芯智控股有限公司
Smart-Core Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2166)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

- The total revenue of the Group in 2016 amounted to US$669.9 million, representing an increase of 38.0% as compared with 2015.
- The gross profit of the Group amounted to US$31.6 million in 2016, representing an increase of 42.3% as compared with 2015.
- The net profit attributable to the owners of the Company for 2016 reached US$9.3 million, representing an increase of 52.2% as compared with 2015.
- Basic earnings per share for 2016 was 2.322 US cents (2015: 1.806 US cents).

FINAL RESULTS

The board ("**Board**") of directors (the "**Directors**") of Smart-Core Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the financial year ended 31 December 2016 with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	**2016** ***US$'000***	2015 *US$'000*
Revenue	*3*	**669,896**	485,371
Cost of sales		**(638,279)**	(463,145)
Gross profit		**31,617**	22,226
Other income	*4*	**2,171**	2,001
Net foreign exchange loss		**(2,337)**	(724)
Research and development expenses		**(2,429)**	(2,129)
Administrative expenses		**(6,209)**	(6,817)
Selling and distribution expenses		**(4,874)**	(2,608)
Listing expenses		**(2,432)**	(1,157)
Interest expense on bank borrowings		**(3,586)**	(1,750)
Profit before tax	*5*	**11,921**	9,042
Income tax expense	*6*	**(2,494)**	(2,140)
Profit for the year		**9,427**	6,902
Other comprehensive (expenses) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(82)**	15
Fair value loss on available-for-sale investments		**(112)**	(267)
Total comprehensive income for the year		**9,233**	6,650
Profit for the year attributable to:			
Owners of the Company		**9,279**	6,096
Non-controlling interests		**148**	806
		9,427	6,902
Total comprehensive income for the year attributable to:			
Owners of the Company		**9,088**	5,869
Non-controlling interests		**145**	781
		9,233	6,650
Earnings per share, basic *(US cents)*	*8*	**2.322**	1.806

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Notes	**2016** **US$'000**	2015 US$'000
Non-current assets			
Property, plant and equipment		**429**	478
Available-for-sale investments		**7,772**	5,825
Deposits, prepayments and other receivables		**2,869**	2,802
		11,070	9,105
Current assets			
Inventories		**31,908**	17,863
Trade receivables	*9*	**56,500**	84,222
Deposits, prepayments and other receivables		**2,718**	1,192
Amounts due from directors		**–**	381
Amounts due from related companies		**–**	2,099
Pledged bank deposits		**32,488**	6,359
Bank balances and cash		**27,831**	4,137
		151,445	116,253
Current liabilities			
Trade payables	*10*	**68,669**	46,281
Other payables and accrued charges		**13,640**	11,264
Amount due to a director		**–**	600
Dividend payable		**–**	4,000
Tax liabilities		**813**	3,093
Bank borrowings		**22,553**	36,889
		105,675	102,127
Net current assets		**45,770**	14,126
		56,840	23,231
Capital and reserves			
Share/paid-in capital		**5**	1,269
Reserves		**56,835**	19,523
Equity attributable to owners of the Company		**56,840**	20,792
Non-controlling interests		**–**	2,439
		56,840	23,231

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

In the preparation for the listing of the Company's shares on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the companies now comprising the Group underwent a group reorganisation (the "**Group Reorganisation**"). Details of the Group Reorganisation are set out in the prospectus dated 27 September 2016 issued by the Company.

Prior to the Group Reorganisation, the trading of electronic components was carried out by the subsidiaries of Smart-Core Holdings Limited ("**Smart-Core Samoa**"), the holding company of all entities now comprising the Group which was incorporated in Samoa and beneficially owned by Mr. Tian Weidong ("**Mr. Tian**"), Mr. Wong Tsz Leung ("**Mr. Wong**") and Mr. Liu Hongbing ("**Mr. Liu**") as to 60%, 30% and 10%, respectively. Smart-Core Samoa is jointly controlled by Mr. Tian and Mr. Wong in respect of the Group's business and all the group entities now comprising the Group historically and throughout the year ended 31 December 2015 (collectively be referred to as the "**Controlling Shareholders**"). Smart-Core Samoa does not form part of the Group.

