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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)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

- The total revenue of the Group for the six months ended 30 June 2017 amounted to US\$291.9 million, representing a decrease of 13.9% as compared with the corresponding period in 2016.
- The gross profit of the Group amounted to US\$13.7 million for the six months ended 30 June 2017 (2016: US\$15.1 million), representing a decrease of 8.9% as compared with the corresponding period in 2016.
- The net profit attributable to the owners of the Company for the six months ended 30 June 2017 reached US\$5.4 million, representing an increase of 13.3% as compared with the corresponding period in 2016.
- Basic earnings per share for the six months ended 30 June 2017 was 1.1 US cents (2016: 1.3 US cents).
- The Board resolved to declare an interim dividend of HK 2 cents per share for the six months ended 30 June 2017.

INTERIM RESULTS

The board (“**Board**”) of directors (the “**Directors**”) of Smart-Core Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2017 (the “**Reporting Period**”) with the comparative figures for the corresponding period in 2016. These results were based on the unaudited condensed consolidated financial statements for the Reporting Period which were prepared in accordance with the Hong Kong Accounting Standard 34 (“**HKAS 34**”), Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provision requirements of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of profit or loss and other comprehensive income

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 US'000 (unaudited)	2016 US'000 (unaudited)
Revenue	3	291,943	339,213
Cost of sales		<u>(278,235)</u>	<u>(324,163)</u>
Gross profit		13,708	15,050
Other income		1,011	652
Net foreign exchange gain (loss)		219	(793)
Research and development expenses		(1,252)	(1,101)
Administrative expenses		(3,257)	(2,708)
Selling and distribution expenses		(2,248)	(2,196)
Listing expenses		–	(975)
Interest expense on bank borrowings		<u>(1,813)</u>	<u>(1,786)</u>
Profit before tax	4	6,368	6,143
Income tax expense	5	<u>(932)</u>	<u>(1,195)</u>
Profit for the period		5,436	4,948
Other comprehensive income (expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		33	(43)
Fair value gain on available-for-sale investments		<u>63</u>	<u>116</u>
Total comprehensive income for the period		<u><u>5,532</u></u>	<u><u>5,021</u></u>

		Six months ended 30 June	
	<i>Note</i>	2017	2016
		US'000	US'000
		(unaudited)	(unaudited)
Profit for the period attributable to:			
Owners of the Company		5,436	4,800
Non-controlling interests		<u>–</u>	<u>148</u>
		<u>5,436</u>	<u>4,948</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		5,532	4,876
Non-controlling interests		<u>–</u>	<u>145</u>
		<u>5,532</u>	<u>5,021</u>
Earnings per share			
Basic (US cents)	7	<u>1.087</u>	<u>1.320</u>

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	<i>Notes</i>	As of 30 June 2017 US'000 (unaudited)	As of 31 December 2016 US'000 (audited)
Non-current assets			
Property, plant and equipment		376	429
Available-for-sale investments		7,835	7,772
Deposits, prepayments and other receivables		8,880	2,869
		17,091	11,070
Current assets			
Inventories		31,896	31,908
Trade and bills receivables	8	47,315	56,500
Deposits, prepayments and other receivables		2,686	2,718
Amount due from a related company		367	–
Pledged bank deposits		15,217	32,488
Bank balances and cash		23,625	27,831
		121,106	151,445
Current liabilities			
Trade and bills payables	9	49,616	68,669
Other payables and accrued charges		13,340	13,640
Tax liabilities		1,114	813
Bank borrowings		11,755	22,553
		75,825	105,675
Net current assets		45,281	45,770
		62,372	56,840
Capital and reserves			
Share capital		5	5
Reserves		62,367	56,835
		62,372	56,840

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2017 have been prepared in accordance with HKAS 34, Interim Financial Reporting issued by the HKICPA as well as with the applicable disclosure requirements of Appendix 16 to the Listing Rules on the Stock Exchange.

The interim financial report is presented in United States Dollar (“US\$”), except for otherwise stated.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair value, as appropriate.

