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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)**

### **2021 INTERIM RESULTS ANNOUNCEMENT AND CONTINUED SUSPENSIONS OF TRADING**

The Board of Directors (the “**Board**”) of Smartac International Holdings Limited (the “**Company**”) presented the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2021 together with the comparative figures. The condensed consolidated interim financial statements (the “**Interim Financial Statements**”) have not been audited, but have been reviewed by the Company’s audit committee (the “**Audit Committee**”).

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

*For the six months ended 30 June 2021*

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2021</b>	2020
		<b>RMB'000</b>	<b>RMB'000</b>
			(Re-presented)
<b>Revenue</b>	4	<b>35,032</b>	53,562
Cost of sales and services		<u>(24,410)</u>	<u>(45,237)</u>
Gross profit		<b>10,622</b>	8,325
Other income		<b>3,430</b>	4,936
Selling expenses		<b>(14,728)</b>	(10,283)
Administrative expenses		<b>(21,798)</b>	(19,578)
Other operating expenses		<b>(12,283)</b>	–
Allowance for trade receivables		<b>(28,585)</b>	–
Allowance for deposits and other receivables		<b>(1,193)</b>	–
Gain on de-registration of a subsidiary		–	11
Reversal of impairment loss on other receivables		–	20
<b>Loss from operations</b>		<b>(64,535)</b>	(16,569)
Finance costs		<b>(796)</b>	(517)
Share of profit of an associate		<b>3,588</b>	584
<b>Loss before tax</b>		<b>(61,743)</b>	(16,502)
Income tax credit	5	<u>91</u>	<u>26</u>
<b>Loss for the period</b>		<b>(61,652)</b>	(16,476)
<b>Other comprehensive income:</b>			
<i>Items that will be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<b>(1,099)</b>	2,932
Exchange difference reclassified to profit or loss on de-registration of a subsidiary		<u>–</u>	<u>(1)</u>
<b>Other comprehensive income for the period, net of tax</b>		<b>(1,099)</b>	2,931
<b>Total comprehensive income for the period</b>		<b><u>(62,751)</u></b>	<b><u>(13,545)</u></b>

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2021</b>	<b>2020</b>
<i>Note</i>		<b>RMB'000</b>	<b>RMB'000</b>
		(Re-presented)	
<b>Loss for the period attributable to:</b>			
	Owners of the Company	<b>(56,179)</b>	(15,450)
	Non-controlling interests	<b>(5,473)</b>	(1,026)
		<u><b>(61,652)</b></u>	<u>(16,476)</u>
<b>Total comprehensive income for the period attributable to:</b>			
	Owners of the Company	<b>(57,331)</b>	(12,509)
	Non-controlling interests	<b>(5,420)</b>	(1,036)
		<u><b>(62,751)</b></u>	<u>(13,545)</u>
<b>Loss per share</b>			
	Basic (RMB cents)	<b>(1.00)</b>	(0.27)
	Diluted (RMB cents)	<b>(1.00)</b>	(0.27)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	<i>Note</i>	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		8,578	9,096
Investment properties		57,800	57,800
Construction in progress		145	–
Right-of-use assets		6,918	8,136
Goodwill		–	–
Intangible assets		354	433
Deposit for acquisition of intangible assets		2,800	2,800
Investment in an associate		8,612	5,024
Financial assets at fair value through other comprehensive income		–	–
		<u>85,207</u>	<u>83,289</u>
<b>Current assets</b>			
Inventories		11,693	22,349
Trade receivables	8	19,942	61,387
Prepayments, deposits and other receivables		33,685	27,886
Current tax assets		139	139
Cash and cash equivalents		47,033	60,469
		<u>112,492</u>	<u>172,230</u>
<b>Current liabilities</b>			
Trade payables	9	1,844	2,505
Accruals and other payables		25,428	25,540
Contract liabilities		5,376	156
Bank loans		9,600	8,000
Lease liabilities		3,613	3,393
Current tax liabilities		110	189
		<u>45,971</u>	<u>39,783</u>

