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 2017

FINANCIAL HIGHLIGHTS

- The total revenue of the Group for the year ended 31 December 2017 amounted to US$613.5 million (2016: US$669.9 million), representing a decrease of 8.4% compared with the year ended 31 December 2016.
- The gross profit of the Group amounted to US$29.6 million for the year ended 31 December 2017 (2016: US$31.6 million), representing a decrease of 6.4% compared with the year ended 31 December 2016.
- The net profit attributable to the owners of the Company for the year ended 31 December 2017 reached US$9.9 million (2016: US$9.3 million), representing an increase of 7.2% compared with the year ended 31 December 2016.
- Basic earnings per share for the year ended 31 December 2017 was 1.989 US cents (2016: 2.322 US cents).
- The Board resolved to recommend a final dividend of HK3 cents per share for the year ended 31 December 2017 (2016: Nil).

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 2017 ("**Reporting Period**") with the comparative figures for the previous year, as follows:

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of profit or loss and other comprehensive income

For the year ended 31 December 2017

		Year ended 31 December	
		2017	2016
	Notes	***US'000***	*US'000*
Revenue	*3*	**613,483**	669,896
Cost of sales		**(583,894)**	(638,279)
Gross profit		**29,589**	31,617
Other income	*4*	**2,680**	2,171
Other expenses, gains and losses, net	*5*	**(2,827)**	(2,351)
Research and development expenses		**(3,222)**	(2,429)
Administrative expenses		**(7,134)**	(6,195)
Selling and distribution expenses		**(4,477)**	(4,874)
Listing expenses		**–**	(2,432)
Interest expense on bank borrowings		**(3,234)**	(3,586)
Profit before tax	*6*	**11,375**	11,921
Income tax expense	*7*	**(1,449)**	(2,494)
Profit for the year		**9,926**	9,427
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**172**	(82)
Fair value gain (loss) on available-for-sale investments		**38**	(112)
Total comprehensive income for the year		**10,136**	9,233
Profit (loss) for the year attributable to:			
Owners of the Company		**9,947**	9,279
Non-controlling interests		**(21)**	148
		9,926	9,247
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**10,158**	9,088
Non-controlling interests		**(22)**	145
		10,136	9,233
Earnings per share			
Basic *(US cents)*	*9*	**1.989**	2.322

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	As at 31 December 2017 US'000	As at 31 December 2016 US'000
Non-current assets			
Property, plant and equipment		**523**	429
Available-for-sale investments		**7,071**	7,772
Deposits, prepayments and other receivables		**8,715**	2,869
		16,309	11,070
Current assets			
Inventories		**32,070**	31,908
Trade and bills receivables	*10*	**40,900**	56,500
Deposits, prepayments and other receivables		**3,874**	2,718
Tax recoverable		**327**	–
Pledged bank deposits		**8,909**	32,488
Bank balances and cash		**22,731**	27,831
		108,811	151,445
Current liabilities			
Trade and bills payables	*11*	**47,349**	68,669
Other payables and accrued charges		**11,765**	13,640
Tax liabilities		**–**	813
Bank borrowings		**273**	22,553
		59,387	105,675
Net current assets		**49,424**	45,770
		65,733	56,840
Capital and reserves			
Share capital		**5**	5
Reserves		**65,712**	56,835
Equity attributable to owners of the Company		**65,717**	56,840
Non-controlling interests		**16**	–
		65,733	56,840

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited ("**Stock Exchange**") since 7 October 2016. Its parent is Smart IC Limited, a private company incorporated in the British Virgin Islands and its ultimate controlling party is Mr. Tian Weidong.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in the trading of electronics components.

The consolidated financial statements is presented in United States Dollar ("**US$**"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

Amendments to Hong Kong Accounting Standard ("**HKAS**") 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

Except as described below, the application of the new and revised HKFRSs 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.