Except as described below, the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied for the first time, the following new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s unaudited condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of Annual Improvements to HKFRSs 2014–2016

The application of the above amendments in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these unaudited condensed interim consolidated financial statements.

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 six months ended 30 June 2017 and 30 June 2016.

For the purpose of resource allocation and assessment of segment performance, the directors of the Company, 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 Group's accounting policies. Accordingly, the Group has only one single operating segment and no further analysis of the single segment is presented.

4. PROFIT BEFORE TAX

	Six months ended 30 June	
	2017	2016
	US'000	US'000
	(unaudited)	(unaudited)
Profit before tax has been arrived after charging (crediting):		
Allowance for inventories	40	–
Bank interest income (included in other income)	(23)	(3)
Cost of inventories recognised as an expense	278,195	324,163
Depreciation of property, plant and equipment	83	79
Minimum lease payments under operating leases in respect of office premises	534	358
Reversal of allowance for doubtful debt	(5)	–
Staff costs (including directors' emoluments)	4,402	4,046

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	US'000	US'000
	(unaudited)	(unaudited)
Current tax :		
Hong Kong Profits Tax	903	1,171
PRC Enterprise Income Tax (“PRC EIT”)	29	24
	<u>932</u>	<u>1,195</u>

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

The applicable tax rate of the subsidiaries in HK is 16.5% (2016: 16.5%) for the six months ended 30 June 2017.

Under the Law of the PRC on Enterprise Income tax and Implementation Regulation of The Enterprise Income Tax Law, the tax rate of entities established in the PRC is 25% during the six months ended 30 June 2017 and 2016. 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 six months ended 30 June 2017. Accordingly, the PRC EIT is calculated at 15% (2016: 15%) on the assessable profit of SMC Technology SZ for the six months ended 30 June 2017.

6. DIVIDENDS

No dividends were paid, declared or proposed by the Company during the six months ended 30 June 2017 (six months ended 30 June 2016: US\$3,000,000). Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK2 cents per share (2016: Nil) in respect of the six months ended 30 June 2017 will be paid to the shareholders whose names appeared on its register of members as at the close business on 14 September 2017.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2017	2016
	<i>US'000</i>	<i>US'000</i>
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	<u>5,436</u>	<u>4,800</u>
	Six months ended 30 June	
	2017	2016
	<i>US'000</i>	<i>US'000</i>
	(unaudited)	(unaudited)
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>500,000,000</u>	<u>363,873,627</u>

The number of ordinary shares for the purpose of calculating basic earnings per share for the period ended 30 June 2016 has been adjusted for the effect of (i) the group reorganisation 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 six months ended 30 June 2016.

No diluted earnings per share are presented for both periods as there were no potential ordinary shares in issue for the six months ended 30 June 2017 and 2016.

8. TRADE AND BILLS RECEIVABLES

	30 June 2017 <i>US'000</i> (unaudited)	31 December 2016 <i>US'000</i> (audited)
Trade receivables	46,745	56,513
Less: Allowance for doubtful debts	<u>–</u>	<u>(13)</u>
Net	46,745	56,500
Bills receivables	<u>570</u>	<u>–</u>
	<u>47,315</u>	<u>56,500</u>

The Group entered into factoring agreements with certain banks so as to obtain bank advances. As at 30 June 2017, trade receivables of US\$37,640,000 (31 December 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 (31 December 2016: 0 to 120 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:

	30 June 2017 <i>US'000</i> (unaudited)	31 December 2016 <i>US'000</i> (audited)
0–30 days	27,199	19,029
31–60 days	5,991	16,344
61–90 days	2,453	10,971
91–180 days	11,324	10,052
Over 180 days	<u>348</u>	<u>104</u>
	<u>47,315</u>	<u>56,500</u>

9. TRADE AND BILLS PAYABLES

	30 June 2017 <i>US'000</i> (unaudited)	31 December 2016 <i>US'000</i> (audited)
Trade payables	39,544	68,669
Bills payables	10,072	–
	<u>49,616</u>	<u>68,669</u>

The credit period on trade purchases is 0 to 60 days (31 December 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:

