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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 2020

FINANCIAL HIGHLIGHTS

- The total revenue of the Group for the year ended 31 December 2020 amounted to HK\$5,541.0 million (2019: HK\$4,762.8 million), representing an increase of 16.3% as compared with the year ended 31 December 2019.
- The gross profit of the Group amounted to HK\$310.5 million for the year ended 31 December 2020 (2019: HK\$270.9 million), representing an increase of 14.6% as compared with the year ended 31 December 2019.
- The net profit attributable to the owners of the Company for the year ended 31 December 2020 amounted to HK\$71.0 million (2019: HK\$55.1 million), representing an increase of 28.9% as compared with the year ended 31 December 2019.
- Basic earnings per share for the year ended 31 December 2020 was HK14.42 cents (2019: HK10.96 cents).
- The Board resolved to recommend a final dividend of HK4 cents per share for the year ended 31 December 2020 (2019: HK2 cents).

FINAL RESULTS

The board (“**Board**”) of directors (the “**Directors**”) of Smart-Core Holdings Limited (the “**Company**”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**” or “**our**”) for the financial year ended 31 December 2020 (the “**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 2020

	NOTES	Year ended 31 December	
		2020 HK\$'000	2019 HK\$'000
Revenue	2	5,541,009	4,762,816
Cost of sales		(5,230,549)	(4,491,880)
Gross profit		310,460	270,936
Other income		11,308	15,359
Other gains or losses, net		4,127	5,330
Impairment losses recognised under expected credit loss model, net		(11,582)	(15,218)
Research and development expenses		(25,693)	(24,044)
Administrative expenses		(71,295)	(60,481)
Selling and distribution expenses		(97,203)	(92,999)
Finance costs		(18,171)	(27,333)
Profit before tax		101,951	71,550
Income tax expenses	4	(16,600)	(9,775)
Profit for the year	5	85,351	61,775
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		4,078	1,032
Fair value loss on debt instruments at fair value through other comprehensive income		–	(20)
Cumulative loss reclassified to profit or loss on sale of investments in debt instruments measured at fair value through other comprehensive income upon disposal		–	105
Total comprehensive income for the year		89,429	62,892

		Year ended 31 December	
		2020	2019
	<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year attributable to:			
Owners of the Company		71,002	55,102
Non-controlling interests		14,349	6,673
		<u>85,351</u>	<u>61,775</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		75,075	56,198
Non-controlling interests		14,354	6,694
		<u>89,429</u>	<u>62,892</u>
Earnings per share	7		
Basic (HK cents)		14.42	10.96
Diluted (HK cents)		N/A	10.96

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

As at 31 December 2020

		As at 31 December 2020	As at 31 December 2019
	NOTES	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		4,298	4,621
Right-of-use assets		26,197	21,320
Goodwill		9,735	9,735
Intangible asset		6,776	9,168
Deposits, prepayments and other receivables		3,634	7,192
Deferred tax asset		5,704	3,792
Financial assets at fair value through profit or loss		130,147	127,820
		<u>186,491</u>	<u>183,648</u>
CURRENT ASSETS			
Inventories		416,285	182,368
Trade receivables	8	1,102,296	792,032
Deposits, prepayments and other receivables		73,867	72,672
Pledged bank deposits		178,191	161,373
Bank balances and cash		238,557	186,068
		<u>2,009,196</u>	<u>1,394,513</u>
CURRENT LIABILITIES			
Trade payables	9	590,732	370,989
Other payables and accrued charges		90,390	73,453
Lease liabilities		9,704	7,973
Contract liabilities		51,665	18,112
Amount due to a non-controlling shareholder of a subsidiary		–	255
Tax liabilities		11,829	25,097
Bank and other borrowings		727,065	434,815
		<u>1,481,385</u>	<u>930,694</u>
NET CURRENT ASSETS		<u>527,811</u>	<u>463,819</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>714,302</u>	<u>647,467</u>

	As at 31 December 2020 HK\$'000	As at 31 December 2019 HK\$'000
NON-CURRENT LIABILITIES		
Deferred tax liability	1,119	1,513
Lease liabilities	<u>17,840</u>	<u>13,958</u>
	<u>18,959</u>	<u>15,471</u>
NET ASSETS	<u>695,343</u>	<u>631,996</u>
CAPITAL AND RESERVES		
Share capital	38	39
Reserves	<u>630,640</u>	<u>578,935</u>
Equity attributable to owners of the Company	630,678	578,974
Non-controlling interests	<u>64,665</u>	<u>53,022</u>
	<u>695,343</u>	<u>631,996</u>

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**”). Its parent is Smart IC Limited, a private company incorporated in the British Virgin Islands and its ultimate controlling party is Mr. Tian Weidong (“**Mr. Tian**”). The Company is an investment holding company. The Company’s subsidiaries are principally engaged in the trading of electronic components.

The functional currency of the Company is United States Dollars (“**US\$**”) and the presentation currency of the Group’s consolidated financial statements is Hong Kong Dollars (“**HK\$**”).

