Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2021 AND CONTINUED SUSPENSION OF TRADING

The board of directors (the "**Directors**") (the "**Board**") of Smartac International Holdings Limited (the "**Company**") herein presents the audited consolidated results for the financial year ended 31 December 2021 of the Company and its subsidiaries (the "**Group**") together with the comparative figures for the financial year ended 31 December 2020 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Revenue	3	**50,083**	191,648
Cost of sales and services		**(35,188)**	(169,551)
Gross profit		**14,895**	22,097
Fair value (loss)/gain on investment properties		**(1,300)**	800
Other income	4	**6,269**	7,982
Selling expenses		**(23,613)**	(27,565)
Administrative expenses		**(44,641)**	(45,084)
Other operating expenses		**(15,668)**	(10,043)
Allowance for trade receivables		**(19,678)**	(936)
Allowance for deposits and other receivables		**(4,728)**	(3,876)
Reversal of impairment loss on other receivables		**50**	18
Loss from operations		**(88,414)**	(56,607)
Finance costs		**(1,320)**	(1,201)
Loss on disposal of subsidiaries		**(10,212)**	–
Share of result of an associate		**3,251**	1,090
Loss before tax		**(96,695)**	(56,718)
Income tax credit/(expense)	6	**329**	(232)
Loss for the year		**(96,366)**	(56,950)
Other comprehensive income for the year:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(2,419)**	(7,319)
Exchange differences reclassified to profit or loss upon disposal of subsidiaries		**537**	–
Exchange differences reclassified to profit or loss on de-registration of a subsidiary		**–**	(1)
Other comprehensive income for the year, net of tax		**(1,882)**	(7,320)
Total comprehensive income for the year		**(98,248)**	(64,270)

	Note	**2021** *RMB'000*	2020 *RMB'000*
Loss for the year attributable to:			
Owners of the Company		**(84,600)**	(49,408)
Non-controlling interests		**(11,766)**	(7,542)
		(96,366)	(56,950)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(86,579)**	(57,329)
Non-controlling interests		**(11,669)**	(6,941)
		(98,248)	(64,270)

		2021	2020
LOSS PER SHARE			
Basic (RMB cents)	*7(a)*	**(1.50)**	(0.88)
Diluted (RMB cents)	*7(b)*	**(1.50)**	(0.88)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Note	2021 *RMB'000*	2020 *RMB'000*
Non-current assets			
Property, plant and equipment		**7,152**	9,096
Investment properties		**56,500**	57,800
Right-of-use assets		**5,224**	8,136
Intangible assets		**327**	433
Other assets		**3,290**	–
Deposit for acquisition of intangible assets		**–**	2,800
Investment in an associate		**8,274**	5,024
Financial assets at fair value through other comprehensive income		**–**	–
		80,767	83,289
Current assets			
Inventories		**3,482**	22,349
Trade receivables	*9*	**5,494**	61,387
Prepayments, deposits and other receivables		**17,055**	27,886
Current tax assets		**139**	139
Cash and cash equivalents		**56,797**	60,469
		82,967	172,230
Current liabilities			
Trade payables	*10*	**848**	2,505
Accruals and other payables		**24,516**	25,540
Contract liabilities		**3,008**	156
Bank loans		**733**	8,000
Lease liabilities		**2,895**	3,393
Current tax liabilities		**108**	189
		32,108	39,783
Net current assets		**50,859**	132,447
Total assets less current liabilities		**131,626**	215,736

	Note	**2021**	2020
		RMB'000	*RMB'000*
Non-current liabilities			
Bank loans		**9,427**	–
Lease liabilities		**676**	3,012
Deferred tax liabilities		**12,742**	13,119
		22,845	16,131
NET ASSETS		**108,781**	199,605
Capital and reserves			
Share capital		**252,439**	252,439
Reserves		**(161,441)**	(74,325)
Equity attributable to owners of the Company		**90,998**	178,114
Non-controlling interests		**17,783**	21,491
TOTAL EQUITY		**108,781**	199,605

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 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 RMB96,366,000 and generated net cash outflow from its operating activities for the year ended 31 December 2021.

