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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)

2022 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the “**Board**”) of Smartac International Holdings Limited (the “**Company**”) presented the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2022 (the “**reporting period**”) together with the comparative figures for the corresponding period in 2021 (the “**prior period**”). The condensed consolidated interim financial statements (the “**Interim Financial Statements**”) have not been audited, but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

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

For the six months ended 30 June 2022

		Unaudited	
		Six months ended 30 June	
		2022	2021
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	15,275	35,032
Cost of sales and services		<u>(12,508)</u>	<u>(24,410)</u>
Gross profit		2,767	10,622
Other income		2,984	3,430
Selling expenses		(3,740)	(14,728)
Administrative expenses		(17,236)	(21,798)
Other operating expenses		(1,588)	(12,283)
Reversal of allowance for/(allowance for) trade receivables		2,372	(28,585)
Allowance for deposits and other receivables		<u>(11)</u>	<u>(1,193)</u>
Loss from operations		(14,452)	(64,535)
Finance costs		(427)	(796)
Share of (loss)/profit of an associate		<u>(489)</u>	<u>3,588</u>
Loss before tax		(15,368)	(61,743)
Income tax credit	5	<u>16</u>	<u>91</u>
Loss for the period		(15,352)	(61,652)
Other comprehensive income:			
<i>Items that will be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>1,475</u>	<u>(1,099)</u>
Other comprehensive income for the period, net of tax		<u>1,475</u>	<u>(1,099)</u>
Total comprehensive income for the period		<u><u>(13,877)</u></u>	<u><u>(62,751)</u></u>

		Unaudited	
		Six months ended 30 June	
		2022	2021
<i>Note</i>		RMB'000	RMB'000
Loss for the period attributable to:			
	Owners of the Company	(13,635)	(56,179)
	Non-controlling interests	<u>(1,717)</u>	<u>(5,473)</u>
		<u>(15,352)</u>	<u>(61,652)</u>
Total comprehensive income for the period attributable to:			
	Owners of the Company	(12,032)	(57,331)
	Non-controlling interests	<u>(1,845)</u>	<u>(5,420)</u>
		<u>(13,877)</u>	<u>(62,751)</u>
Loss per share			
	Basic (RMB cents)	<u>7(a) (0.24)</u>	<u>(1.00)</u>
	Diluted (RMB cents)	<u>7(b) (0.24)</u>	<u>(1.00)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Non-current assets			
Property, plant and equipment		6,986	7,152
Investment properties		56,500	56,500
Right-of-use assets		3,524	5,224
Intangible assets		301	327
Other assets		3,290	3,290
Investment in an associate		7,785	8,274
		78,386	80,767
Current assets			
Inventories		1,601	3,482
Trade receivables	8	6,951	5,494
Prepayments, deposits and other receivables		11,299	17,055
Current tax assets		139	139
Cash and cash equivalents		47,245	56,797
		67,235	82,967
Current liabilities			
Trade payables	9	3,129	848
Accruals and other payables		25,193	24,516
Contract liabilities		66	3,008
Bank loans		587	733
Lease liabilities		1,686	2,895
Current tax liabilities		113	108
		30,774	32,108
Net current assets		36,461	50,859
Total assets less current liabilities		114,847	131,626

	Unaudited	Audited
	30 June	31 December
	2022	2021
<i>Note</i>	RMB'000	RMB'000
Non-current liabilities		
Bank loans	9,133	9,427
Lease liabilities	94	676
Deferred tax liabilities	<u>12,716</u>	<u>12,742</u>
	<u>21,943</u>	<u>22,845</u>
NET ASSETS	<u><u>92,904</u></u>	<u><u>108,781</u></u>
Capital and reserves		
Share capital	252,439	252,439
Reserves	<u>(173,411)</u>	<u>(161,441)</u>
Equity attributable to owners of the Company	79,028	90,998
Non-controlling interests	<u>13,876</u>	<u>17,783</u>
TOTAL EQUITY	<u><u>92,904</u></u>	<u><u>108,781</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 2021 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 2021.