2. REVENUE

Disaggregation of revenue from contracts with customers

	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Types of goods:		
Sale of electronic components	<u>5,541,009</u>	<u>4,762,816</u>
Sales channel/product lines:		
<i>Authorised distribution</i>		
Television products	2,049,321	2,086,217
Smart terminals	396,171	537,247
Optoelectronic displays	947,287	531,747
Memory products	492,208	493,207
Security monitoring	342,890	172,862
Communication products	268,775	171,196
Others (<i>note</i>)	<u>437,601</u>	<u>307,377</u>
	4,934,253	4,299,853
Independent distribution	<u>606,756</u>	<u>462,963</u>
	<u>5,541,009</u>	<u>4,762,816</u>

Note: Others mainly comprising the sales of optical communication and other products.

In addition, the Group’s disaggregation of revenue by geographical markets is disclosed in note 3.

Revenue is recognised at a point of time when control of the goods has transferred, being when the goods have been delivered to port of discharge or the customer’s specific location as stipulated in the sales agreement. Following delivery, the customer bears the risks of obsolescence and loss in relation to the goods.

Advance payments may be received based on the terms of sales contract and any transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customer. The normal credit term is 0 to 120 days upon delivery.

Customers can only return or request refund if the goods delivered do not meet required quality standards. As at 31 December 2020 and 2019, all outstanding sales contracts are expected to be fulfilled within 12 months after the end of the reporting period.

3. SEGMENT INFORMATION

Information reported to the board of directors, being the chief operating decision maker (“CODM”), for the purpose of resources allocation and assessment of segment performance focuses on types of goods delivered.

The Group’s reportable segments under HKFRS 8 *Operating Segments* are as follows:

1. Authorised distribution
2. Independent distribution

No operating segments have been aggregated in arriving at the reportable segments of the Group.

Segment revenues and results

The following is an analysis of the Group’s revenue and results from continuing operations by reportable segments:

For the year ended 31 December 2020

	Authorised distribution <i>HK\$'000</i>	Independent distribution <i>HK\$'000</i> <i>(Note)</i>	Segment total <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
SEGMENT REVENUE					
Revenue from					
external customers	4,934,253	606,756	5,541,009	–	5,541,009
Inter-segment sales*	<u>119,093</u>	<u>113,581</u>	<u>232,674</u>	<u>(232,674)</u>	<u>–</u>
	<u>5,053,346</u>	<u>720,337</u>	<u>5,773,683</u>	<u>(232,674)</u>	<u>5,541,009</u>
Segment profit	<u>65,637</u>	<u>22,379</u>	<u>88,016</u>	<u>–</u>	88,016
* Inter-segment sales are charged at cost					
Less: Unallocated expenses					(7,288)
Fair value change on financial assets at fair value through profit or loss (“FVTPL”)					<u>4,623</u>
Profit for the year					<u>85,351</u>

For the year ended 31 December 2019

	Authorised distribution <i>HK\$'000</i>	Independent distribution <i>HK\$'000</i> <i>(Note)</i>	Segment total <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
SEGMENT REVENUE					
Revenue from external customers	4,299,853	462,963	4,762,816	–	4,762,816
Inter-segment sales*	<u>249</u>	<u>35</u>	<u>284</u>	<u>(284)</u>	<u>–</u>
	<u>4,300,102</u>	<u>462,998</u>	<u>4,763,100</u>	<u>(284)</u>	<u>4,762,816</u>
Segment profit	<u>48,691</u>	<u>10,433</u>	<u>59,124</u>	<u>–</u>	<u>59,124</u>

* Inter-segment sales are charged at cost

Less: Unallocated expenses					(4,229)
Interest income from debt instruments at fair value through other comprehensive income (“ FVTOCI ”)					108
Fair value change on financial assets at FVTPL					<u>6,772</u>
Profit for the year					<u><u>61,775</u></u>

Note: The operating results of independent distribution include the effect arising from amortisation and deferred tax on intangible asset identified from business combination over the estimated useful life of the intangible asset.

The accounting policies of the operating segments are the same as the Group’s accounting policies. Segment profit represents the profit earned by each segment without allocation of unallocated expenses, interest income from debt instruments at FVTOCI and fair value change on financial assets at FVTPL. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Geographical information

The Group principally operates in Hong Kong and the People’s Republic of China (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 and the location of customers.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	5,211,342	4,520,079
The PRC	329,667	242,737
	5,541,009	4,762,816

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer 1	1,037,119	1,011,571
Customer 2	951,153	988,989

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 years ended 31 December 2020 and 2019.

4. INCOME TAX EXPENSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	15,264	11,760
PRC Enterprise Income Tax	3,642	2,201
	18,906	13,961
Deferred tax	(2,306)	(4,186)
	16,600	9,775

5. PROFIT FOR THE YEAR

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Directors' emoluments	6,912	5,056
Staff costs		
Salaries and other allowances	73,133	64,018
Discretionary bonus	28,598	27,621
Retirement benefit scheme contributions	6,542	10,479
	<hr/>	<hr/>
Total staff costs	115,185	107,174
	<hr/>	<hr/>
(Reversal of) allowance of inventories (included in cost of sales)	(1,493)	2,394
Amortisation of intangible asset (included in selling and distribution expenses)	2,392	2,392
Auditor's remuneration	2,050	2,080
Cost of inventories recognised as an expense	5,232,042	4,489,486
Depreciation of property, plant and equipment	1,610	1,789
Depreciation of right-of-use assets	8,973	5,084
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6. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Dividends for ordinary shareholders of the Company recognised as distributions during the year		
2020 — Interim — HK2 cents (2019: 2019 interim dividend HK2 cents) per share	10,059	10,082
2019 — Final — HK2 cents (2019: 2018 final dividend HK4 cents) per share	9,882	20,164
	<hr/>	<hr/>
	19,941	30,246
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Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of HK4 cents (2019: final dividend in respect of the year ended 31 December 2019 of HK2 cents) per ordinary share, in an aggregate amount of approximately HK\$19,547,000 (2019: HK\$9,882,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

