and other comprehensive income have been changed from the classification by nature to classification by function as the Board considers that the new presentation is more appropriate to the financial statements following the diversification of the Group's business for the year ended 31 December 2020.

DIVIDEND

The Board does not recommend payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 25 June 2021 (Friday) to 30 June 2021 (Wednesday), both days inclusive, during which period no transfer of Shares will be registered. In order to qualify to attend and vote at the Company's annual general meeting to be held on 30 June 2021, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 24 June 2021 (Thursday).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

The Company has complied with the Code Provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2020.

Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules ("Model Code")

The Company has adopted a code of conduct regarding directors' securities transactions in terms as stringent as those set out in the Model Code. All Directors, following specific enquiries made by the Company, confirmed that they have complied with the required standard of dealings as set out therein throughout the year ended 31 December 2020.

THE AUDIT COMMITTEE

The Audit Committee currently has three members comprising Dr. Cheng Faat Ting Gary (chairman), Mr. Poon Lai Yin Michael and Mr. Peng Bobo, all being independent non-executive Directors. The primary duties of the Audit Committee are mainly to review and supervise the financial reporting process and internal control system of the Group.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group; discussed internal controls, risk management and financial reporting matters; and reviewed the Audited Results contained herein.

LISTING STATUS

Reference is made to the announcements of the Company dated 8 November 2020, 10 November 2020, 23 February 2021 and 26 February 2021 in relation to, inter alia, (i) the decision of the Stock Exchange to suspend trading in the Shares under Rule 6.01(3) of the Listing Rules for failure to maintain a sufficient level of operations as required under Rule 13.24 of the Listing Rules to warrant the continued listing of the Shares and to proceed with cancellation of the listing of the Shares under Rule 6.01A(1) of the Listing Rules if trading remains suspended for a continuous period of 18 months (the “**LD’s Decision**”); (ii) the Company’s request to refer the LD’s Decision to the Listing Committee of the Stock Exchange (the “**Listing Committee**”) for review pursuant to Rule 2B.06(1) of the Listing Rules; (iii) the Listing Committee’s decision to uphold the LD’s Decision (the “**LC’s Decision**”); and (iv) the Company’s request to refer the LC’s Decision to the Listing Review Committee of the Stock Exchange (the “**Listing Review Committee**”) for review pursuant to Rule 2B.06(2) of the Listing Rules, respectively.

On 7 May 2021, the Company has withdrawn its request for the LC’s Decision to be referred to the Listing Review Committee for review. Pursuant to Rule 6.01A of the Listing Rules, the Company shall have a period of 18 months from 1 April 2021 (being the date from which trading in the Shares on the Stock Exchange has been suspended), expiring on 30 September 2022 to take appropriate actions to demonstrate its compliance with Rule 13.24 of the Listing Rules, failing which the Stock Exchange may cancel the listing of the Shares. Further announcements will be made by the Company in respect of this matter as and when appropriate and in accordance with the Listing Rules.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2021 due to the delay in publication of 2020 Annual Results and will remain suspended until the Company fulfills the resumption guidance as set out in the letter from the Stock Exchange dated 24 May 2021 pursuant to the announcement of the Company dated 25 May 2021.

PRELIMINARY ANNOUNCEMENT OF AUDITED RESULTS AGREED WITH AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this preliminary announcement have been agreed with the Group's auditors, RSM Hong Kong, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by RSM Hong Kong on the preliminary announcement.

PUBLICATION OF AUDITED RESULTS ANNOUNCEMENT AND 2020 ANNUAL REPORT

This announcement is published on the websites of the Company (www.smartacgroup.com) and the Stock Exchange (www.hkexnews.hk). The 2020 Annual Report will be dispatched to the Shareholders and published on the above websites in due course.

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

Hong Kong, 31 May 2021

As at the date of this announcement, the Board comprises (i) one executive Director, namely, Mr. Yang Xin Min (Chairman and Chief Executive Officer); and (ii) three independent non-executive Directors, namely Dr. Cheng Faat Ting Gary, Mr. Poon Lai Yin Michael and Mr. Peng Bobo.