Upon completion of the Group Reorganisation, the Company became the holding company of the companies now comprising the Group on 24 February 2016. The Group Reorganisation involved incorporation of the Company and its acquisition from Smart-Core Samoa all shares of Smart-core International Company Limited ("**SMC International HK**") and Smart-core Cloud Limited ("**SMC Cloud HK**") from Smart-Core Samoa for a total cash consideration of US$20,514,049 and US$1, respectively. This payment is regarded as deemed distribution to the Controlling Shareholders to the extent of the amount attributable of US$18,463,000 and the remainder as consideration for the acquisition of the non-controlling interest in the subsidiaries. The Group comprising the Company and its subsidiaries resulting from the Group Reorganisation is regarded as a continuing entity, accordingly, the consolidated financial statements have been prepared under the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as if the Company had always been the holding company of the Group throughout the year ended 31 December 2016. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended 31 December 2016 include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the year ended 31 December 2016. The consolidated statements of financial position of the Group at 31 December 2015 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure has been in existence at 31 December 2015 taking into account the respective dates of incorporation or establishment, where applicable.

As SMC International HK and SMC Cloud HK was under the common control of the Controlling Shareholders, equity interest held by Mr. Liu during the year ended 31 December 2015 up to the date of the completion of the Group Reorganisation on 24 February 2016 is presented as non-controlling interest in the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

The application of the amendments to HKFRS in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related amendments[1]
HKFRS 16	Lease[3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after 1 January 2017

3. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents the fair value of the amounts received and receivable from the sales of integrated circuit and other electronic components in Hong Kong ("**HK**") and the People's Republic of China (the "**PRC**") net of discounts and returns, during the year.

For the purpose of resource allocation and assessment of segment performance, the executive directors of the Company, collectively being the chief operating decision maker, focuses and reviews on the overall results (i.e. revenue and gross profit) and financial position of the Group as a whole which are prepared based on the same accounting policies of the Group. Accordingly, the Group has only one single operating segment and no further analysis of the single segment is presented.

Geographical information

The Group principally operates in HK and the PRC.

The following table provides an analysis of the Group's sales by geographical market based on the jurisdictions where the relevant group entities were set up, which are also their place of operations during the year, irrespective of the origin of goods/services.

The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below:

Revenue from external customers based on location of operations of the relevant group entities

	2016	2015
	US$'000	*US$'000*
HK	**574,016**	433,261
The PRC	**95,880**	52,110
	669,896	485,371

Property, plant and equipment

	2016	2015
	US$'000	*US$'000*
HK	**204**	239
The PRC	**225**	239
	429	478

Information about major customers

Revenue from customers in respect of sales of goods of the year contributing over 10% of the total revenue of the Group is as follows:

	2016	2015
	US$'000	*US$'000*
Customer 1	**174,747**	143,993
Customer 2	**97,108**	82,104
Customer 3	**81,545**	N/A[1]

1 The corresponding revenue did not contribute over 10% of total revenue of the Group in the respective year.

There are no other revenue from transaction with a single external customer amounted to 10% or more of the total revenue of the Group during the year ended 31 December 2016 and 2015.

4. OTHER INCOME

	2016	2015
	US$'000	*US$'000*
Dividend and interest income from available-for-sale investments	**300**	180
Bank interest income	**14**	13
Technical support services income	**885**	1,641
Interest income from life insurance policies	**118**	109
Written off of trade and other payables	**768**	–
Others	**86**	58
	2,171	2,001

5. PROFIT BEFORE TAX

	2016	2015
	US$'000	*US$'000*
Profit before tax has been arrived at after charging:		
Directors' emoluments	**583**	372
Staff costs		
Salaries and other allowances	**4,590**	4,016
Discretionary bonus	**2,705**	2,831
Retirement benefit scheme contributions	**785**	669
Total staff costs	**8,663**	7,888
Allowance for doubtful debts (included in administrative expenses)	**14**	183
Allowance for inventories recognised (included in cost of sales)	**13**	248
Cost of inventories recognised as an expense	**638,279**	463,145
Depreciation of property, plant and equipment	**165**	257
Minimum lease payments under operating leases in respect of office premises	**900**	805

6. INCOME TAX EXPENSE

	2016	2015
	US$'000	*US$'000*
Current tax:		
Hong Kong Profits Tax	**2,375**	2,125
PRC Enterprise Income Tax ("**PRC EIT**")	**101**	15
	2,476	2,140
Underprovision in prior year		
PRC EIT	**18**	–
	2,494	2,140

The Company was incorporated in the Cayman Islands and is exempted from income tax.