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. Since the Company was unable to announce its annual result of 2020, the Shares have been suspended on 1 April 2021. On 25 May 2021, the Company further announced that the listing status may be cancelled by the Stock Exchange if the Shares haven been suspended for 18 continuous months, expiring on 30 September 2022. This 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 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 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phrase 2

In addition, the Group has early applied the Amendments to IFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021.

Except as described below, the application of 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 IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest Rate Benchmark Reform — Phrase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("**IBOR reform**").

The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

Amendment to IFRS 16, COVID-19-Related Rent Concessions

The Group previously applied the practical expedient in IFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in this financial year. The amendments do not have an impact on these financial statements as the Group does not have any rent concessions that were previously ineligible for the practical expedient because of the original time limit and accounted for as lease modifications, become eligible.

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

Other than the amendments to IFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021, the Group has not applied any new and revised IFRS that have been issued but are not yet effective for the financial year beginning 1 January 2021. 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 3 Business Combination — 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
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements — Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors — Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 Income Taxes — Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	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 and related marketing service income		Sales of hardware and software and installation service		Other IT support service income		Other service income		Total	
	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*
Primary geographical markets												
Hong Kong	**18,099**	146,116	**2,347**	1,944	**—**	—	**1,323**	169	**129**	24	**21,898**	148,253
People's Republic of China ("**PRC**") except Hong Kong	**15,326**	28,168	**6,333**	3,945	**223**	285	**2,450**	482	**–**	–	**24,332**	32,880
The United States	**3,853**	10,165	**–**	–	**–**	–	**–**	–	**–**	–	**3,853**	10,165
Others	**–**	350	**–**	–	**–**	–	**–**	–	**–**	–	**–**	350
Revenue from external customers	**37,278**	184,799	**8,680**	5,889	**223**	285	**3,773**	651	**129**	24	**50,083**	191,648
Timing of revenue recognition												
Goods and services transferred at a point in time	**37,278**	184,799	**–**	–	**223**	285	**–**	–	**–**	–	**37,501**	185,084
Services transferred over time	**–**	–	**8,680**	5,889	**–**	–	**3,773**	651	**129**	24	**12,582**	6,564
Total	**37,278**	184,799	**8,680**	5,889	**223**	285	**3,773**	651	**129**	24	**50,083**	191,648

4. OTHER INCOME

	2021	2020
	RMB'000	*RMB'000*
Bank interest income	**244**	1,179
Government grants*	**168**	1,390
Net foreign exchange gain	**310**	–
Gross rental income from investment properties	**3,189**	3,011
Property management fee and related income	**2,076**	1,917
Value added tax refund	**84**	75
Gain on disposal of property, plant and equipment	**20**	–
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	**17**	32
Others	**161**	316
	6,269	7,982

* Government grant of HK$110,000 (equivalent to RMB92,000) was recognised in respect of COVID-19 related subsidies for the year ended 31 December 2021. It represented government subsidy granted to enterprise, who had fulfilled certain requirements that the industry of subsidiaries involved and the use of IT to support its business under COVID-19 situation. During the year 2020, 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) relates to Employment Support Scheme provided by the Hong Kong government.