	<i>Note</i>	<b>Unaudited 30 June 2021 RMB'000</b>	Audited 31 December 2020 RMB'000
<b>Net current assets</b>		<u>66,521</u>	<u>132,447</u>
<b>Total assets less current liabilities</b>		<u>151,728</u>	<u>215,736</u>
<b>Non-current liabilities</b>			
Lease liabilities		1,782	3,012
Deferred tax liabilities		<u>13,092</u>	<u>13,119</u>
		<u>14,874</u>	<u>16,131</u>
<b>NET ASSETS</b>		<u><u>136,854</u></u>	<u><u>199,605</u></u>
<b>Capital and reserves</b>			
Share capital		252,439	252,439
Reserves		<u>(131,656)</u>	<u>(74,325)</u>
Equity attributable to owners of the Company		<u>120,783</u>	178,114
Non-controlling interests		<u>16,071</u>	<u>21,491</u>
<b>TOTAL EQUITY</b>		<u><u>136,854</u></u>	<u><u>199,605</u></u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the six months ended 30 June 2021*

### 1. BASIS OF PREPARATION

The Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standard Board (the “IASB”) and the applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Interim Financial Statements should be read in conjunction with the 2020 annual financial statements. The accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2020.

### 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies applied in these financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2020. In the current period, the Group has adopted all the new and revised International Financial Reporting Standards issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2021 but they do not have a material effect on the Group’s financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

### 3. SEGMENT INFORMATION

The Group has three (2020: three) reportable segments as follows:

- |   |   |   |
|---|---|---|
| (i) Online to Offline (“O2O”) commerce segment <sup>#</sup> | — | 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 <sup>Δ</sup>                                   | — | Provision of IT system development and support services                                 |

<sup>#</sup> The name of this segment was “e-commerce solutions segment” prior to 30 June 2020. The name was changed as the Group considered it represents the business nature of this segment and its recent development more specifically.

<sup>Δ</sup> The Group’s other reportable segment mainly represented “O2O solutions segment” prior to 30 June 2020. The chief operating decision maker considered this segment does not meet quantitative thresholds for determining a reportable segment.

Information about operating segment profit or loss and assets and liabilities:

	Unaudited							
	O2O commerce segment		Electronic payment solutions segment		Others		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020	2021	2020	2021	2020
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
			(Re-presented)		(Re-presented)		(Re-presented)	
Revenue from external customers	<u>33,403</u>	<u>51,369</u>	<u>1,163</u>	<u>953</u>	<u>466</u>	<u>1,240</u>	<u>35,032</u>	<u>53,562</u>
Segment (loss)/profit	<u>(56,167)</u>	<u>(8,631)</u>	<u>249</u>	<u>(773)</u>	<u>3,503</u>	<u>1,192</u>	<u>(52,415)</u>	<u>(8,212)</u>
Interest revenue	14	20	-	1	3	2	17	23
Interest expense	342	265	-	7	454	245	796	517
Depreciation and amortisation	2,447	1,609	7	456	302	222	2,756	2,287
Share of profit of an associate <sup>#</sup>	-	-	-	-	3,588	584	3,588	584
Income tax credit	65	-	-	-	26	26	91	26
Allowance/(reversal of allowance) for trade receivables	28,622	-	-	-	(37)	-	28,585	-
Allowance/(reversal of allowance) for deposits and other receivables	1,233	-	(6)	-	(18)	-	1,209	-
Allowance for inventories	12,283	-	-	-	-	-	12,283	-
Reversal of impairment loss on other receivables	<u>-</u>	<u>20</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20</u>
	<b>Unaudited 30 June 2021</b>	<b>Audited 31 December 2020</b>	<b>Unaudited 30 June 2021</b>	<b>Audited 31 December 2020</b>	<b>Unaudited 30 June 2021</b>	<b>Audited 31 December 2020</b>	<b>Unaudited 30 June 2021</b>	<b>Audited 31 December 2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Segment assets	94,137	157,647	2,668	2,570	20,603	15,226	117,408	175,443
Segment liabilities	(25,598)	(21,150)	(2,040)	(1,703)	(13,510)	(11,644)	(41,148)	(34,497)
Investment in an associate	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,612</u>	<u>5,024</u>	<u>8,612</u>	<u>5,024</u>

<sup>#</sup> 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.

**Unaudited**  
**Six months ended 30 June**  
**2021**                      2020  
**RMB'000**                      **RMB'000**

<b>Revenue</b>		
Consolidated revenue	<u><b>35,032</b></u>	<u>53,562</u>
<b>Reconciliation of segment profit or loss:</b>		
Total loss of reportable segments	<b>(52,415)</b>	(8,212)
Unallocated amounts:		
Unallocated head office and corporate expenses	<u><b>(9,237)</b></u>	<u>(8,264)</u>
Consolidated loss for the period	<u><b>(61,652)</b></u>	<u>(16,476)</u>

#### 4. REVENUE

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers.