The applicable tax rate of the subsidiaries in HK is 16.5% (2015: 16.5%).

Under the Law of the PRC on Enterprise Income tax (the "**EIT Law**") and Implementation Regulation of The EIT Law, the tax rate of entities established in the PRC is 25% (2015: 25%) during the year. As 深圳市芯智科技有限公司 ("**SMC Technology SZ**") has been accredited as a "High and New Technology Enterprise" by the relevant authorities in Shenzhen, it is entitled to a reduced tax rate of 15% (2015: 15%) for PRC EIT during the year. Accordingly, the PRC EIT is calculated at 15% (2015: 15%) on the assessable profit of SMC Technology SZ.

7. DIVIDENDS

	2016	2015
	US$'000	*US$'000*
Dividends declared and paid to shareholders	**3,000**	4,000

No dividend has been proposed for ordinary shareholders of the Company since the end of reporting period.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company for the year is based on the following data:

	2016	2015
	US$'000	*US$'000*
Earnings		
Profit for the year attributable to owner of the Company for the purpose of basic earnings per share	**9,279**	6,096

	2016	2015
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**399,584,383**	337,500,000

The number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2016 and 2015 has been adjusted for the effect of (i) the Group Reorganisation and the capitalisation issue of shares of the Company that are deemed to have become effective since 1 January 2015; and (ii) the capital contributions by shareholders during the year ended 31 December 2016.

No diluted earnings per share are presented for both years as there were no potential ordinary shares in issue for the year ended 31 December 2016 and 2015.

9. TRADE RECEIVABLES

	2016	2015
	US$'000	*US$'000*
Trade receivables	**56,513**	84,342
Less: Allowance for doubtful debts	**(13)**	(120)
	56,500	84,222

The Group entered into factoring agreements with certain banks so as to obtain bank advances. As at 31 December 2016, trade receivables of US$36,428,000 (2015: nil) had been transferred to the banks in accordance with the relevant non-recourse factoring agreements. Relevant trade receivables were derecognised as the directors of the Company are of the opinion that the substantial risks and rewards associated with the trade receivables have been transferred and therefore qualified for derecognition.

The Group allows credit period of 0 to 90 days to its customers. The aged analysis of the Group's trade receivables, net of allowance, based on invoice date at the end of each reporting period are as follows:

	2016	2015
	US$'000	*US$'000*
0–30 days	**19,029**	57,750
31–60 days	**16,344**	17,727
61–90 days	**10,971**	7,526
91–180 days	**10,052**	953
Over 180 days	**104**	266
	56,500	84,222

10. TRADE PAYABLES

	2016	2015
	US$'000	*US$'000*
Trade payables	**68,669**	46,281

The credit period on trade purchases is 0 to 60 days.

Ageing analysis of the Group's trade payables based on invoice date at the end of the reporting period is as follows:

	2016	2015
	US$'000	*US$'000*
0–30 days	**43,531**	45,580
31–60 days	**24,849**	328
61–90 days	**120**	15
Over 90 days	**169**	358
	68,669	46,281

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 December 2016, the Group recorded a total revenue of US$669.9 million, representing an increase of 38% as compared with previous financial year, which was attributable to the increase in smart-TV, efficient management in market segments, the progress made in intelligent broadcasting terminal business line and the revenue generated from some new products. Revenue in 2016 was mainly derived from the consumer market, which is constantly evolving and always competitive and subject to industrial technological shifts, nonetheless the Group responded to overall challenges and dramatic changes of the market by maintaining its steady business strategy, striving to provide technical support and value added services and appropriate inventories management, as well as effectively utilizing business and management strategies. In addition, such increase in revenue in 2016 was also attributed by the rapid growth of TV differentiated market and IPTV set-top box industry, meanwhile the rising demand for DRAM and NAND flash memory also contributed to the increase in revenue of the Group. In 2016, the Group was also dedicated to enhance its long term business relationships with suppliers and customers, and has received full support from suppliers so as to effectively satisfy demands from customers.