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 2021. 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 2022 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 2022 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 (2021: 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 |

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	
	2022	2021	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	14,027	33,403	905	1,163	343	466	15,275	35,032
Segment (loss)/profit	<u>(7,695)</u>	<u>(56,167)</u>	<u>267</u>	<u>249</u>	<u>(1,525)</u>	<u>3,503</u>	<u>(8,953)</u>	<u>(52,415)</u>
Interest revenue	14	14	2	-	-	3	16	17
Interest expense	140	342	-	-	287	454	427	796
Depreciation and amortisation	1,772	2,447	4	7	531	302	2,307	2,756
Share of (loss)/profit of an associate	-	-	-	-	(489)	3,588	(489)	3,588
Income tax expense/(credit)	10	(65)	-	-	(26)	(26)	(16)	(91)
(Reversal of allowance for)/allowance for trade receivables	(2,702)	28,622	32	-	298	(37)	(2,372)	28,585
(Reversal of allowance for)/allowance for deposits and other receivables	(9)	1,233	(8)	(6)	30	(18)	13	1,209
Allowance for inventories	<u>1,588</u>	<u>12,283</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,588</u>	<u>12,283</u>

	Unaudited							
	O2O commerce segment		Electronic payment solutions segment		Others		Total	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2022	2021	2022	2021	2022	2021	2022	2021
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Segment assets	47,390	59,317	2,556	3,327	18,519	20,778	68,465	83,422
Segment liabilities	(17,553)	(18,562)	(1,250)	(2,357)	(13,196)	(13,888)	(31,999)	(34,807)
Investment in an associate	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,785</u>	<u>8,274</u>	<u>7,785</u>	<u>8,274</u>

Unaudited
Six months ended 30 June
2022 2021
RMB'000 **RMB'000**

Revenue

Consolidated revenue	<u>15,275</u>	<u>35,032</u>
Reconciliation of segment profit or loss:		
Total loss of reportable segments	(8,953)	(52,415)
Unallocated amounts:		
Unallocated head office and corporate expenses	<u>(6,399)</u>	<u>(9,237)</u>
Consolidated loss for the period	<u>(15,352)</u>	<u>(61,652)</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 software and installation service		Other IT support service		Other service income		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	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	830	16,913	906	1,161	-	-	-	554	-	43	1,736	18,671
People's Republic of China ("PRC") except Hong Kong	9,306	12,524	3,891	1,587	12	56	236	410	94	-	13,539	14,577
The United States	-	1,784	-	-	-	-	-	-	-	-	-	1,784
Total	<u>10,136</u>	<u>31,221</u>	<u>4,797</u>	<u>2,748</u>	<u>12</u>	<u>56</u>	<u>236</u>	<u>964</u>	<u>94</u>	<u>43</u>	<u>15,275</u>	<u>35,032</u>
Timing of revenue recognition												
Goods and services transferred at a point in time	10,136	31,221	-	-	12	56	-	-	-	-	10,148	31,277
Services transferred over time	-	-	4,797	2,748	-	-	236	964	94	43	5,127	3,755
Total	<u>10,136</u>	<u>31,221</u>	<u>4,797</u>	<u>2,748</u>	<u>12</u>	<u>56</u>	<u>236</u>	<u>964</u>	<u>94</u>	<u>43</u>	<u>15,275</u>	<u>35,032</u>

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

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Trade receivables	6,951	5,494
Contract liabilities	66	3,008

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 RMB3,008,000 recognised in contract liabilities at the beginning of the period has been recognised as revenue for the six months ended 30 June 2022.

5. INCOME TAX CREDIT

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Current tax		
PRC Enterprise Income Tax		
Provision for the period	(10)	–
Hong Kong Profits Tax		
Overprovision in prior period	–	79
The United States corporate income tax		
Provision for the period	–	(13)
	(10)	66
Deferred Tax		
Provision for the period	26	25
Income tax credit	16	91

6. DIVIDENDS

The directors do not recommend the payment of any dividend for the six months ended 30 June 2022 (2021: 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 RMB13,635,000 (2021: RMB56,179,000) and the weighted average number of ordinary shares of 5,635,970,924 (2021: 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 2022 (2021: Nil) is presented as the Company had no potential ordinary shares outstanding.

8. TRADE RECEIVABLES

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Trade receivables (<i>note</i>)	20,937	21,240
Less: Allowance	(13,986)	(15,746)
	6,951	5,494

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:

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Up to 3 months	2,979	926
3 to 6 months	14	59
6 months to 1 year	178	1,740
Over 1 year	3,780	2,769
	6,951	5,494

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:

	Unaudited 30 June 2022 <i>RMB'000</i>	Audited 31 December 2021 <i>RMB'000</i>
Up to 3 months	2,298	114
3 to 6 months	3	11
6 months to 1 year	87	2
Over 1 year	741	721
	<u>3,129</u>	<u>848</u>

10. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

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

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

The Group is principally engaged in (1) O2O commerce; (2) electronic payment solutions; and (3) others (Provision of IT system development and support service) in Hong Kong and the People's Republic of China ("PRC").