In the following table, revenue is disaggregated by primary geographical market and timing of revenue recognition.

For the six months ended 30 June	Unaudited											
	Sale of merchandises		Commission income		Sales of hardware and		Others IT support		Other service income		Total	
					software and		service					
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Primary geographical markets</b>												
Hong Kong	16,913	29,618	1,161	910	-	-	554	-	43	43	18,671	30,571
People's Republic of China ("PRC") except Hong Kong	12,524	9,787	1,587	1,765	56	123	410	362	-	755	14,577	12,792
The United States	1,784	10,199	-	-	-	-	-	-	-	-	1,784	10,199
Total	<u>31,221</u>	<u>49,604</u>	<u>2,748</u>	<u>2,675</u>	<u>56</u>	<u>123</u>	<u>964</u>	<u>362</u>	<u>43</u>	<u>798</u>	<u>35,032</u>	<u>53,562</u>
<b>Timing of revenue recognition</b>												
Goods and services transferred at a point in time	31,221	49,604	-	-	56	123	-	-	-	-	31,277	49,727
Services transferred over time	-	-	2,748	2,675	-	-	964	362	43	798	3,755	3,835
Total	<u>31,221</u>	<u>49,604</u>	<u>2,748</u>	<u>2,675</u>	<u>56</u>	<u>123</u>	<u>964</u>	<u>362</u>	<u>43</u>	<u>798</u>	<u>35,032</u>	<u>53,562</u>



The following table provides information about receivables and contract liabilities from contracts with customers:

	<b>Unaudited 30 June 2021 RMB'000</b>	Audited 31 December 2020 RMB'000
Trade receivables	<b>19,942</b>	61,387
Contract liabilities	<b>5,376</b>	156

The contract liabilities primarily relate to the advance consideration received from customers for advertising service, for which revenue is recognised over time.

The amount of RMB133,000 recognised in contract liabilities at the beginning of the period has been recognised as revenue for the six months ended 30 June 2021.

## 5. INCOME TAX CREDIT

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

	<b>Unaudited Six months ended 30 June 2021 RMB'000</b>	2020 RMB'000
<b>Current tax</b>		
<b>Hong Kong Profits Tax</b>		
Over-provision in prior year	79	–
<b>The United States corporate income tax</b>		
Provision for the period	(13)	–
	<b>66</b>	–
<b>Deferred Tax</b>		
Provision for the period	25	26
Income tax credit	<b>91</b>	26

## 6. DIVIDENDS

The directors do not recommend the payment of any dividend for the six months ended 30 June 2021 (2020: Nil).

## 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 period attributable to owners of the Company of approximately RMB56,179,000 (2020: RMB15,450,000) and the weighted average number of ordinary shares of 5,635,970,924 (2020: 5,635,970,924) in issue during the period.

### (b) Diluted loss per share

No diluted loss per share for the period ended 30 June 2021 (2020: Nil) is presented as the Company had no potential ordinary shares outstanding.

## 8. TRADE RECEIVABLES

	<b>Unaudited</b> <b>30 June</b> <b>2021</b> <i>RMB'000</i>	Audited 31 December 2020 <i>RMB'000</i>
Trade receivables ( <i>note</i> )	<b>49,815</b>	62,686
Less: Allowance	<b>(29,873)</b>	(1,299)
	<b>19,942</b>	61,387

*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. 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:

	<b>Unaudited</b> <b>30 June</b> <b>2021</b> <i>RMB'000</i>	Audited 31 December 2020 <i>RMB'000</i>
Up to 3 months	<b>6,770</b>	55,904
3 to 6 months	<b>5,138</b>	5,369
6 months to 1 year	<b>7,948</b>	31
Over 1 year	<b>86</b>	83
	<b>19,942</b>	61,387

## 9. TRADE PAYABLES

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

	<b>Unaudited</b> <b>30 June</b> <b>2021</b> <i>RMB'000</i>	Audited 31 December 2020 <i>RMB'000</i>
Up to 3 months	<b>1,083</b>	1,768
3 to 6 months	<b>20</b>	29
6 months to 1 year	<b>15</b>	–
Over 1 year	<b>726</b>	708
	<hr/> <b>1,844</b> <hr/>	<hr/> 2,505 <hr/>

## 10. SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Group did not have any significant investments, material acquisitions and disposals during the period.