7. EARNINGS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>71,002</u>	<u>55,102</u>
	2020	2019
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	492,292,156	502,714,302
Effect of dilutive potential ordinary shares:		
Unvested shares under share award scheme	<u>N/A</u>	<u>12,027</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>N/A</u>	<u>502,726,329</u>

For the years ended 31 December 2020 and 2019, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share has taken into account the ordinary shares purchased by the Computer Share Hong Kong Trustees Limited from the market pursuant to the share award scheme of the Company for those unvested awarded shares and ungranted shares.

No diluted earnings per share is presented for the year ended 31 December 2020 as there was no potential ordinary shares in issue during the year.

8. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	1,136,690	814,844
Less: allowance for credit losses	<u>(34,394)</u>	<u>(22,812)</u>
	<u>1,102,296</u>	<u>792,032</u>

As at 1 January 2019, trade receivables from contracts with customers amounted to HK\$471,044,000.

As at 31 December 2020, included in trade receivables are total bills received amounting to HK\$4,756,000 (2019: HK\$69,000) with a maturity period ranging from 30 to 180 days (2019: 30 days) are held by the Group for future settlement of trade receivables. Included in total bills are bills received by the Group amounting HK\$3,185,000 (2019: nil) were transferred to banks by discounting on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these bills, it continues to recognise trade receivables' full carrying amounts at the end of the reporting period and recognise the cash received on the transfer as secured borrowings. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

The Group allows credit period of 0 to 120 days (2019: 0 to 120 days) to its customers. The following is an ageing analysis of the Group's trade receivables (net of allowance for credit losses), at the end of the reporting period, based on the invoice dates which approximated the respective revenue recognition dates:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–60 days	871,138	604,735
61–120 days	170,033	133,312
Over 120 days	61,125	53,985
	<u>1,102,296</u>	<u>792,032</u>

9. TRADE PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	<u>590,732</u>	<u>370,989</u>

The credit period for trade payables ranging from 0 to 60 days (2019: 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–30 days	492,322	291,333
31–60 days	71,715	54,207
61–90 days	25,906	25,369
Over 90 days	789	80
	<u>590,732</u>	<u>370,989</u>

As at 31 December 2019, included in the trade payables is HK\$44,811,000 (2020: nil), in which the Group issued bills to relevant creditors for settlement and remained outstanding at the end of the reporting period.

FINAL DIVIDEND

The Board resolved to recommend a final dividend of HK4 cents per share for the year ended 31 December 2020 to the shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company on Monday, 7 June 2021. Subject to the approval by the Shareholders at the forthcoming Annual General Meeting (as defined below) to be held on Wednesday, 26 May 2021, the proposed final dividend is expected to be paid on or about Friday, 25 June 2021.

MANAGEMENT’S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

2020 is a year full of uncertainties but also a year of both opportunities and trials amid the dual impact of the coronavirus disease (COVID-19) and the complicated international situation. According to the latest report released by the international authoritative research organization, IDC (International Data Corporation) in February 2021, although global economy was significantly affected by the COVID-19 pandemic in 2020 and showed a relatively large decline, the overall performance of the global semiconductor market was better than expected thanks to the increased demand for cloud computing and remote working and learning equipment. In 2020, revenue of global semiconductor grew by 5.4% to reach USD442 billion. Under the complicated and ever-changing market environment in 2020, the Group adopted to the environment and overcame various difficulties, and achieved aggregated sales of HK\$5,541 million, representing an increase of 16.3% comparing to the corresponding period in 2019 and a gross profit of HK\$310.5 million, representing an increase of 14.6% comparing to the corresponding period last year.

For the specific business segmentation, the business data of the authorized distribution business in TV, memory, automotive electronics, IoT, etc., remained stable in general; the performance of smart terminal business declined to a larger extent under the dual impact of industry development direction and the impact of the pandemic. However, businesses in the fields of optoelectronic displays, security monitoring, communication products and optical communications have achieved substantial growth. Independent distribution achieved remarkable results in 2020, and the business maintained a rapid growth rate. Meanwhile, the sales of the technology value-added businesses also achieved substantial growth. The following is a business review of the main segments of the Group.

Authorized Distribution

Television Products

The impact of the COVID-19 epidemic has caused a large fluctuation in the demand in the television market in 2020, and the supply chain has become disordered. The outbreak of the epidemic in early 2020 has caused shutdowns in the PRC and unclear downstream demand. The shipment volume of TV SoC chips was low in the first half of the year. Under the new situation of rapid control of the epidemic in China, “home economy” has made smart TVs the major facility for home entertainment, office assistance, and learning assistance, which has spawned a large number of new market demands. The surge in market demand in the second

half of the year led to insufficient supply in the front-line supply chain. The shortage of TV SoC chips is obvious, and the needs of small and medium-sized board customers in the market cannot be effectively satisfied. As a result, sales of the TV business unit recorded a slight decrease in 2020. The total sales of this business unit in 2020 amounted to HK\$2,049.3 million, representing a slight decrease of 1.8% comparing to the corresponding period in 2019.