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

New and revised HKFRSs issued but not effective

The Group has not early adopted the following new and revised 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	Leases[2]
HKFRS 17	Insurance contracts[4]
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC) – Int 23	Uncertainty Over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

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. Accordingly, the Group has only one single operating and reportable 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

	2017	2016
	US'000	*US'000*
HK	**603,807**	574,016
The PRC	**9,676**	95,880
	613,483	669,896

Property, plant and equipment

	2017	2016
	US'000	*US'000*
HK	**222**	204
The PRC	**301**	225
	523	429

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:

	2017	2016
	US'000	*US'000*
Customer A	**164,372**	174,747
Customer B	**109,485**	97,108
Customer C	**N/A**[1]	81,545

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 2017 and 2016.

4. OTHER INCOME

	2017	2016
	US'000	*US'000*
Dividend and interest income from available-for-sale investments	**278**	300
Bank interest income	**50**	14
Technical support services income	**878**	885
Interest income from life insurance policies	**262**	118
Written off of trade and other payables	**965**	768
Others	**247**	86
	2,680	2,171

5. OTHER EXPENSES, GAINS AND LOSSES, NET

	2017	2016
	US'000	*US'000*
Net foreign exchange gain (loss)	**150**	(2,337)
Allowance for doubtful debts	**(2,975)**	(14)
Loss on disposal of available-for-sale investments	**(2)**	–
	(2,827)	(2,351)

6. PROFIT BEFORE TAX

	2017	2016
	US'000	*US'000*
Profit before tax has been arrived at after charging:		
Directors' emoluments	**615**	583
Staff costs		
Salaries and other allowances	**4,960**	4,590
Discretionary bonus	**2,138**	2,705
Retirement benefit scheme contributions	**997**	785
	8,710	8,663

	2017 *US'000*	2016 *US'000*
Allowance for inventories recognised (included in cost of sales)	**484**	13
Auditor's remuneration	**230**	165
Cost of inventories recognised as an expense	**583,410**	638,266
Depreciation of property, plant and equipment	**164**	165
Minimum lease payments under operating leases in respect of office premises	**1,161**	900
Property, plant and equipment written off	**59**	–

7. INCOME TAX EXPENSE

	2017 *US'000*	2016 *US'000*
Current tax：		
Hong Kong Profits Tax	**1,271**	2,375
PRC Enterprise Income Tax ("**PRC EIT**")	**178**	101
	1,449	2,476
Underprovision in prior year		
PRC EIT	**–**	18
	1,449	2,494

The applicable tax rate of the subsidiaries in HK is 16.5% (2016: 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% (2016: 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% (2016: 15%) for PRC EIT during the year. Accordingly, the PRC EIT is calculated at 15% (2016: 15%) on the assessable profit of SMC Technology SZ.

8. DIVIDENDS

	2017	2016
	US$'000	*US$'000*
Dividends for ordinary shareholders of the Company recognised as distributions during the year		
2017 Interim – HK2 cents (2016: 2016 interim dividend HK$Nil) per share	**1,281**	–
2016 Final – HK$Nil (2016: 2015 final dividend US$150) per share	**–**	3,000

Subsequent to the end of the Reporting Period, the directors of the Company have determined that a final dividend of HK3 cents per share (2016: HK$ Nil) in an aggregate amount of HK$15,000,000 (equivalent to US$1,921,000) (2016: HK$ Nil), has been proposed by the directors of the Company and is subject to the approval by the shareholders in the forthcoming general meeting.

9. 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:

	2017	2016
	US'000	*US'000*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**9,947**	9,279

	2017	2016
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**500,000,000**	399,584,383

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

No diluted earnings per share are presented as there were no potential ordinary shares in issue for the years ended 31 December 2017 and 2016.

10. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2017	2016
	US'000	*US'000*
Trade receivables	**43,364**	56,513
Less: Allowance for doubtful debts	**(2,980)**	(13)
Net	**40,384**	56,500
Bills receivables	**516**	–
	40,900	56,500

The Group entered into factoring agreements with certain banks so as to obtain bank advances. As at 31 December 2017, trade receivables of US$50,183,000 (2016: US$36,428,000) had been transferred to 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 120 days (2016: 0 to 90 days) to its customers. The aged analysis of the Group's trade and bills receivables, net of allowance, based on invoice date at the end of each reporting period are as follows:

	As at 31 December	
	2017	2016
	US'000	*US'000*
0–30 days	**22,649**	19,029
31–60 days	**7,431**	16,344
61–90 days	**5,187**	10,971
91–120 days	**437**	9,847
121–180 days	**15**	205
Over 180 days	**5,181**	104
	40,900	56,500

11. TRADE AND BILLS PAYABLES

	As at 31 December	
	2017	2016
	US'000	*US'000*
Trade payables	**46,908**	68,669
Bills payables	**441**	–
	47,349	68,669

The credit period on trade purchases is 0 to 60 days (2016: 0 to 60 days).

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

	As at 31 December	
	2017	2016
	US'000	*US'000*
0–30 days	**36,461**	43,531
31–60 days	**10,885**	24,849
61–90 days	**1**	120
Over 90 days	**2**	169
	47,349	68,669

FINAL DIVIDEND

The Board resolved to recommend a final dividend of HK3 cents per share for the year ended 31 December 2017 to the shareholders of the Company ("**Shareholders**") whose names appear on the register of members of the Company on Thursday, 31 May 2018. Subject to the approval by Shareholders at the forthcoming Annual General Meeting (as defined below) to be held on Monday, 21 May 2018, the proposed final dividend is expected to be paid on or about Friday, 15 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We have noticed there were quite a number of ups and downs as well as drastic changes in the marketplace in the year of 2017. In spite of the constantly emerging new concepts and hot points, the market demands were not boosted effectively due to the lack of new technology, which resulted in the decline of the entire consumer electronic product market. As a result, the Group encountered our first year of negative growth in operating revenue since the Group was founded.

Smart media display

The smart media display products enjoyed a rapid growth in recent years and are currently experiencing a slowdown. In the wake of intensifying competition, operation tended to be transparent in the industry and the overall profit for the industry declined significantly in 2017. For example, MStar Semiconductor Inc. ("**MStar**"), a supplier of the Group, who is dominant player in the sector of display products, were also exposed to fierce competition with a number of peers, albeit in possession of a full range of products and high-standard technology. Under the influence of the neighboring market environment, the Group adhered to our customer-oriented concept, adjusted our technical approaches and increased our investment in research and development in order to pursue new business growth drivers in this highly differentiated market.

Intelligent broadcasting terminal

In 2017, thanks to the growth contributed by the emerging market and the digital upgrades in certain countries, the sale of traditional digital video broadcasting television ("**TVs**") remained stable in the market. Meanwhile, the sale of Internet TVs/ Internet Protocol TVs also increased rapidly. In particular, as driven by the PRC and United States markets, demands for intelligent broadcasting terminal products also experienced a rapid growth in other countries. In virtue of our leading position in the intelligent broadcasting terminal product sector, the Group achieved the goal of annual growth in respect of market share and maintained our competitive edges in the market, contributing approximately 70% of the sales volume of MStar.

Memory products

In 2017, the global memory products industry recorded an increase ranging from 60% to 65% in the operating revenue, an increase of 35% in average unit sale price and an increase of approximately 20% in the output. Following the upgrade and iteration of consumer electronic products such as smart phones, the global demands for memory products for cellphones and servers continued to grow. Nevertheless, the supply of memory products in the market remained uptight as main suppliers of memory products were all profit driven and conservative in capital expenditure while the introduction of new technology slowed down. In 2017, the Group recorded an increase in the sale of memory products. Capitalizing on our long-term cooperation relationship, the memory product team continuously and thoroughly acquired the customers' demands so as to capture market changes in a timely manner and make adjustments to the inventories and customer mix in advance. As a result, the revenue from memory products has increased by 16% as compared to 2016.