	30 June 2017 <i>US'000</i> (unaudited)	31 December 2016 <i>US'000</i> (audited)
0–30 days	41,112	43,531
31–60 days	8,502	24,849
61–90 days	–	120
Over 90 days	2	169
	<u>49,616</u>	<u>68,669</u>

INTERIM DIVIDEND

The Board resolved to declare an interim dividend of HK2 cents per share for the six months ended 30 June 2017 and is expected to be paid on or about Monday, 23 October 2017 to the shareholders of the Company whose names appear on the register of members of the Company on Thursday, 14 September 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 12 September 2017 to Thursday, 14 September 2017, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim 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, 11 September 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2017, the consumer market witnessed a great changes and competitions. Under the persistent evolution of new technologies in the industry, the Group maintained our steady business strategies. We have been committed to providing best-quality technical support and value-added services, as well as optimizing our operation and management to respond to the rapidly changing market. While maintaining our traditional sales operation model, we achieved different degrees of improvements in the market segments such as memory, security monitoring and optical communication, etc.

Smart media display

In the first half of 2017, the global color TV market experienced a temporary downturn and the market scale of color TV in the PRC also trended downward. Sales of smart media display products by the Group in the first half of 2017 declined as compared to the corresponding period in 2016. Under the influence of the external market environment, the Group continued to adhere to our customer-oriented basis. We adjusted our technical approaches and increased our investment in research and development to seek for new drivers of business growth in differentiated markets.

Intelligent broadcasting terminal

In the first half of 2017, the most active set-top box markets are mainly in China, India and Brazil, etc. The Group's set-top box SoC supplier, MStar Semiconductor Inc. (“**MStar**”), steadily remained at the forefront in the market. We maintained our market advantages as our sales of intelligent broadcasting terminal product contributed approximately half of MStar's domestic sales with gross profit margin increasing significantly.

Memory

Revenue from the Group's memory product in the first half of the 2017 increased by 4% from the corresponding period last year with profit improving remarkably. The profit margin of the Group went up in the first half of the year as the memory product team obtained in-depth understanding of customers' needs through our long term demand-supply relationship. It is also achieved by monitoring the market changes in a timely manner as well as adjusting our inventory and customer structures in advance.

Security monitoring

Video monitoring, especially network video monitoring, becomes popular in the market. Monitoring equipment and systems evolved quickly towards digitization and networking. Security IT technology plays an increasingly important role in urban construction finance, insurance, petroleum and petrochemical, power and communications industries. Focusing on the core IC of high-definition camera, the Group's security division vigorously established technical reserves in the first half of 2017, our products pioneered in the industry and we achieved sales scale of over a million dollars in the first half of the year.

Optical communication

The demand of traditional optical communication market remained stable as a whole in the first half of 2017 and the market still focused on the needs of FTTx, 4G wireless and data center. In light of the domestic market landscape, the Group consolidated our current market share in the first half of the year and strived to enhance our sales and profit.

Other sectors

The Group further upgraded our e-commerce platform to optimise the customer experience of conducting e-commerce on the platform, and broaden our customer base in the first half of the year. We will persistently invest in technologies and IT infrastructures and strengthen the integration between our e-commerce platform and the ERP system, with a view to support the sustainable development of the e-commerce platform. Meanwhile, we have been targeted our services at small and medium enterprises, customers who implement the entrepreneurship and innovation concept as well as intelligent hardware incubators by identifying more qualified suppliers, diversifying our electronic component product offerings and providing a wide range of technical solutions so as to provide one-stop supply chain services for our customers.

The Group continued to expand into new business sectors in the first half of the year. We established value-added service company mainly engaged in software product research, development and agency services, and providing corresponding apps and cloud service for the NFC, video-related and industrial network markets to promote the integrated solutions of chips. In addition, the Group announced in June that we started the cooperation with Shenzhen Hanhua Micro-credit. Co., Ltd, a company under the Hanhua Financial Holding Co., Ltd., in supply chain financing service.