The Group operated a number of product types, which included smart media display, intelligent broadcasting terminal and memory. Initial differentiated operation success of smart media display products plus stable and balanced support from major customers enabled a solid growth of smart media display customers. Upon the integration of the industry, our customers grew steadily and in particular in second quarter of 2016 we recorded a year-on-year increase of near 100%. Benefiting from substantial growth of IPTV box of China's three major operators, the intelligent broadcast terminal product exceeded its operation objectives and realised doubled growth. The aforementioned two product types turned second quarter of 2016 into an unusual peak season that is different from previous years with a year-on-year increase of about 100%. Furthermore, due to the shortage of inventories, the memory product recorded a slight decrease in sales, but with the team's effort in adjusting customer structure, optimising risk control and improving operation indicators, a better overall performance was achieved.

The Group's development of and investment in new products and new product types in the past years have paid off in 2016. In particular, mobile terminal and optical communication product type experienced a tremendous growth; IoT and security monitoring divisions finished their product positioning and market layout, thus laying a desirable foundation for subsequent development; the smart projector segment that the Company had been interested in for two years also made great progress this year. In future, the Company will insist on investing in one new product line every year, constantly cultivate it for two to three years to fully learn about and participate in the segment and work intensively on it for in-depth exploration and developing technology value-added services, in order to become a professional distributor and service provider and identify next emerging target for the Company.

We adopt an OAO (online and offline) business model and operate an e-commerce platform together with a physical sales network of seven sales offices set up in selected areas within the PRC for the distribution of IC and other electronic components. Our e-commerce platform is an online front-end customer interaction interface made up of SMC Cloud, SuperIC Community and SuperIC Navigator. Our sales offices, sales representatives and application engineers represent the offline part of our OAO business model. In 2016, we were committed to improve the efficiency of service, expand the market shares and achieve sustainable development through the e-commerce platform. Smart-Core Planet targeted to provide services for small and medium enterprises, entrepreneurship and innovation customers and smart appliance incubators, based on the introduction of more qualified suppliers to diversify our electronic component materials and provide technical solutions on more areas, in order to offer one station supply chain services to more customers and boost the mutual business development between customers and suppliers and Smart-Core Planet.

The Company was honoured to be listed on the Main Board of the Stock Exchange on 7 October 2016, and was awarded with the Top Ten Local Distributors Award presented by ESM, an internationally renowned media in the same month, which indicated a recognition of the Company's performance and efforts.

Outlook

Based on the development in 2016, the Group will remain specialising in display, broadcasting and storage products, and intend to promote customer loyalty and secure more purchases from customers. We will enhance our technology value-added services, customer service, and order fulfillment and delivery capabilities to ensure our general solutions are more reliable and shorten the product cycle for our customer and to facilitate the product sales of customers. In 2017, the Group will focus on projector, automobile electronics, security and protection and small-size display products as the Company's strategic targets, meanwhile reinforce the introduction and operation of new product lines and keep focusing on facilitating operation efficiency, costs saving and conducting strict risk management on uncertain economic factors.

We will further enhance our e-commerce platform with the aim to improve our customers' online procurement experience with us. We plan to continue our investment in technologies and infrastructure to support our growing e-commerce platform by acquiring software and equipment to strengthen our e-commerce platform and ERP system and expanding our e-commerce platform operation team. We intend to further improve our infrastructure so that our e-commerce platform can fully integrate with our ERP system for better logistics, inventory control and sales data analysis. We believe that data on customer behaviour and transactions will provide us with valuable insights to help us and our suppliers to improve our product offering and services.

Looking forward to 2017, despite the uncertainties and competition, the Group will actively explore market opportunities and strive for new developments. To reach the long-term goal of being sustainably profitable, we will continue to expand the market share of our existing product types, implement strictly cost control and strengthen capital position. It's believed that our profitability will be further boosted and favourable returns and long-term values will be brought to the shareholders of the Company (the "**Shareholders**").

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2016, the Group's revenue amounted to US$669.9 million. There was an increase of US$184.5 million (+38.0%) as compared with the revenue for the year ended 31 December 2015 (2015: US$485.4 million). The increase in revenue was mainly contributed by the increase in sales from our intelligent broadcasting terminal products of US$88.4 million and smart media display products of US$87.5 million. A new top five customer boosted the sales of the intelligent broadcasting products. In addition, sales to one of our top five customers also increased to cater for improved broadcasting standard of set-top box for sales in the PRC. Sales from smart media display increased as a result of the increase in demand from our major customers to cater for their business need and wider range of products sold to them.