5. SEGMENT INFORMATION

The Group has three (2020: 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	–	Provision of IT system development and support services

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	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
For the year ended 31 December								
Revenue from external customers	**44,974**	188,916	**2,436**	1,950	**2,673**	782	**50,083**	191,648
Segment (loss)/profit	**(72,591)**	(36,983)	**(123)**	(475)	**3,260**	1,436	**(69,454)**	(36,022)
Interest revenue	**35**	43	**–**	–	**6**	3	**41**	46
Interest expense	**587**	735	**–**	7	**733**	459	**1,320**	1,201
Depreciation and amortisation	**4,951**	4,238	**13**	454	**769**	474	**5,733**	5,166
Share of result of an associate	**–**	–	**–**	–	**3,251**	1,090	**3,251**	1,090
Income tax expense/(credit)	**47**	83	**–**	–	**(51)**	(51)	**(4)**	32
(Allowance for)/reversal of allowance for trade receivables	**(19,708)**	(923)	**(1)**	8	**31**	(21)	**(19,678)**	(936)
Allowance for deposits and other receivables	**(4,786)**	(3,585)	**(3)**	(11)	**(14)**	(199)	**(4,803)**	(3,795)
Reversal of impairment loss on other receivables	**50**	18	**–**	–	**–**	–	**50**	18
Allowance for inventories	**14,156**	8,356	**–**	–	**–**	–	**14,156**	8,356
Impairment loss on non-current assets	**1,477**	1,550	**–**	–	**–**	–	**1,477**	1,550
Additions to segment non-current assets	**524**	13,384	**–**	3	**1,290**	125	**1,814**	13,512
At 31 December								
Segment assets	**59,317**	157,647	**3,327**	2,570	**20,778**	15,226	**83,422**	175,443
Segment liabilities	**(18,562)**	(21,150)	**(2,357)**	(1,703)	**(13,888)**	(11,644)	**(34,807)**	(34,497)
Investment in an associate#	**–**	–	**–**	–	**8,274**	5,024	**8,274**	5,024

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:

	2021	2020
	RMB'000	*RMB'000*
Revenue		
Consolidated revenue	**50,083**	191,648
Profit or loss		
Total loss of reportable segments	**(69,454)**	(36,022)
Unallocated amounts:		
Fair value (loss)/gain on investment properties	**(1,300)**	800
Deferred tax relating to fair value loss/(gain) on investment properties	**325**	(200)
Unallocated head office and corporate expenses	**(25,937)**	(21,528)
Consolidated loss for the year	**(96,366)**	(56,950)

Assets and liabilities:

	2021	2020
	RMB'000	*RMB'000*
Assets		
Total assets of reportable segments	**83,422**	175,443
Unallocated amounts:		
Investment properties	**56,500**	57,800
Unallocated head office and corporate assets	**23,812**	22,276
Consolidated total assets	**163,734**	255,519
Liabilities		
Total liabilities of reportable segments	**34,807**	34,497
Unallocated amounts:		
Deferred tax liabilities relating to investment properties	**12,358**	12,683
Unallocated head office and corporate liabilities	**7,788**	8,734
Consolidated total liabilities	**54,953**	55,914

(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:

	2021	2020
	RMB'000	*RMB'000*
Customer A	**–**	23,053
Customer B	**–**	20,430

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 (CREDIT)/EXPENSE

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

	2021	2020
	RMB'000	*RMB'000*
Current tax — Provision for the year		
Hong Kong Profits Tax	**–**	83
PRC Enterprise Income Tax ("**EIT**")	**4**	–
	4	83
Current tax — Under-provision in prior years		
Overseas income tax	**44**	–
Deferred tax — Provision for the year	**(377)**	149
Income tax (credit)/expense	**(329)**	232

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%.

No provision of Hong Kong Profits Tax is required since the Group has no assessable profit for the year ended 31 December 2021.

PRC EIT has been provided at a rate of 25% (2020: 25%).

Pursuant to relevant laws and regulations in the PRC, the effective EIT rate for a subsidiary which qualified as small and micro enterprises in 2.5% (for assessable profits below RMB1 million) for the period from 1 January 2021 to 31 December 2022.

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 year ended 31 December 2020.

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.

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.

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 RMB84,600,000 (2020: RMB49,408,000) and the weighted average number of ordinary shares of 5,635,970,924 (2020: 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 2021 and 2020 is presented as the Company had no potential ordinary shares outstanding.

8. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

9. TRADE RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables *(note)*	**21,240**	62,686
Less: Allowance	**(15,746)**	(1,299)
	5,494	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 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:

	2021	2020
	RMB'000	*RMB'000*
Up to 3 months	**926**	55,904
3 to 6 months	**59**	5,369
6 months to 1 year	**1,740**	31
Over 1 year	**2,769**	83
	5,494	61,387

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:

	2021	2020
	RMB'000	*RMB'000*
Up to 3 months	**114**	1,768
3 to 6 months	**11**	29
6 months to 1 year	**2**	–
Over 1 year	**721**	708
	848	2,505

EXTRACTS OF THE 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 2021.

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 2021, 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 Companies Ordinance.

Basis for Qualified Opinion

Opening balances and comparative figures

The audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2020 (the "**2020 Financial Statements**"), which form the basis for the comparative figures presented in the current year's consolidated financial statements, was qualified by us because of the possible effect of the scope limitations on the audit of recoverability of trade receivables and net realisable value of inventories.

Any adjustments that might be found necessary as a result of the matters described above might have a consequential effect on the Group's results and cashflows for the year ended 31 December 2021. The qualified opinion on the 2020 Financial Statements is set out below.

(a) Recoverability of trade receivables

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 the 2020 Financial Statements, trade receivables of RMB42,586,000 as at 31 December 2020 had 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

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 the 2020 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 showed 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 qualified 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 are engaged in (i) O2O commerce, (ii) electronic payment solutions and (iii) others (i.e. provision of IT system development and support services).

(i) O2O commerce segment

The Group consolidated its resources and optimized its channels by redeploying its online and offline operations in Hong Kong and the PRC, with a view to enhance the Group's capabilities as an e-commerce service provider. As at 31 December 2021, the O2O commerce segment was mainly involved in (i) provision of online and offline commerce solutions for authorised 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.

Segment revenue for the year ended 31 December 2021 decreased by 76.2% to approximately RMB44,974,000 (2020: approximately RMB188,916,000), representing approximately 89.8% of the Group's total revenue. The decrease in segment revenue was mainly attributable to the scale down of the resources input in the supply chain management solutions business starting in the second quarter of 2021 of the Group and the recurrence of the epidemic in Hong Kong resulting in the failure to achieve, the expected sales of authorised brand products.

(ii) Electronic payment solutions segment

A subsidiary of the Group, Haihai Limited ("**Haihai**") provides electronic payment solutions through providing mobile payment services in Hong Kong to merchants with payment access, settlement and marketing functions offered by WeChat Pay. Haihai has been working with merchants engaged in a wide range of retailing industries, 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 2021 increased by 24.9% to approximately RMB2,436,000 (2020: approximately RMB1,950,000), representing approximately 4.8% of the Group's total revenue. Despite repeated outbreaks of the epidemic, the overall local consumption sentiment has improved compared with last year, leading to an increase in WeChat Pay transaction amounts.

(iii) Others segment (provision of IT system development and support services)

The others segment provides tailor-made social customer relationship management ("**CRM**") platforms and IT support services to clients which are mainly shopping mall operators, property management companies or 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 facilitate targeted promotion and marketing activities.

Segment revenue for the year ended 31 December 2021 increased by 241.8% to approximately RMB2,673,000 (2020: approximately RMB782,000), representing approximately 5.3% of the Group's total revenue. The increase was mainly due to the alleviation of the epidemic in China which resulted in the gradual recovery of foot traffic at shopping malls and consumer confidence.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, the Group recorded revenue of approximately RMB50,083,000, representing a decrease of 73.9% from approximately RMB191,648,000 for the year ended 31 December 2020. The decrease in revenue was mainly due to the decrease in O2O commerce segment revenue.