## 11. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

There were no material non-adjusting events after the reporting period.

## 12. COMPARATIVE FIGURES

The expenses presented in the condensed consolidated statement of profit or loss and other comprehensive income have been changed from the classification by nature to classification by function as the directors consider that the new presentation is more appropriate to the condensed consolidated financial statements following the diversification of the Group's business.

## 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.

### Review of results and operations

#### *Business Review*

##### *(i) O2O commerce segment*

The Group redeployed the online and offline operations in Hong Kong and the PRC with a view to consolidate its resources and optimize its channels to enhance the Group's capabilities as an e-commerce service provider. As of 30 June 2021, the O2O commerce segment is mainly involved in (i) provision of 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.

In March 2020, the Group signed franchise agreements with an international luxury lifestyle brand, namely Stella McCartney, gaining the rights to sell its fashion apparel and accessories in the PRC. Since October last year, the Group introduced Grace Cole, a leading British brand renowned for its fragrant bath and body products, and opened a number of physical stores in popular shopping malls in Hong Kong. On the other hand, the Group also expanded its product range to include healthcare products and red wine, aiming to enhance product diversity.

In the fourth quarter of last year, the Group established a company with Huakang Biomedical Holdings Company Limited (HKEX stock code: 8622) for marketing and distributing of fertility-enhancing supplements and other healthcare products under the brand "Nutronic". The company exploits both online and offline cross-regional sales channels to conduct sales in both the PRC and Hong Kong.

Segment revenue for the six months ended 30 June 2021 decreased by 35% to approximately RMB33,403,000 (corresponding period in previous year: approximately RMB51,369,000), representing approximately 95.3% of the Group's total revenue. The decrease in segment revenue was mainly attributable to the fact that the Group started to reduce its investment in the supply chain management solutions business in the second quarter of 2021.

*(ii) Electronic payment solutions segment*

The electronic payment solutions segment provides mobile payment services in Hong Kong through a subsidiary of the Company, Haihai Limited (“**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 faster and more convenient mobile payment option when making both online and offline purchases.

Segment revenue for the six months ended 30 June 2021 increased by 22% to RMB1,163,000 (corresponding period in previous year: RMB953,000), representing 3.3% of the Group’s total revenue. The increase was mainly due to the increase in WeChat Pay transaction volume as a result of the increase in domestic economic activities.

*(iii) Other segment*

The other segment provides tailor-made social customer relationship management (“**CRM**”) platforms and related IT support services to clients which are mainly shopping mall operators, property management companies and developers in the PRC. The use of big data in the social CRM platforms assists clients in understanding consumers’ behaviour and personalising customers’ experience which develop and facilitate targeted promotion and marketing activities.

Segment revenue for the six months ended 30 June 2021 decreased by 62.4% to approximately RMB466,000 (corresponding period in previous year: approximately RMB1,240,000), representing approximately 1.3% of the Group’s total revenue. The decrease in revenue was mainly due to the fierce market competition. The Group has streamlined its team based on actual demand, in a bid to reduce costs and expenses.

***Financial Review***

*Revenue*

For the six months ended 30 June 2021, the unaudited revenue of the Group was approximately RMB35,032,000, representing a decrease of 34.6% from approximately RMB53,562,000 for the corresponding period in previous year. The decrease in revenue was mainly due to the decrease in O2O commerce segment revenue.

*Gross Profit*

For the six months ended 30 June 2021, the unaudited gross profit of the Group was approximately RMB10,622,000, with gross profit margin of 30.3%, while the unaudited gross profit and gross profit margin of the Group for the corresponding period in previous year were approximately RMB8,325,000 and 15.5% respectively, representing an increase of approximately 27.6% in unaudited gross profit and approximately 14.8 percentage point in gross profit margin. This was mainly due to redeployment of resources of the Group.

### *Operating expenses*

For the six months ended 30 June 2021, the unaudited selling expenses of the Group was approximately RMB14,728,000, representing an increase of 43.2% from approximately RMB10,283,000 for the corresponding period in previous year. The increase in selling expenses was mainly due to the general increase in marketing and promotion expenses, sourcing expenses and employee benefits expenses.

For the six months ended 30 June 2021, the unaudited administrative expenses of the Group were approximately RMB21,798,000, representing an increase of 11.3% from approximately RMB19,578,000 for the corresponding period in previous year. The increase in administrative expenses was mainly due to the general increase in employee benefits expenses and legal and professional costs.