Security monitoring

Close attention to the security, pursuit for resolution and requirements for differentiation in the marketplace brought up the rapid development of security monitoring products in the previous 20 years. The security products have been going through upgrading and replacement and there has been a 3-to-5-year replacement cycle for security facilities due to the special service environment thereof, which generated the enormous market size for security monitoring products. The enormous market size also resulted in brutal price competition. Notwithstanding, manufacturers with weak product technological strength will eventually be phased out and healthy competition will be restored to the market. MStar placed its main efforts on the key node for technology upgrade of security products and focused on the independent development of the wafer for professional security products as well as consumer audio and video products. Accordingly, it becomes the only rising technology generator to compete comprehensively with the market flagship and was well recognized among key customers in the industry and relevant industrial chains. As an authorized supplier of MStar in the PRC, the Group recorded positive returns from our investment in security monitoring and an increase of approximately 400% in the sales in 2017, thus maintaining our leading advantages in the industry.

Optical communication

In 2017, the sales of optical modules were estimated to be approximately US$6 billion in the global market according to the report issued by Zhiyan Consulting Group. The large-scale application of optical modules to cellphones with face recognition functions and the laser radars became the new focus in the optical communication derivative market. In light of the domestic market landscape, the Group consolidated our current market share and strived to enhance our sales and profit in 2017, thereby accomplishing our target of increasing our revenue by 100% as compared to 2016.

In 2017, the Group also continued to expand into other sectors such as auto electronics, mobile terminals, intelligent internet of things and schemed for industries such as new energy vehicles, industrial automated control and communications. In virtue of professional technological supports and supply chain services, the Group effectively improved its profit margin in spite of the negative growth in our overall performance.

OUTLOOK

After the first sales setback since the Group was founded, we are looking forward to joining hands with our suppliers and customers again to deliver excellent results in 2018.

In terms of the smart media display, with the intensifying competition in the industry, we expect that the overall profit decline trend will continue in the smart media display industry in 2018. Under such circumstance, we will cooperate with MStar more closely to secure more orders from end users in the smart media display field and identify more cooperation opportunities with branded manufacturers in 2018. Meanwhile, in the differentiated market such as the projector and electric whiteboard, the Group will further expand and maintain our leading market position. In particular, as the artificial intelligence ("**AI**") will become a major new concept in the smart media display products market in 2018, we will keep abreast of the technology vanguard and strive to achieve a leading position in the future AI market.

In terms of the intelligent broadcasting terminal, the Group's focus will be on China and India, the two markets with larger demand. We will consolidate demand from existing customers, while striving to enhance our market share and sales in China and India, aiming for growth in both the market share and revenue.

In terms of the security monitoring, the Group will continue to serve our customers in various industries and maintain our position as core agents for certain manufacturers leveraging on our strong technical value-added capabilities and with the efforts of our marketing team. In 2018, we will join hands with our suppliers to better serve our core target customers, timely adjust our strategies and identify key customers and opportunities in the industry and other fields. Moreover, we will put in more efforts on consuming customers, tap into the consumer demand, and better serve those differentiated market and production-oriented plant customers, so as to generate additional revenue from markets of some specific industries such as license plate recognition, face recognition and human shape recognition, by virtue of our technical value-added capabilities.

In terms of the optical telecommunication, we will place a strong emphasis on the major customers, maintain and broaden the medium-sized customer base and serve more small and medium customers on a selective basis within our capabilities in 2018. Furthermore, we will concentrate our resources on developing new products and new product lines with our suppliers, striving to identify new business opportunities in the markets outside the optical telecommunication sector, e.g. laser radar and face recognition.

In 2018, the Group will further expand our product lines and extend our reach to new customers based on our existing business modes. We will also strengthen our technical value-added capability and exert more efforts on attraction of talents. By establishing information-based management system and consolidating the back-end base, the Group will serve our customers and create new profit drivers by technological means and specialized supply chain systems, endeavoring to become the most valuable value-added service provider of electronic components in China.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2017, the Group's revenue amounted to US$613.5 million, representing a decrease of US$56.4 million (8.4%) as compared with the revenue for the year ended 31 December 2016 (2016: US$669.9 million). The decrease in revenue was mainly caused by the decrease in sales from our smart media display products of US$85.6 million. During the year of 2017, the media display market had experienced an adjustment phase to absorb the quantities of media display products over-produced in the prior year which caused the root for such decrease.