For the reporting period, the revenue of the Group declined by approximately RMB19.75 million or 56.38% to approximately RMB15.28 million, which compared to that for the prior period.

The revenue of O2O commerce, electronic payment solutions and others (Provision of IT system and supporting service) amounted to RMB14.03 million, RMB0.91 million and RMB0.34 million respectively, which accounted for approximately 91.82%, 5.95% and 2.23% of the Group's total revenue for the reporting period, respectively. Comparing the percentage distribution to those of the prior period, O2O commerce, electronic payment solutions and others segments depicted a decline of approximately 57.99%, 21.55% and 27.66% respectively.

The decrease of the Group's overall revenue for the reporting period as compared to the prior period was mainly due to:

- (1) The Group has ceased to operate the customised supply chain management solutions during the prior period. As a result, no revenue was recorded from this business during the reporting period. In the prior period, the Group recorded revenue from the customised supply chain management solutions amounted to approximately RMB10.09 million.

- (2) COVID-19 related policy implemented both in Hong Kong and the PRC markets. In particular, the two-month lockdown policy in Shanghai and the nearby region during the first half of 2022 caused a significant decrease in demand of the Group's products and services.

Financial Review

Revenue

For the reporting period, the Group recorded the unaudited revenue of approximately RMB15.28 million (the prior period: approximately RMB35.03 million), representing a decrease of approximately 56.38% as compared with the prior period which was a result of the cessation of customised supply chain management solutions business and emergence of the COVID-19 pandemic in Hong Kong and the PRC.

Gross profit

For the reporting period, the unaudited gross profit of the Group was approximately RMB2.77 million, with gross profit margin of 18.13%, while the unaudited gross profit and gross profit margin of the Group for the prior period were approximately RMB10.62 million and 30.32% respectively, representing a decrease of approximately 73.92% in unaudited gross profit and approximately 12.19 percentage points in gross profit margin. This was mainly due to the change of product mix for the reporting period which yielded lower gross profit margin as compared to the product mix that the Group sold in the prior period.

Operating expenses

During the reporting period, the unaudited selling expenses of the Group was approximately RMB3.74 million, representing a decrease of 74.61% from approximately RMB14.73 million for the prior period. The significant decrease in selling expenses was mainly due to the decrease in selling activities as impacted by the COVID-19 pandemic and tightened spending policies implemented by the management during the reporting period and in particular:

- (1) a decrease of marketing and promotion expenses, from around RMB2.59 million for the prior period to RMB0.57 million for the reporting period and representing a significant decrease of 77.99%. Furthermore, the Group has incurred lower advertising expenses which accounted for approximately RMB0.01 million for the reporting period, a decrease of 98.57% from RMB0.70 million for the prior period.

- (2) a decrease of staff costs due to the downsizing of selling activities, from RMB5.76 million for the prior period to RMB2.50 million for the reporting period, representing a decrease of 56.60%;
- (3) no handling charge was incurred during the reporting period as the Group ceased to acquire the procurement service from the sourcing agent since the second half of 2021. The Group has incurred approximately RMB1.08 million on the handling charge for the prior period.
- (4) a decrease of RMB0.89 million in rental charges, from RMB1.26 million in the prior period to RMB0.37 million for the reporting period, representing a decrease of approximately 70.63% over the reporting period.

Likewise, the administrative expenses decreased by approximately RMB4.56 million from RMB21.80 million for the prior period to RMB17.24 million for the reporting period, representing a decrease of approximately 20.92%.

The decrease in administrative expenses was mainly attributable to the decrease in staff costs during the reporting period. In the prior period, the Group paid staff costs of approximately RMB12.06 million, while the staff costs for the reporting period was RMB8.39 million, representing a decrease of approximately RMB3.67 million or 30.43% as compared to the prior period.

Besides, in the prior period, the Group paid advisory services fee for the O2O commerce segment, in particularly the customised supply chain management solutions amounting to RMB0.9 million. However, as the Group has ceased to engage in the customised supply chain management solutions business, no expenses of similar nature was incurred for the reporting period.

Other operating expenses were mainly the provision the Group has made on slow moving inventories. In the prior period, the Group has made provision on inventories amounted to RMB12.28 million while the allowance was decreased to RMB1.59 million for the reporting period and representing a decrease of approximately RMB10.69 million or 87.05%.

The Group had provided allowance for trade receivable approximately RMB28.59 million for the prior period. The allowance for trade receivable was reduced to approximately RMB0.71 million for the reporting period. At the same time, the Group has recovered approximately RMB3.08 million from trade receivables which were accounted for as doubtful debt previously, resulting a reversal of allowance for trade receivables amounted to approximately RMB2.37 million in the reporting period.