Optoelectronic Displays

The Group's optoelectronic display product line mainly focuses on the sales of related chips in the fields of liquid crystal displays, touch screen, screen driver, CMOS image sensor, projection, power supply and industrial control. The increase in the number of mobile phone cameras has led to the increase in demand for CMOS image sensors. During the epidemic, home office entertainment has boosted the demand for TVs, monitors, notebooks, and projections, which has promoted the rapid growth of chip sales of related product lines. The shortage have particularly driven the growth of Opencell (semi-finished LCD panels) market, bringing new market opportunities to the supporting product lines such as Tcon, Driver and Power. In 2020, the Group's optoelectronic display business unit developed in a fast pace with total sales of HK\$947.3 million, representing a substantial increase of 78.1% comparing to the corresponding period in 2019.

Memory Products

Memory chip is an important branch of the semiconductor industry, accounting for more than a quarter of the global semiconductor market. According to the latest semiconductor market forecast released by WSTS (World Semiconductor Trade Statistics) in December 2020, the scale of global memory chip market is expected to grow by 12.22% to USD119.4 billion in 2020. Although the overall market is growing, most of the Group's memory products are bundled and sold with TV SoC chips and smart terminal chips. Therefore, the sales growth in 2020 is not prominent. In 2020, the business unit achieved total sales of HK\$492.2 million, representing a slight decrease of 0.2% comparing to the corresponding period in 2019.

Smart Terminals

The number of domestic IPTV users peaked coupled with the decline in the willingness of the three major operators in the PRC to subsidize IPTV terminals, which posed direct effect on the purchase of IPTV terminals. As for overseas markets, under the influence of COVID-19, the economies of many countries were stagnant, and demand in the global market has been sluggish. The Group's smart terminal product chip sales business was also affected seriously in 2020, and the business experienced a significant decline. In 2020, the business unit achieved total sales of HK\$396.2 million, representing a decrease of 26.2% comparing to the corresponding period in 2019, and the rate of decline narrowed from the year 2019.

Others

The persistence of the epidemic in 2020 created a worldwide demand for “home economy”. Demand for network-based work collaboration and entertainment-related traffic surged. Cloud computing companies have expanded their investment in infrastructure such as large-scale data centers. In addition, many international operators are actively investing in LTE public networks, 5G mobile or 5G FWA home broadband networks, and 5G independent (5G SA) public networks. All of these investments in infrastructure will promote the rapid growth of the optical communication module market in the next few years. LightCounting, an optical communications market research institution advised that China’s optical module suppliers will take up more than 50% of the global market share in 2020. Therefore, ancillary optical devices and other products will form a very active market segment. The optical communication devices being sold in the Group’s optical communication product line are mainly used in optical module products, helping the sales of the Group’s optical communication product lines achieve double growth in 2020.

The Group’s security monitoring product line involves video surveillance, driving records, access control management, building talkback and other business segments. With the rapid growth of the local security monitoring market in China, the business unit achieved satisfactory growth in 2020 with a significant increase of 98.4% in sales revenue compared to 2019. The business of the communications product line focuses on the cellular Internet of Things communication module field, providing ancillary MCP memory chips with low-capacity and 4G/5G RF power chips for downstream module manufacturers, and sales revenue in 2020 increased significantly by 57.0% compared with 2019.

The Group’s automotive electronics field mainly focuses on automotive electronics, including application scenarios such as driving recorders, automotive DVRs, tire pressure monitoring, etc. Affected by the epidemic, shipment volume of automotive electronics product lines fell sharply in the first half of 2020. The market started to recover in the second half of the year but was hindered by shortages, therefore the performance of this business unit remained basically the same as in 2019.

Independent Distribution

For the Group’s independent distribution business, market demand fluctuations caused by the COVID-19 epidemic and geopolitics has resulted in turmoil in the global semiconductor supply chain system in 2020. The shortage issue in the second half of the year has led to a further deterioration in the supply stability of the electronic component distribution market. Such fluctuating and complicated market requires a more sensitive market response and action, creating more business opportunities for independent distribution. As for the overall performance of the independent distribution business in 2020, both turnover and profit have increased to a larger extent.

In response to the COVID-19 pandemic, the Group has been closely monitoring the customer credit risk, level of inventory and cash flow position. The Group’s latest financial position showed that the working capital position are sufficient to cope with the impact of the outbreak. Whenever necessary, prompt actions will be undertaken to mitigate potential impacts. The Group was not aware of uncertainties that would cause material adverse effects on the operations, financial performance and the financial position as a result of the COVID-19 pandemic in 2020 and up to the date of this announcement.

OUTLOOK

The International Monetary Fund (IMF) estimates that the global economy will grow by 5.5% in 2021, which is 0.3 percentage points higher than the forecast in October last year. The outlook is expected to be more optimistic. The Global Manufacturing Purchasing Managers Index published in January 2021 remains at a high level of 54.4%, reflecting that the global manufacturing industry will continue its recovering growth trend since the fourth quarter last year, laying a solid foundation for the continuation of recovering growth trend of the global manufacturing industry this year. The market generally expects that the global economy will show recovering growth in 2021.