Gross profit

Our gross profit for the year ended 31 December 2016 increased by US$9.4 million to US$31.6 million (2015: US$22.2 million). The increase was in line with our increase in revenue. Our gross profit margin remained relatively stable at 4.72% for the year ended 31 December 2016 (2015: 4.58%).

Research and development expenses

Research and development expenses mainly comprises of staff cost incurred for our research and development department. For the year ended 31 December 2016, research and development expenses amounted to US$2.4 million, increased by 14.1% as compared with the year ended 31 December 2015 (2015: US$2.1 million). The increase was in line with the increase in revenue and the need of technical support from the new top five customer also made the expenses increased.

Administrative, selling and distribution expenses

Administrative, selling and distribution expenses aggregated to US$11.1 million for year ended 31 December 2016 (2015: US$9.4 million), which accounted for 1.7% of the revenue for the year ended 31 December 2016 (2015: 1.9%). The net increase of US$1.7 million was mainly due to 1) increase in staff costs as a result of increase in headcounts for the development of the E-commerce platform; 2) increase in rental expenses, in which additional offices were leased in both Hong Kong and the PRC; and 3) increase in product distribution costs which was in line with the increase in revenue.

Interest expense on bank borrowings

The Group's interest expense on bank borrowings for the year ended 31 December 2016 amounted to US$3.6 million (2015: US$1.8 million), increased by US$1.8 million as compared with that in 2015. The significant increase was due to the increase in the average balance of bank borrowings during the year. In addition, as the Group has entered into various factoring arrangements with some of the principal bankers, the increase in revenue also made the costs increased.

Profit for the year

For the year ended 31 December 2016, the Company's profits amounted to US$9.4 million, representing an increase of US$2.5 million as compared to US$6.9 million in 2015, an increment of 36.2%. The net profit margin for year ended 2016 was 1.41%, which was maintained at a similar level with financial year 2015, despite of the listing expenses amounted to US$2.4 million absorbed in 2016 (2015: US$1.2 million).

Net profit attributable to the owners of the Company

The net profit attributable to the owners of the Company for 2016 reached US$9.3 million, representing an increase of 52.2% as compared with 2015.

Use of proceeds from the global offering

The shares of the Company were listed (the "**Listing**") on the Stock Exchange on 7 October 2016 (the "**Listing Date**"). The Company issued 125,000,000 new shares with the nominal value of US$0.00001 at HK$1.83 per share. The net proceeds from the Listing received by the Company were approximately HK$205.8 million after deducting underwriting fees and estimated expenses in connection with the Listing.

The Group has utilised approximately HK$21.4 million of the net proceeds at 31 December 2016. The unutilised net proceeds have been placed as deposits with banks.

Use of proceeds	**Net proceeds**	**Amount utilised as at 31 December 2016**	**Amount remaining**
	(in HK$ million)	*(in HK$ million)*	*(in HK$ million)*
1. Hiring additional staff for sales and marketing and business development and improvement of warehouse facilities	20.6	(0.2)	20.4
2. Advertising and organising marketing activities for the promotion of our e-commerce platform, Smart Core Planet and our new products	41.2	(0.6)	40.6
3. Enhancing, further developing and maintaining our e-commerce platform and improving our technology infrastructure	41.2	(0.0)	41.2
4. For research and development	20.6	(0.1)	20.5
5. Funding potential acquisition of, or investment in business or companies in e-commerce industry or electronics industry	61.7	(0.0)	61.7
6. General working capital	20.5	(20.5)	0.0
	205.8	(21.4)	184.4

Liquidity and financial resources

The Group's primary source of funding included cash generated from operating activities and the credit facilities provided by banks. The cash position was further enhanced by the net proceeds received by the Company from the global offering. For the year ended 31 December 2016, net cash inflow from the operating activities amounted to US$48.1 million (2015: net cash outflow of US$9.0 million).

The Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements. As at 31 December 2016, the Group maintained bank balances and cash of US$27.8 million (31 December 2015: US$4.1 million). As at 31 December 2016, the outstanding bank borrowings of the Group was US$22.6 million (31 December 2015: US$36.9 million). The Group's gearing ratio, based on the interest-bearing borrowings and total equity, was decreased from 158.8% as at 31 December 2015 to 39.68% as at 31 December 2016 as a result of the decrease in bank borrowings and increase of net asset value of the Group after the global offering.