For the six months ended 30 June 2021, the unaudited other operating expenses of the Group were approximately RMB12,283,000 and nil for the corresponding period in previous year. It represented the allowance for slow moving inventories.

For the six months ended 30 June 2021, the unaudited allowance for trade receivables of the Group was approximately RMB28,585,000 and nil for the corresponding period in previous year. The significant increase was mainly attributed to the trade receivables of O2O commerce segment which have been overdue over their credit periods based on directors' assessment.

### *Prospects*

During the past half year, the ongoing COVID-19 pandemic affected the domestic economic activities in both the PRC and Hong Kong, causing the Group's business to stagnate and incur losses.

It is expected that the pandemic in both the PRC and Hong Kong will gradually subside as the COVID-19 pandemic will be gradually controlled in the PRC and Hong Kong, thus gradually releasing the suppressed consumer demand. In order to seize business opportunities, the Group will actively develop new solutions and source new products, promote and optimize its existing product portfolio, and expand its customer base through cooperation with different international brands, major e-commerce platforms and suppliers. However, the recent global spread of the more contagious Delta variant increased the uncertainty of the global economic outlook and will affect the operation of the global supply chain. During this period, it is expected that the Group's performance will inevitably be affected. Nevertheless, the Group will adhere to a strict cost control policy from streamlining the Group's structure and manpower to consolidating resources, to ensure its long-term growth and development.

With the increasing number of vaccine recipients and the provision of Consumption Voucher by the HKSAR Government for qualified citizens, gradual improvement in domestic economic activities is expected and the sales of the Group's branded products will be benefited. As for the WeChat Pay business, the management expects that the Consumption Voucher Scheme will encourage many merchants to grasp the opportunity to register for the WeChat payment receipt service, consumers will also change their existing consumption payment patterns, which will increase the volume of WeChat Pay consumption transactions and boost the revenue of the electronic payment solutions segment.

While developing the existing basic businesses, the Group will also spare no effort to explore new opportunities. The Group will continue to carefully evaluate strategic investments and business opportunities in the future, including but not limited to the expansion of existing businesses and the exploration of potential opportunities in O2O smart technology, so as to expand its core business and create long-term investment returns for its shareholders.

### Liquidity and financial resources

As at 30 June 2021, the Group's bank and cash balances were approximately RMB47,033,000 (at 31 December 2020: approximately RMB60,469,000) and bank loans were approximately RMB9,600,000 (at 31 December 2020: approximately RMB8,000,000).

All bank loans were denominated in Renminbi and repayable within one year. Bank loans of approximately RMB9,600,000 were arranged at fixed interest rates as at 30 June 2021 (at 31 December 2020: approximately RMB8,000,000). The bank loans were secured by charge over the right-of-use assets, building, investment properties and personal guarantee provided by a director of the Company's subsidiaries. The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	<b>Unaudited 30 June 2021 RMB'000</b>	<b>Audited 31 December 2020 RMB'000</b>
US\$	<b>8,725</b>	1,964
HK\$	<b>23,370</b>	43,048
RMB	<b>14,891</b>	15,419
Others	<b>47</b>	38
	<b>47,033</b>	<b>60,469</b>

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 30 June 2021, the aforesaid net proceed uses which are consistent with the intended use of proceeds has been applied as follows:

	<b>Intended use of proceeds</b> <i>HK\$'000</i>	<b>Utilised amount of proceeds</b> <i>HK\$'000</i>	<b>Unutilised amount of proceeds</b> <i>HK\$'000</i>
(i) General working capital for existing business	257,380 (for both (i) and (ii))	233,656 (for both (i) and (ii))	23,724 (for both (i) and (ii))
(ii) Investment of new business in the upstream and downstream of the Group's principal business	_____	_____	_____
Total	<u>257,380</u>	<u>233,656</u>	<u>23,724</u>

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. It is the Group's strategy to keep the debt-to-adjusted capital ratio as low as feasible. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all capital and reserves attributable to the owners of the Company. As at 30 June 2021, the debt-to-adjusted capital ratio was not applicable since the Group had approximately RMB47,033,000 bank and cash balances which can be sufficient to repay all the monetary debts of the Group.

### **Human resources**

As at 30 June 2021, the Group had 138 employees (at 30 June 2020: 122 employees). Employee benefits expenses (including directors' emoluments) for the six months ended 30 June 2021 were approximately RMB17,820,000 (2020: approximately RMB13,949,000). Employees were remunerated based on their performance, experience and prevailing industry practice. Discretionary bonuses are payable to staff based on performance and in accordance with the Group's overall remuneration policies. The Company had adopted a share option scheme for eligible persons which had been expired during the period.