On the other hand, the Group was required to make further allowance for deposits and other receivables amounted to approximately RMB0.01 million during the reporting period, while the allowance of the same nature was approximately RMB1.19 million for the prior period. It represents a significant decrease of approximately 99.16%.

Loss before tax

As a result of the foregoing, loss before tax for the reporting period was approximately RMB15.37 million, representing a significant improvement of approximately 75.11% as compared the same for the prior period.

The decrease of loss before tax was mainly attributed to the decrease in the Group's overall operating expenses, in particularly the reversal of allowance for trade receivables and the allowance for deposits and other receivables. However, the effect on the decrease in operating expenses was partially offset by the decrease in the Group's revenue for the reporting period.

Prospects

The year of 2022 is a year full of challenges and opportunities. In the first half of the year, the Russia-Ukraine war and the COVID-19 pandemic had made uncertainties affecting the global and domestic economies but the market turbulence caused by the financial policies adopted to stimulate economic recovery may still exist. At the same time, Hong Kong and the PRC experienced another outbreak of COVID-19 causing the Governments to implement lockdown and other hygienic policies and measures in response to the COVID-19 pandemic. These policies and measures disrupted the business activities of many enterprises in Hong Kong and the PRC, including the Group and its business partners.

After all, with the weakening of pandemic, Hong Kong and the PRC economy are expected to gradually recover from the COVID-19. Going forward, the Group remains cautiously optimistic of the overall business climate and uncertainties arising from the aforesaid threats and will continue to closely monitor the development of the COVID-19 pandemic and the market situation and take all possible reasonable measures to mitigate the effect on the Group's operation. The Group will stay vigilant and continue to drive sustainable growth by constantly reviewing its business and tendering strategies and enhancing its operational efficiency and financial performance.

The Board will also proactively seek potential business opportunities that will broaden the sources of revenue of the Group and enhance value to the shareholders of the Company.

Liquidity and financial resources

As of 30 June 2022, the Group had cash and cash equivalent amounted to approximately RMB47.25 million, of which approximately RMB15.13 million were fixed deposits, dominated in Hong Kong dollars, placed at a financial institution in Hong Kong with maturity date ranged from one to three months. As of 31 December 2021, the Group's cash and cash equivalent amounted to approximately RMB56.80 million and there was no fixed deposits placed at any financial institution in Hong Kong or any other jurisdictions around the world.

The Group's borrowings as at 30 June 2022 were approximately RMB9.72 million (31 December 2021: approximately RMB10.16 million). The Group's gearing ratio, calculated as total of bank borrowings and lease liabilities divided by total assets, was 7.90% as at 30 June 2022 compared to 8.39% as at 31 December 2021.

As at 30 June 2022, the Group's current assets exceeded its current liabilities by approximately RMB36.46 million (31 December 2021: approximately RMB50.86 million). The Group will continue to monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs and its liabilities and commitments as and when they are due.

After taking into account that the existing bank balances and cash, internally generated funds and available banking facilities, the Board is of the opinion that the Group has sufficient working capital from the date of this announcement.

There has been no change in the capital structure of the Group during the reporting period.

Human resources

As at 30 June 2022, the Group had 94 employees (at 30 June 2021: 138 employees). Employee benefits expenses (including directors' emoluments) for the six months ended 30 June 2022 were approximately RMB10.99 million (2021: approximately RMB17.82 million). 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 26 May 2021.

As at the date of expiry of the Scheme on 26 May 2021, no options had been granted and outstanding under the Scheme.

Pledges of assets

As at 30 June 2022, the following assets of the Group were pledged as securities, among others, for the banking facilities granted by its banks:

- (i) Charge over the Group's building located in the PRC;
- (ii) Charge over the Group's right-of-use assets relating to leasehold lands in the PRC;
- (iii) Charge over the Group's investment properties in the PRC; and
- (iv) Personal guarantee of a director of the Company's subsidiaries.

Foreign exchange exposure

The majority of subsidiaries of the Group are registered and operated 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”) from the vendor (a BVI company) in 2017. This transaction is regarded as indirect transfer of the PRC subsidiaries of LCE 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.

Save as disclosed above, the Group has no other material contingent liabilities as at 30 June 2022.

Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (2021: Nil).