Semiconductor chips are the hardware carriers of new technologies such as 5G, AI, big data, new energy, etc. The current market feedback reflects that there are shortages for chips in almost all market segments. Therefore, after the production capacity keep up with demand, the semiconductor industry is expected to experience a new wave of growth. According to the IDC's research report, as the epidemic is gradually under control and the economies of different countries begin to open up and recover gradually, the global semiconductor market will continue to grow by 7.7% in 2021, and the overall market size will reach USD476 billion.

China is the largest consumer of semiconductor chips in the world. Customs data shows that the amount of China's imports of semiconductor chips in 2020 reached USD350 billion. Under the current situation of anti-globalization, independent control of the semiconductor supply chain becomes particularly important. Following the implementation of more policies to support the semiconductor industry, the development will accelerate, and China's huge market demand will also lead the rapid development of the local semiconductor chip industry.

As a leading distributor of all-round electronic components in China, the Group has begun to enjoy results in its business diversification. In 2020, the sales performance of certain new business units began to achieve substantial growth, entering the highway of business development. In 2021, we will have even more development opportunities in various business distribution directions of the Group, and the outlook is as follows:

Authorized Distribution

Television Products

Entering 2021, there are many positive factors upcoming in the TV market: First, the two major international sports events delayed due to the COVID-19 epidemic are scheduled to start this year. According to historical experience, the promotion effect to the TV market by major international events is obvious. Another effect is the improvement in the field of technology applications. The trial broadcast of 8K Ultra HD channel of China Media Group was launched on 1 February this year. According to Deloitte's report, the market share of global 8K TV in the high-end TV field is increasing. It is expected that approximately 3 million units of 8K TV will be sold, while large-scale commercial use of Mini LED TVs may also be starting this year. The sophisticating new technologies and the declining cost may ignite the high-end TV market. Industry research organization TrendForce also estimates that global TV shipments are expected to reach 223 million units in 2021, representing an annual

growth of 2.8%. Share of the Group's SoC chips sales in the TV field has been maintained at a relatively high level in the industry. Hence, the main concern is to stabilize the market share in the future. Business growth will mainly come from the expansion of new applications and new markets.

Optoelectronic Displays

Benefited from the substantial increase in current market demand, coupled with the continued shortage of wafers and packaging and testing capacity in 2021, the supply of chips in related fields such as display modules and power supplies continues to be tight. This business unit may continue to grow on displays and screen modules, opencell and other markets. For the industrial control field which is the new development direction of this business unit, domestic MCU manufacturers have the opportunity to increase their market share due to the shortage of supply from major MCU manufacturers in the industry. It is expected that new industrial control-related product lines will have the opportunity to record sales increase of more than USD1.0 million. As the reshuffle and adjustment in the mobile phone market accelerates, it will also bring new growth points to traditional popular product lines such as CMOS image sensors, driver chips, and touch chips. Generally speaking, we are optimistic about the performance of the optoelectronic display business unit in 2021.

Memory Products

Benefited from the increase in investment in new data centers in 2021 and the substantial increase in 5G smartphone shipments, memory chips have experienced a two-year cyclical decline beginning in 2018, and have shown a rebounding trend at the end of 2020. It is expected that the DRAM memory market will enter into a new round of price increases in 2021. According to the prediction made by Foresight Industry Research Institute (前瞻產業研究院), the market sales of NAND flash memory particles in China will maintain a compound annual growth rate of more than 15% in the future. The latest forecast report released by IC Insights, a well-known semiconductor market research institution, shows that global sales of DRAM chips are expected to increase by 18% in 2021, and sales of NAND flash memory will also increase by 17%.

In the fast-growing memory chip market, the Group has completed the adjustment of its business structure in 2020. The original form of business that relied heavily on packaged sales and focused on the South China market has developed into a new pattern in which the three major markets of South China, East China and overseas go hand in hand. By introducing expert to form a new business team, we will fully explore new opportunities hidden in the memory market, including the business expansion in the server memory field that is currently under evaluation. Therefore, it is expected that the performance of our memory business unit will have the opportunity to achieve substantial growth in 2021.

Smart Terminals

There are information showing that at the end of 2020, China Broadcasting Network Corporation (中國廣電股份) officially announced that it has completed the registration of industrial and commercial changes such as the paid-in capital and capital increase of the promoters of various provinces. The integration work of “one network in one country(全國一網)” is progressing smoothly, and the 5G industry chain in the 700MHz frequency band is also maturing gradually. Therefore, during the “14th Five-Year Plan” period, the national cable television network will either enter the stage of in-depth integration, or work in the direction of 5G NR broadcasting, using the existing 5G NR channel, so that all 5G devices will be able to receive the digital TV programs via 5G broadcasts. It may create brand-new product types and market opportunities which are worthy of attention. In addition, as the overseas epidemic is expected to be gradually brought under control in 2021, economic order will be back to normal, and the demand for set-top boxes in overseas emerging markets will also recover gradually. Therefore, in 2021, emphasis of the Group’s smart terminal products will be placed on the expansion opportunities of domestic 4K/8K set-top boxes and overseas markets.