Gross profit

For the year ended 31 December 2021, the gross profit of the Group was approximately RMB14,895,000, with a gross profit margin of 29.7%, while the gross profit and gross profit margin of the Group for the year ended 31 December 2020 were approximately RMB22,097,000 and 11.5%, respectively, representing a decrease of approximately 32.6% in gross profit and an increase of approximately 18.2 percentage points in gross profit margin. The decrease in gross profit was mainly due to the Group's redeployment of resources and the overall decline in sales as a result of the resurgence of the epidemic in Hong Kong. With the redeployment of resources, the Group has reduced sales of certain low-margin items, which has resulted in an overall increase in gross profit margin despite decrease in total revenue.

Operating expenses

For the year ended 31 December 2021, the selling expenses of the Group were approximately RMB23,613,000, representing a decrease of approximately 14.3% from approximately RMB27,565,000 for the year ended 31 December 2020. The decrease in selling expenses was mainly due to the general decrease in marketing and promotion expenses, sourcing expenses and employee benefits expenses.

For the year ended 31 December 2021, the administrative expenses of the Group were approximately RMB44,641,000, representing a decrease of 1.0% from approximately RMB45,084,000 for the year ended 31 December 2020. The decrease in administrative expenses was mainly due to the decrease in employee benefits expenses.

For the year ended 31 December 2021, the other operating expenses of the Group were approximately RMB15,668,000, representing an increase of 56.0% from approximately RMB10,043,000 for the year ended 31 December 2020. The increase in other operating expenses mainly represented the allowance for slow-moving inventories brought forward from previous year.

For the year ended 31 December 2021, the allowance for trade receivables of the Group was approximately RMB19,678,000, representing an increase of 21 times from approximately RMB936,000 for the year ended 31 December 2020. Such significant increase was mainly due to the allowance for the overdue uncollected trade receivables of O2O commerce segment brought forward from previous year.

Prospects

The ongoing outbreak of the COVID-19 and its variants affected the sales of the Group in 2021 and the impact is expected to continue within the short period of time. It is expected that the epidemic will ease in the second half of 2022 and the consumer sentiment will improve after the launch of second round of consumption voucher. The Group will continue to enhance its operational efficiency and reduce operating costs.

The Group has invested resources in the PRC health food market by establishing a joint venture company, Zhangzhou Keruilin Biotechnology Co., Limited* (漳州市科睿琳生物科技有限公司) in November 2021 which became a wholly-owned subsidiary in February 2022, to enhance its operating business, improve its financial position and solidly strengthen its business through its own operations and development. Meanwhile, the Group will continue to seek other appropriate investment opportunities for more effective returns.

As for the WeChat Pay business, it is expected that the entry and exit restrictions between Hong Kong and the PRC will be lifted once the pandemic is under control, which will lead to a revival of inbound tourists and thus a rebound in the related business.

The Group is cautiously optimistic about the prospects for 2022. Despite the impact of the outbreak of COVID-19 and its variants, the Group will seize investment opportunities to further develop its business and strive to control costs to maximize returns for the shareholders of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group's bank and cash balances were approximately RMB56,797,000 (2020: approximately RMB60,469,000) and bank loans were RMB10,160,000 (2020: RMB8,000,000). All bank loans were denominated in Renminbi and bank loan of RMB733,000 is repayable within one year. Bank loans of RMB10,160,000 were arranged at fixed interest rates as at 31 December 2021 (2020: 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 subsidiaries of the Company. The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2021	2020
	RMB'000	*RMB'000*
US$	**8,522**	1,964
HK$	**33,369**	43,048
RMB	**14,871**	15,419
Others	**35**	38
	56,797	60,469

As disclosed in 2018 annual report, the Company had completed the placing of 812,500,000 ordinary shares on 12 December 2018 which generated net proceeds 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 2021, the aforesaid net proceeds uses which are consistent with the intended use of proceeds has been applied as follows:

	Intended use of proceeds	**Utilised amount of proceeds**	**Unutilised amount of proceeds**
	HK$'000	*HK$'000*	*HK$'000*
(i) General working capital for existing business	257,380 (for both (i) and (ii))	257,380 (for both (i) and (ii))	– (for both (i) and (ii))
(ii) Investment of new business in the upstream and downstream of the Group's principal business			
Total	257,380	257,380	–

Related proceeds from the placement had been fully utilised during the year ended 31 December 2021.