As at 31 December 2016, the Group had current assets of US$151.4 million (31 December 2015: US$116.3 million) and current liabilities of US$105.7 million (31 December 2015: US$102.1 million). The current ratio was 1.43 times as at 31 December 2016 (31 December 2015: 1.14 times).

The Group's debtor's turnover period was 38 days for the year ended 31 December 2016 as compared to 47 days for the year ended 31 December 2015. Since the group has entered into non-recourse factoring agreements with banks in respect of the Group's trade receivables with certain designated customers, the debtors' turnover period was greatly improved.

The creditors' turnover period was 33 days for year ended 31 December 2016 as compared to 28 days for the year ended 31 December 2015. The longer turnover days was the result of an increase in credit line offered by our major suppliers after the Listing.

The inventories' turnover period was 14 days for year ended 31 December 2016 as compared to 13 days for year ended 31 December 2015. Inventory control was always one of the primary tasks of the management to maintain the liquidity and healthy financial position of the Group.

The Group's transactions are principally denominated in US dollars and Renminbi. The Group had not experienced any material difficulties or material adverse impacts on its operation despite the fluctuations in currency exchange rates and the net foreign exchange loss of approximately US$2.3 million during the year ended 31 December 2016 (31 December 2015: US$0.7 million). The Group will consider the use of foreign exchange forward contracts to reduce the currency exposures in case the exposures become significant.

Pledge of assets

As at 31 December 2016, available-for-sale investments amounted to US$7.8 million (31 December 2015: US$5.8 million) and bank deposits amounted to US$32.5 million (31 December 2015: US$6.4 million) had been charged as security for the bank borrowings of the Group.

Capital commitment and contingent liabilities

The Group had no material capital commitment and contingent liabilities in both the year ended 31 December 2016 and 2015.

Significant investment held

Save for the available-for-sale investments, the Group did not hold any significant investments during the period from the Listing Date to 31 December 2016.

Material Acquisition and disposal of subsidiaries and associated companies

The Group has no material acquisitions or disposals of subsidiaries and associated companies during the period from the Listing Date to 31 December 2016.

Employees

As at 31 December 2016, the Group had 292 employees, with majority based in Shenzhen and Hong Kong. Total employee cost for the year ended 31 December 2016, excluding Directors' remuneration were approximately US$8.1 million (2015: US$7.5 million). There have been no material changes to the information disclosed in the prospectus dated 27 September 2016 in respect the remuneration of employees, remuneration policies, share award scheme, share option scheme and staff development of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period from the Listing Date to 31 December 2016.

EVENTS AFTER THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Up to the date of announcement, the Group has no subsequent event after 31 December 2016 which required disclosure.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance. Except for code provision A.2.1 as disclosed below in this announcement, the Company has complied with the applicable code provisions of the CG Code during the period from the Listing Date to 31 December, 2016. The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the CG Code.

Pursuant to code provision A.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual.

The Company deviates from code provision A.2.1 in that Mr. Tian currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company has made specific enquiry of the Directors, and all Directors confirmed that they had fully complied with the Model Code during the period from the Listing Date to 31 December 2016.

SUFFICIENCY IN PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, were held by the public since the Listing Date and up to the date of this announcement.

AUDIT COMMITTEE

The Company has established an audit committee, comprising three independent non-executive Directors. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and provide comment and advice to the Board. The audit committee has reviewed the audited consolidated financial statements of the Company for the year ended and as of 31 December 2016.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

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 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF FINAL RESULTS

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.smart-core.com.hk). The annual report of the Company for the financial year ended 31 December 2016 containing all the information required by the Listing Rules and other applicable laws and regulations will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**Annual General Meeting**") will be held on 23 May, 2017 (Tuesday). A notice of the Annual General Meeting will be published on the websites of the Stock Exchange and the Company and dispatched to the Shareholders in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 18 May 2017 (Thursday) to 23 May 2017 (Tuesday), both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 17 May 2017 (Wednesday).

By order of the Board
Smart-Core Holdings Limited
Tian Weidong
Chairman and Executive Director

Hong Kong, 21 March 2017

As at the date of this announcement, the Board comprises Mr. Tian Weidong, Mr. Wong Tsz Leung, Mr. Liu Hongbing and Mr. Xie Yi as executive Directors, Mr. Zheng Gang, Mr. Tang Ming Je and Mr. Wong Hon Kit as independent non-executive Directors.