Gross profit

Our gross profit for the year ended 31 December 2017 decreased by US$2.0 million to US$29.6 million compared with prior year (2016: US$31.6 million). The decrease was in line with the decrease in revenue. Our gross profit margin increased slightly to 4.82% for the year ended 31 December 2017 (2016: 4.72%). The increase in gross margin was contributed by the increasing mix of our customer base, especially those new customers which drive higher profitable margin for the Group during the year.

Research and development expenses

Research and development expenses mainly comprise of staff cost incurred for our research and development department. For the year ended 31 December 2017, research and development expenses amounted to US$3.2 million, increased by 32.6% as compared with the year ended 31 December 2016 (2016: US$2.4 million). The increase was due to the need of technical support from our new customers which drives higher profitable margin for the Group during the year.

Administrative, selling and distribution expenses

Administrative, selling and distribution expenses aggregated to US$11.6 million for year ended 31 December 2017 (2016: US$11.1 million), which accounted for 1.9% of the revenue for the year ended 31 December 2017 as compared with 1.7% for the corresponding year in 2016. Administrative, selling and distribution expenses remain relatively stable compared with prior year.

Interest expense on bank borrowings

The Group's interest expense on bank borrowings amounted to US$3.2 million for the year ended 31 December 2017, a decrease of US$0.4 million as compared with that in 2016 (2016: US$3.6 million). Interest expense mainly represents the borrowings cost from entering into various factoring arrangements with some of the principal bankers. The decrease in the amount of interest expense was in line with the decrease in revenue.

Profit for the year

For the year ended 31 December 2017, the Group's profits amounted to US$9.9 million, representing an increase of US$0.5 million as compared to US$9.4 million in 2016, an increment of 5.3%. The net profit margin for the year ended 31 December 2017 was 1.62%, and remained relatively stable compared to 1.41% for the year ended 31 December 2016. The slight increase in the profit for the year was mainly contributed by the one-off listing expenses (US$2.4 million) and exchange loss (US$2.3 million) incurred in 2016 offsetting by allowance for doubtful debts of approximately US$3.0 million for the year.

Net profit attributable to the owners of the Company

The net profit attributable to the owners of the Company for the year ended 31 December 2017 amounted to US$9.9 million, representing an increase of 7.2% as compared with the corresponding year in 2016 (2016: US$9.3 million).

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 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$49.0 million of the net proceeds at 31 December 2017. The unutilised net proceeds have been placed as deposits with banks.

Use of proceeds	**Net proceeds** *(in HK$ million)*	**Amount utilised as at 31 December 2017** *(in HK$ million)*	**Amount remaining** *(in HK$ million)*
1. Hiring additional staff for sales and marketing and business development and improvement of warehouse facilities	20.6	(10.3)	**10.3**
2. Advertising and organising marketing activities for the promotion of our e-commerce platform, Smart Core Planet and our new products	41.2	(6.1)	**35.1**
3. Enhancing, further developing and maintaining our e-commerce platform and improving our technology infrastructure	41.2	(1.4)	**39.8**
4. For research and development	20.6	(10.7)	**9.9**
5. Funding potential acquisition of, or investment in business or companies in e-commerce industry or electronics industry	61.7	–	**61.7**
6. General working capital	20.5	(20.5)	**0.0**
	205.8	(49.0)	**156.8**

Liquidity and financial resources

The Group's primary source of funding included cash generated from operating activities and the credit facilities provided by banks. For the year ended 31 December 2017, net cash inflow from the operating activities amounted to US$2.7 million (2016: net cash inflow of US$48.1 million).

The Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements. As at 31 December 2017, the Group maintained bank balances and cash of US$22.7 million (31 December 2016: US$27.8 million). As at 31 December 2017, the outstanding bank borrowings of the Group was US$0.3 million (31 December 2016: US$22.6 million). The Group's gearing ratio, based on the interest-bearing borrowings and total equity, was decreased from 39.7% as at 31 December 2016 to 0.4% as at 31 December 2017 as a result of the decrease in bank borrowings.