Others

With the economic development and the acceleration of urbanization in various countries, the demand for public security in the global society continues to grow rapidly, which plays a positive role in promoting the development of the security monitoring industry. The security monitoring products business unit of the Group has been deeply developing the security monitoring field over the past few years and has achieved satisfactory results. With the inclusion of NB-10T into the 5G standard in May 2020, cellular Internet of Things communication modules will be widely used in various new application scenarios such as the Internet of Vehicles, Industrial Internet of Things and smart cities and thus have positive market prospects, which will promote the Group’s communication product business unit to continue to grow in 2021.

The growth momentum of the optical module market mainly comes from two aspects: the telecommunications market (communication) and the cloud computing market (data), which corresponds to 5G infrastructure and data center construction. According to the latest statistics released by the Ministry of Industry and Information Technology in January this year, the world’s largest 5G network has been established in China and investments will continue to be increased in the next few years. It is expected that more than 600,000 5G base will be built in 2021. According to LightCounting’s forecast, the domestic telecommunications optical module market will reach USD2.27 billion (approximately RMB 15.8 billion) in 2021. Driven by the 5G infrastructure, it is expected that the global telecommunications optical module industry will record a compound annual growth rate of 11.5% from 2019 to 2023. Not only will the establishments of new large-scale data centers drive the increase in demand for optical modules, but it will also led to the evolution of technologically from the current 100G/200G to higher-end 400G products. Optical chips generally account for 50% of the cost of optical modules, making the future growth of the optical communication device market possible.

In the field of automotive electronics, with the rapid development of the Chinese economy, the market scale of China's automotive industry continues to expand. According to Intelligence Research Group (智研諮詢), an industry research organization, the market size of China's driving recorder is expected to reach RMB55.92 billion in 2020, an increase of 27.44% comparing to the corresponding period in 2019 and is expected to keep up its rapid growth pace in 2021. The Group's automotive electronics business unit mainly provides chips and solutions for the market such as driving recorders, smart central control and tire pressure monitoring. With the introduction of new car-level driving recorders, automotive DVRs solutions and other new products and solutions in 2021, it is expected that the performance of this business unit will achieve substantial growth in 2021.

Independent Distribution

Market feedback reveals that "out of stock" may become the key word of the electronic component distribution industry in 2021. Supply and demand imbalance is the main reason behind the price increase in the semiconductor industry. The industry generally predicts that the unstable condition of supply chain will be continued in 2021. Such imbalance condition will greatly promote the development of the independent distribution business segments of the Group. Leverage on a rapid market sense and a wide range of channels and based on a resources platform offered by global suppliers and an agile demand matching business model, a greater value can be realized in satisfying customers' spot demand under situations such as out of stock, urgent orders, etc. Therefore, it is expected that the independent distribution business segments will have a bright future in 2021.

For the operators in the semiconductor industry, 2021 will be a year full of opportunities. The Group will continue to expand and strengthen the existing distribution system, make full use of the Group's domestic and overseas business network, and increase investment in new business areas that have achieved breakthroughs in order to consolidate and expand our market share and promote the balanced development of our business. The imbalanced supply and demand will be continued in 2021. Under such circumstances, the Group will continue to devote its resources in the development of independent distribution business, actively explore the electronic component e-commerce business integrated with independent distribution elements so as to establish a powerful and comprehensive distribution system. In the field of technical services, we will work with the core strategic partners of the Group to expand the new IoT ecosystem based on software SaaS and cloud services. For product solutions, we will be focusing on the product definition, development and marketing of standard boards/modules for some differentiated market segments, and standardize development processes to enhance business efficiency and improve investment return. For investment in the semiconductor industry, we plan to combine the Group's effort in the field of optical communications and the customer base in the market that we established for years, and cooperate with upstream OEMs so as to grasp this opportunity to enhance the core competitiveness of the Group's semiconductor chip business.

In the future, we will accelerate the development of the Group's business on the foundation of stable operation and innovative development; enhance the Group's business scale and profitability, in order to bring better returns and long-term value to the shareholders of the Company (the "**Shareholders**").

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the Group's revenue amounted to HK\$5,541.0 million (2019: HK\$4,762.8 million), representing an increase of HK\$778.2 million (16.3%) as compared with the revenue for the year ended 31 December 2019.

The increase in revenue was mainly caused by the increase in the sales from our optoelectronic displays and security monitoring of approximately HK\$585.6 million and the increase in the sales from independent distribution of approximately HK\$143.8 million.

Gross profit

Our gross profit for the year ended 31 December 2020 increased by HK\$39.6 million to HK\$310.5 million as compared with the prior year (2019: HK\$270.9 million). Our gross profit margin decreased by 0.1% to 5.6% for the year ended 31 December 2020 (2019: 5.7%). The decrease in gross profit margin was principally the effect of the lower gross profit margin from the smart terminals.

Research and development expenses

Research and development expenses mainly comprise of staff costs incurred for our research and development department. For the year ended 31 December 2020, research and development expenses amounted to HK\$25.7 million, increased by 7.1% as compared with the year ended 31 December 2019 (2019: HK\$24.0 million). The increase was mainly due to an increase in staff costs.