PLEDGED ASSETS

As at 31 December 2021, the Group's banking facilities and bank loans totalling RMB10,160,000 (2020: RMB8,000,000) are secured by:

— Charge over the Group's building located in the PRC with carrying amount of approximately RMB4,187,000 (2020: approximately RMB4,542,000);

— Charge over the Group's investment properties with fair value of approximately RMB56,500,000 (2020: approximately RMB57,800,000);

— Charge over the Group's right-of-use assets related to leasehold lands in the PRC with carrying amount of approximately RMB1,894,000 (2020: approximately RMB1,950,000); and

— Personal guarantee from a director of the Company' 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.

HUMAN RESOURCES

As at 31 December 2021, the Group had 93 employees (2020: 154 employees). Employee benefits expenses (including directors' emoluments) for the year ended 31 December 2021 were approximately RMB30,085,000 (2020: approximately RMB32,834,000). 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 on 27 May 2021.

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 2020 and 2021.

NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 22 February 2022, a subsidiary of the Group entered into an agreement to acquire the remaining 40% equity interest of Zhangzhou Keruilin Biotechnology Co., Limited (漳州市科睿琳生物科技有限公司) at a consideration of RMB2,000,000 from the non-controlling shareholder and it became a wholly-owned subsidiary of the Group after the acquisition.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

SHARE OPTION 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 period ended from 1 January 2021 to 27 May 2021, the date of expiry of the Scheme, 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 year ended 31 December 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 year ended 31 December 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 year ended 31 December 2021 except the following deviation.

Following the resignation of Dr. Cheng Faat Ting Gary as independent non-executive Director on 31 December 2021, (i) the number of independent non-executive Directors fell below the minimum number required under Rules 3.10(1) of the Listing Rules; (ii) the number of members of the audit committee of the Company (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; and (iii) the Company deviated from code provision A.5.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules that the nomination committee should comprise of a majority of independent non-executive Directors.

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 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 2021.

THE AUDIT COMMITTEE

The Audit Committee currently has two members comprising, Mr. Poon Lai Yin Michael (chairman) and Mr. Wang Haoxing, 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

References are made to the announcements of the Company dated 25 May 2021, 31 May 2021, 22 June 2021, 24 June 2021, 30 June 2021, 2 July 2021, 7 July 2021, 27 August 2021, 30 September 2021 and 15 December 2021 in relation to, among others, the suspension and resumption of trading of the Company's shares on the Stock Exchange and the resumption guidance issued by the Stock Exchange.

Pursuant to Rule 6.01A of the Listing Rules, the Stock Exchange may cancel the Company's listing if trading in the Shares has been suspended for 18 continuous months, expiring on 30 September 2022. The Company has been continuously making effort in taking steps to fulfil the resumption guidance issued by the Stock Exchange. Announcements have been published from time to time in accordance with the Listing Rules and on voluntary basis to inform 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 the Group's business operations and financial performance, 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 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.

REVIEW OF PRELIMINARY ANNUAL RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS

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 2021 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 and consequently no assurance has been expressed by RSM Hong Kong on the preliminary announcement.

PUBLICATION OF AUDITED RESULTS ANNOUNCEMENT AND ANNUAL REPORT 2021

This announcement is published on the websites of the Company (www.smartacgroup.com) and the Stock Exchange (www.hkexnews.hk). The 2021 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, 25 March 2022

As at the date of this announcement, the Board comprises (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); and (ii) two independent non-executive Directors, namely Mr. Poon Lai Yin Michael and Mr. Wang Haoxing.

* *For identification Purposes Only*