As at 31 December 2017, the Group had current assets of US$108.8 million (31 December 2016: US$151.4 million) and current liabilities of US$59.4 million (31 December 2016: US$105.7 million). The current ratio was 1.83 times as at 31 December 2017 (31 December 2016: 1.43 times).

The Group's debtor's turnover period was 29 days for the year ended 31 December 2017 as compared to 38 days for the year ended 31 December 2016. 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 as a result of such financing arrangement.

The creditors' turnover period was maintained at a relative stable level of 36 days for the year ended 31 December 2017 as compared to 33 days for the year ended 31 December 2016.

The inventories' turnover period was 20 days for the year ended 31 December 2017 as compared to 14 days for the year ended 31 December 2016. Inventory control was always one of the primary tasks of the management to maintain the liquidity and healthy financial position of the Group. The increase in inventories' turnover period was due to the need for business expansion strategy and hence a relative stable inventory level was prepared despite the sales decreased during the year ended 31 December 2017.

Foreign currency exposure

The Group's transactions are principally denominated in US$ and Renminbi. The Group had not experienced any material difficulties or impacts on its operation despite the fluctuations in currency exchange rates. The Group recorded net foreign exchange gain of US$0.1 million (included in other expenses, gains and losses, net) for the year ended 31 December 2017 as compared to the net foreign exchange loss of US$2.3 million for the year ended 31 December 2016. 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 2017, available-for-sale investments amounted to US$7.1 million (31 December 2016: US$7.8 million), payments for life insurance policies (included in deposits, prepayments and other receivables) amounted to US$8.4 million (31 December 2016: US$2.9 million) and bank deposits amounted to US$8.9 million (31 December 2016: US$32.5 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 for the years ended 31 December 2017 and 2016.

Significant investment held

Save for the available-for-sale investments, the Group did not hold any significant investments during the years ended 31 December 2017 and 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 years ended 31 December 2017 and 2016.

Employees

As at 31 December 2017, the Group had 299 employees (2016: 292 employees), with majority based in Shenzhen and Hong Kong. Total employee cost for the year ended 31 December 2017, excluding Directors' remuneration were approximately US$8.1 million (2016: US$8.1 million). There have been no material changes in respect of the remuneration of employees, remuneration policies, share award scheme, share option scheme and staff development of the Company during the year ended 31 December 2017.

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 year ended 31 December 2017.

EVENTS AFTER THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Up to the date of announcement, the Group has no significant subsequent event after 31 December 2017 which required disclosure.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board has committed to maintaining high corporate governance standards. The Board believes that good corporate governance, by adopting an effective management accountability system and high standard of business ethnics, can provide a framework that is essential to the Company's sustainable development and to safeguard the interests of the Shareholders, suppliers, customers, employees and other stakeholders.

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 Listing Rules ("**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 year ended 31 December 2017. 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 set out in Appendix 14 of the Listing Rules, 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 Weidong 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 year ended 31 December 2017.

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 during the year ended 31 December 2017 and up to the date of this announcement.

AUDIT COMMITTEE

The Company has established an audit committee, comprising three independent non-executive Directors, namely Mr. Zheng Gang, Mr. Tang Ming Je and Mr. Wong Hon Kit. 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 Group for the year ended 31 December 2017 and discussed with the management the accounting policies adopted by the Group, internal controls and financial reporting matters of the Group.

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 2017 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 year ended 31 December 2017 containing all the information required by the Listing Rules and other applicable laws and regulations will be despatched 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 Monday, 21 May 2018. 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 ascertaining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Wednesday, 16 May 2018 to Monday, 21 May 2018, 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 Tuesday, 15 May 2018.

For ascertaining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 29 May 2018 to Thursday, 31 May 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share register 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, not later than 4:30 p.m. on Monday, 28 May 2018.

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

Hong Kong, 26 March 2018

As at the date of this announcement, the Board comprises Mr. Tian Weidong (chairman), 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.