Administrative, selling and distribution expenses

Administrative, selling and distribution expenses aggregated to HK\$168.5 million for the year ended 31 December 2020 (2019: HK\$153.5 million), which accounted for 3.0% of the revenue for the year ended 31 December 2020 as compared with 3.2% over the corresponding year in 2019. The net increase of HK\$15.0 million was mainly attributable to an increase in staff costs and professional fees.

Finance costs

The Group's interest expense on bank and other borrowings for the year ended 31 December 2020 amounted to HK\$18.2 million, a decrease of HK\$9.1 million as compared with that in 2019 (2019: HK\$27.3 million). Interest expenses mainly represent the borrowings cost from entering into various factoring agreements with some of the principal bankers. The decrease was due to the decrease in the average interest rate during the year.

Profit for the year

For the year ended 31 December 2020, the Group's profits amounted to HK\$85.4 million, representing an increase of HK\$23.6 million as compared to HK\$61.8 million in 2019, an increase of 38.2%. The net profit margin for the year ended 31 December 2020 was 1.5%, compared to 1.3% for the year ended 31 December 2019. The increase in the profit for the year was mainly contributed by the increase in gross profit and the decrease in finance costs.

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 2020 amounted to HK\$71.0 million, representing an increase of 28.9% as compared with the year ended 31 December 2019 (2019: HK\$55.1 million).

Use of proceeds from the global offering

The shares of the Company were listed (the "Listing") on The Stock Exchange of Hong Kong Limited 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\$138.4 million of the net proceeds as at 31 December 2020 according to the intentions set out in the prospectus of the Company dated 27 September 2016 (the "Prospectus"). The unutilised net proceeds in the amount of HK\$67.4 million have been placed as deposits with licensed banks and are expected to be utilised as set out on the Prospectus.

Use of Proceeds	Net proceeds (in HK\$ million)	Utilised as at 31 December 2020 (in HK\$ million)	Amount remaining (in HK\$ million)	Expected timeline for utilising the remaining net proceeds (Notes 1 and 2) (in HK\$ million)
1. Hiring additional staff for sales and marketing and business development and improvement of warehouse facilities	20.6	(20.6)	0.0	–
2. Advertising and organising marketing activities for the promotion of our e-commerce platform Smart Core Planet and our new products	41.2	(41.2)	0.0	–
3. Enhancing, further developing and maintain our e-commerce platform and improving our technology infrastructure	41.2	(6.9)	34.3	Expected to be fully utilised on or before 31 December 2022

Use of Proceeds	Net proceeds (in HK\$ million)	Utilised as at 31 December 2020 (in HK\$ million)	Amount remaining (in HK\$ million)	Expected timeline for utilising the remaining net proceeds
				(Notes 1 and 2) (in HK\$ million)
4. For research and development	20.6	(20.6)	0.0	–
5. Funding potential acquisition of, or investment in business or companies in the e-commerce industry or electronics industry	61.7	(28.6)	33.1	Expected to be fully utilised on or before 31 December 2022
6. General working capital	20.5	(20.5)	0.0	–
	<u>205.8</u>	<u>(138.4)</u>	<u>67.4</u>	

Notes:

1. The expected timeline for utilising the remaining net proceeds is made based on the best estimation of the Company taking into account, among others, the prevailing and future market conditions and business developments and need, and therefore is subject to change.
2. The unutilised net proceeds from the Listing are expected to be used as intended except that the original timeline for utilising the remaining net proceeds as disclosed in the Prospectus has been delayed due to, among others things, the business environment being affected by the rapid change in technology in the past few years, the Sino-US trade tension since 2018, the social unrest in Hong Kong since June 2019 and the outbreak COVID-19 since January 2020. Additional time is therefore needed for the Group to (i) identify suitable resource, including personnel, suppliers and service providers, for the development of e-commerce platform and technology infrastructure, and to (ii) identify suitable targets for acquisition or investment that meet the Group's selection criteria.

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 Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements. As at 31 December 2020, the Group maintained aggregate restricted and unrestricted bank balances and cash of HK\$416.7 million (31 December 2019: HK\$347.4 million).

As at 31 December 2020, the outstanding bank and other borrowings of the Group were HK\$727.1 million (31 December 2019: HK\$434.8 million). The Group's gearing ratio, based on the interest-bearing borrowings and total equity, increased from 72.3% as at 31 December 2019 to 108.5% as at 31 December 2020 as a result of the increased level of bank borrowings to finance our expanded working capital needs.

As at 31 December 2020, the total and unutilised amount of the Group's banking facilities (excluding standby letter of credit) were HK\$1,173.5 million and HK\$449.6 million (31 December 2019: HK\$955.8 million and HK\$521.0 million) respectively.

As at 31 December 2020, the Group had current assets of HK\$2,009.2 million (31 December 2019: HK\$1,394.5 million) and current liabilities of HK\$1,481.4 million (31 December 2019: HK\$930.7 million). The current ratio was 1.36 times as at 31 December 2020 (31 December 2019: 1.50 times).

The Group's debtors' turnover period was 62 days for the year ended 31 December 2020 as compared to 48 days for the year ended 31 December 2019. The overall debtors' turnover period was within the credit period. The increase in debtors' turnover period was due to the increase in sales in the second half of the year 2020 and the delay in payments from certain of our small and medium enterprises customers upon the change in the economic environment.

The creditors' turnover period was 34 days for the year ended 31 December 2020 as compared with 31 days for the year ended 31 December 2019. The creditors' turnover period has been maintaining at a stable level.