Significant investments, acquisitions and disposals

On 22 February 2022, an indirect wholly owned subsidiary of the Company 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), now known as Xiamen Keruiling Biotechnology Co., Limited* (廈門市科睿琳生物科技有限公司) (“**Xiamen Keruilin**”), at a consideration of RMB2,000,000 from the then non-controlling shareholder of Xiamen Keruilin (the “**Acquisition**”). The Acquisition has been completed during the reporting period, and Xiamen Keruilin became a wholly owned subsidiary of the Company. For further details of the transaction, please refer to the Company’s announcements dated 17 November 2021, 19 November 2021 and 22 February 2022.

Saved as disclosed above, the Group did not have any significant investments, acquisitions and disposals during the six months ended 30 June 2022.

Significant investments held by the Group

During the six months ended 30 June 2022, the Group does not have any significant investments.

Future plans for material investments or capital assets

During the six months ended 30 June 2022, the Group does not have any future plan for material investments or capital assets.

OTHER INFORMATION

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 26 May 2021.

As at the date of expiry of the Scheme on 26 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 2022.

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 2022, the Company was not involved in any litigation or arbitration of any material importance.

Events after the reporting period

There were no significant events affecting the Group that had occurred after 30 June 2022 and up to the date of this announcement.

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 2022.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding directors' securities transactions in terms as stringent as those set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (“**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 2022.

Changes of Directors

Dr. Cheng Faat Ting Gary (“**Dr. Cheng**”) resigned as an independent non-executive director and a chairperson of each of the Audit Committee, nomination committee (the “**Nomination Committee**”) and remuneration committee (the “**Remuneration Committee**”) of the Company with effect from 31 December 2021.

Mr. Leung Kwong Choi (“**Mr. Leung**”) was appointed as an independent non-executive director of the Company, the chairperson of the Audit Committee, a member of each of the Nomination Committee, and the Remuneration Committee with effect from 31 March 2022.

Rule 3.10(1) of the Listing Rules requires that the board of directors of a listed issuer must include at least three independent non-executive directors (the “**INED(s)**”). Rule 3.21 of the Listing Rules provides that the audit committee of a listed issuer must comprise a minimum of three members. Rule 3.27A of the Listing Rules requires that the nomination committee of a listed issuer should comprise of a majority of INEDs.

Following the resignation of Dr. Cheng and before the appointment of Mr. Leung as an independent non-executive director of the Company, the Company was not able to comply with the requirements under Rules 3.10(1), 3.21 and 3.27A of the Listing Rules as set out above.

Upon the appointment of Mr. Leung as an independent non-executive director of the Company on 31 March 2022, (i) the Board comprises of three INEDs; (ii) the Audit Committee comprises three members, and (iii) the Nomination Committee comprises a majority of INEDs. Accordingly, Rules 3.10(1), 3.21 and 3.27A of the Listing Rules have been recompiled.

Changes in Information of Director

Mr. Poon Lai Yin, Michael, has resigned as an independent non-executive director of China Uptown Group Company Limited (a company listed on the main board of Stock Exchange, stock code: 2330) since 6 June 2022.

AUDIT COMMITTEE

The Board established the Audit Committee with written terms of reference on 31 March 2017 and 27 March 2012. The terms of reference of the Audit Committee are available at the Company's website and on the Stock Exchange. The Audit Committee currently comprises three INEDs, namely Mr. LEUNG Kwong Choi, Mr. POON Lai Yin Michael and Mr. WANG Haoxian. The chairman of the Audit Committee is Mr. LEUNG Kwong Choi.

The Audit Committee has reviewed the Group's unaudited consolidated interim financial information for the six months ended 30 June 2022. The Audit Committee was satisfied that the unaudited condensed consolidated interim financial information was prepared in accordance with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosure have been made.

LISTING STATUS

Reference is made to the announcements of the Company dated 25 May 2021, 31 May 2021, 22 June 2021, 24 June 2021, 30 June 2021, 2 July 2021, 7 July 2021, 27 August 2021, 30 September 2021, 15 December 2021, 25 March 2022, 31 March 2022 and 29 June 2022 in relation to, among others, the suspension and resumption of trading of the Company's shares on the Stock Exchange and the resumption guidance issued by the Stock Exchange.

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 is in the course of consulting its professional advisers and taking appropriate steps to address the Stock Exchange's concerns, fulfil and comply with the requirements under the Resumption Guidance.

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.

Trading in the Shares on the Stock Exchange has been suspended since 1 April 2021 and will remain suspended until further notice.

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 at www.hkexnews.hk under the section “Latest Listed Company Information” and on the website of the Company at www.smartacgroup.com. The 2022 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, 26 August 2022

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) three independent non-executive Directors, namely Mr. Poon Lai Yin Michael, Mr. Wang Haoxian and Mr. Leung Kwong Choi.

* *For identification purpose only*