### **Pledged assets**

As at 30 June 2021, the following assets of the Group were pledged as securities, among others, for the banking facilities granted by its banks:

- (i) Charge over the building with carrying amount of approximately RMB4,364,000 (at 31 December 2020: approximately RMB4,542,000);
- (ii) Charge over the right-of-use assets with carrying amount of approximately RMB1,923,000 (at 31 December 2020: approximately RMB1,950,000);



(iii) Charge over the investment properties with fair value of approximately RMB57,800,000 (at 31 December 2020: approximately RMB57,800,000); and

(iv) Personal guarantee of a director of the Company's subsidiaries.

### **Contingent liabilities**

As at 30 June 2021 and 31 December 2020, the Group had no material contingent liabilities.

## **OTHER INFORMATION**

### **Share options granted pursuant to the share option scheme**

Pursuant to the resolution passed by the shareholders of the Company in the annual general meeting held on 27 May 2011, a share option scheme (the "**Scheme**") was approved and adopted and, the Board may, at its discretion, grant options to the eligible persons as defined in the Scheme. The Scheme had been expired on 27 May 2021.

During the six months ended 30 June 2021 and the date of expiry on 27 May 2021, no options had been granted and outstanding under the Scheme.

### **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 six months ended 30 June 2021.

### **Pre-emptive rights**

There is no provision for pre-emptive rights under the Company's articles of association or Companies Law of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### **Material litigation**

During the six months ended 30 June 2021, the Company was not involved in any litigation or arbitration of any material importance.

### **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 six months ended 30 June 2021 except the following deviation.

Following the retirement of Mr. Peng Bobo by rotation as independent non-executive director in the annual general meeting of the Company held on 30 June 2021, the number of independent non-executive directors fell below the minimum number required under Rules 3.10(1) of the Listing Rules, the number of members of the Audit Committee fell below the minimum number required under Rule 3.21 of the Listing Rules and article 2 of the terms of reference of the Audit Committee.

The Company will endeavour to identify suitable candidate(s) to fill up the abovementioned vacancies as soon as practicable and, in any event, within three months from the effective date of retirement as required under Rules 3.11 and 3.23 of the Listing Rules, respectively in order to fulfil such requirements.

### ***Model Code for Securities Transactions by Directors of Listed Issuers (“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 six months ended 30 June 2021.

### **AUDIT COMMITTEE**

The Audit Committee has reviewed with management of the Group the accounting principles and practices adopted by the Group and discussed internal control, risk management and financial reporting process including the review of the Group’s unaudited Interim Financial Statements for the six months ended 30 June 2021.

### **LISTING STATUS**

Reference is made to the announcements of the Company dated 8 November 2020, 10 November 2020, 23 February 2021, 26 February 2021 and 22 June 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**”); (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, and (V) the resumption guidance as required by Stock Exchange 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. The Company have adopted all reasonable measures to solve the Audit Qualifications set aside by the auditors of the Company's financial statements for the year 31 December 2020, including proactively following up on all the overdue amounts from the customers and pursuing legal proceedings, where necessary, refining internal credit risk management policy, strengthening the ability of sales and marketing teams so as to speed up the progress of the resumption of shares trading of the Company.

As at the date of this announcement, approximately 15% of the trade receivables before allowance in the condensed consolidated statement of financial position as at 30 June 2021 have been settled subsequently.

The Company is addressing the requirements of resumption of shares trading of the Company. Further announcements will be made in accordance with the Listing Rules when appropriate.

## **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 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 and 22 June 2021.

## **PUBLICATIONS OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the website of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) under the section "Latest Listed Company Information" and on the website of the Company at [www.smartacgroup.com](http://www.smartacgroup.com). The 2021 interim report containing all the information required under paragraphs 37 to 44 of Appendix 16 of the Listing Rule will be published on the same websites in due course.

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

Hong Kong, 27 August 2021

*As at the date of this announcement, the Board comprises of (i) three executive Directors, namely, Mr. Yang Xin Min (Chairman), Mr. Ke Haiwei (Joint Chief Executive Officer) and Mr. Wong Wai Wai (Joint Chief Executive Officer); (ii) two independent non-executive Directors, namely Dr. Cheng Faat Ting Gary and Mr. Poon Lai Yin Michael.*