The inventories' turnover period was 21 days for the year ended 31 December 2020 as compared with 18 days for the year ended 31 December 2019. Inventory control was always one of the primary tasks of the Group's management team to maintain the liquidity and healthy financial position of the Group. Inventories' turnover period remained relatively stable in both years.

Foreign currency exposure

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 HK\$0.5 million for the year ended 31 December 2020 (31 December 2019: net foreign exchange loss of HK\$1.5 million). At the date of this announcement, the Group has not adopted any foreign currency hedging policy. However, 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 2020, the financial assets at fair value through profit or loss ("FVTPL") amounted to HK\$130.1 million (31 December 2019: HK\$127.8 million), trade receivable factored amounted to HK\$580.3 million (31 December 2019: HK\$308.9 million) and bank deposits amounted to HK\$178.2 million (31 December 2019: HK\$161.4 million) had been charged as security for the bank borrowings and financing arrangement of the Group.

Capital commitment and contingent liabilities

The Group had no material capital commitment and contingent liabilities during the years ended 31 December 2020 and 2019.

Significant investment held

Save for the financial assets at FVTPL and debt instruments at FVTOCI as disclosed above, the Group did not hold any significant investments during the years ended 31 December 2020 and 2019.

Material acquisition and disposal of subsidiaries and associated companies

The Group has no material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 December 2020.

Employees

As at 31 December 2020, the Group had 444 employees (31 December 2019: 387 employees), with a majority based in Shenzhen, Suzhou and Hong Kong. Total employee cost for the year ended 31 December 2020, excluding the remuneration of the Directors were approximately HK\$108.3 million (31 December 2019: HK\$102.1 million). There have been no material changes to the information disclosed in the prospectus dated 27 September 2016 in respect of the remuneration of employees, remuneration policies, share award scheme, share option scheme and staff development.

On 19 September 2016, the Company adopted a share award scheme (“**Share Award Scheme**”) and conditionally approved and adopted a share option scheme (“**Share Option Scheme**”).

In relation to the Share Award Scheme, the Board may, from time to time, at its absolute discretion, select any of our directors, senior managers and employees of the Group to participate in the Share Award Scheme (“**Selected Participants**”), subject to the terms and conditions set out in the Share Award Scheme. In determining the Selected Participants, the Board shall take into consideration matters including, but without limitation, the present and expected contribution of the relevant Selected Participants to the Group.

In relation to the Share Option Scheme, the Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of shares as the Board may determine to an employee (whether full time or part-time) or a director of a member of the Group or associated companies of the Company.

During the year ended and as at 31 December 2020, no share awards were granted to the employees by the Company pursuant to the Share Award Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2020, the Company bought back a total of 2,564,000 Shares on the Stock Exchange (the “Share Repurchase”) and a total of 11,150,000 Shares were cancelled by the Company. Subsequent to the year end, the Company bought back a total of 1,960,000 shares and a total of 4,274,000 shares bought back were cancelled by the Company on 5 March 2021. Details of the purchases of shares are as follows:

Month of buy-back	Number of Shares bought back	Price per Share		Aggregate price (excluding commission fee and etc)
		Highest HK\$	Lowest HK\$	HK\$
January	250,000	1.51	1.49	376,580
July	200,000	1.30	1.24	257,220
August	300,000	1.38	1.31	401,140
September	400,000	1.38	1.35	544,200
November	600,000	1.32	1.26	773,920
December	814,000	1.33	1.30	1,064,640

The Board believes that the Share Repurchase may, depending on market conditions and funding arrangements at that time, lead to an enhancement of its earning per Share, and will benefit the Company and Shareholders.

Save as disclosed above, there was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries during the year ended 31 December 2020.

EVENTS AFTER THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

On 8 March 2021, SMC Cloud Limited (“SMC Cloud”), a subsidiary of the Company, GCS Holdings, Inc. (“GCS”) and Wisdom Fortune Corporation Limited (“WFCL”) established a joint venture company in Shanghai, China with a registered capital of US\$6,250,000, which is held as to 46% by SMC Cloud. The joint venture company is principally engaged in the design and manufacturing of electronic components for optical communications markets. GCS, a company listed on the Taipei Exchange (stock code: 4991), is a manufacturer of semiconductor product. WFCL is a local distributor focusing on trading of electronic components.

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 ethics, 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 Rules Governing the Listing of Securities on the Stock Exchange (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 year ended 31 December 2020. 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 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 2020.

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 2020 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 Hok Leung. 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 2020 and discussed with the management the accounting policies adopted by the Group 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 2020 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 Hong Kong Institute of Certified Public Accountants 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 2020 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 Wednesday, 26 May 2021. 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 Friday, 21 May 2021 to Wednesday, 26 May 2021, 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 Thursday, 20 May 2021.

For ascertaining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 3 June 2021 to Monday, 7 June 2021, 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 2 June 2021.

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

Hong Kong, 23 March 2021

As at the date of this announcement, the Board comprises Mr. Tian Weidong (Chairman), Mr. Wong Tsz Leung, Mr. Liu Hongbing and Mr. Yan Qing as executive Directors, Mr. Zheng Gang, Mr. Tang Ming Je and Mr. Wong Hok Leung as independent non-executive Directors.