OUTLOOK

With regard to smart media display, we expect that panel prices will decrease in the second half of 2017, which will facilitate the year-end promotion of the color TV market in the fourth quarter. With the continuous emergence of new types of technology such as OLED, quantum dot and laser TV, large-screen TVs have dominated the mainstream market and consumption upgrades will be a major trend of the PRC market. As a result, there is a potential growing demand for the smart media display market in the long run.

As for intelligent broadcasting terminal, according to the market research of Askci Corporation(中商產業研究院), demand for set-top boxes with high-definition broadcast standard will develop rapidly as more and more young consumers pursue higher quality of life. Smart set-top box will be optimized notably in contents, data and technology benefiting from internet content providers, operators of e-commerce platforms and telecommunications network operators entering the market. Therefore, we believe that the set-top box market as well as related integrated circuits and other electronic components will continue their growth momentum in the coming years. In the second half of 2017, apart from maintaining our current market position, the Group will also explore the international market jointly with major domestic set-top box manufacturers in order to expand our market share in the intelligent broadcasting terminal market and seek new drivers of growth for the Group.

In terms of security monitoring, it is stated in the Certain Opinions on Promoting the Networking of Public Security Video Surveillance issued by the National Development and Reform Commission and other eight government ministries and commissions in 2015 that “the newly built and rebuilt high-definition cameras should account for 100%” and “the goal of full coverage, full networking, being effective and controllable at all times should be generally achieved by 2020”. This means that there will be a significant growth of high-definition cameras in the security market, especially the public security sector. As such, we will expand our marketing team as well as market coverage of our security monitoring product line in the second half of the year, to pursue greater market breakthroughs.

As to optical communication segment, in the second half of the year, while making efforts to maintain our current market share, the Group will put more focus on the exploration of market demand for the next generation products, the development and marketing of ancillary products of current data center as well as seeking opportunities related to products in emerging markets such as HDMI. In addition, in North America, the demand for optical communication from data centers continues to grow and has become a new market hotspot. The Group will pay continuous attention to the North American market and consider entering the market when appropriate.

Looking forward to the second half of the year, despite the uncertainties and competition, the Group will continue to provide professional technical value-added services for our customers. We will also expand the market share of our existing product lines, actively explore new business segments to identify the next potential and rapid growth target for the Group. Meanwhile, we will strictly implement the cost control, enhance our capital operation, and provide favourable returns and long-term values for the shareholders of the Company (the “**Shareholders**”).

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2017, the Group’s revenue amounted to US\$291.9 million, representing a decrease of US\$47.3 million (13.9%) as compared with the corresponding period in 2016 (US\$339.2 million). The decrease in revenue was mainly caused by the decrease in sales from our smart media display products of US\$53.4 million. During the first half of 2017, the media display market had experiencing 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 six months ended 30 June 2017 decreased by US\$1.3 million to US\$13.7 million as compared with the corresponding period in 2016 (US\$15.1 million). Our gross profit margin increased by 0.3% to 4.7% for the six months ended 30 June 2017 (six months ended 30 June 2016: 4.4%). The increase in profit margin was largely contributed by the increasing mix of our customer base, especially those new customers which drives higher profitable margin for the Group during the period.

Research and development expenses

Research and development expenses mainly comprise of staff cost incurred for our research and development department. For the six months ended 30 June 2017, research and development expenses amounted to US\$1.3 million, increased by 13.7% as compared with the six months ended 30 June 2016 (US\$1.1 million). The increase was due to the need of technical support from our new customers as well as the increase in the average salaries cost to the technicians during the period.

Administrative, selling and distribution expenses

Administrative, selling and distribution expenses aggregated to US\$5.5 million for the six months ended 30 June 2017 (six months ended 30 June 2016: US\$4.9 million), which accounted for 1.9% of the revenue for the six months ended 30 June 2017 as compared with 1.4% for the corresponding period in 2016. The net increase of US\$0.6 million was mainly due to 1) increase in staff costs as a result of the increase in headcounts for the development of the E-commerce platform; and 2) increase in rental expenses as additional offices were rented in the PRC.

Interest expense on bank borrowings

The Group's interest expense on bank borrowings for the six months ended 30 June 2017 amounted to US\$1.8 million (six months ended 30 June 2016: US\$1.8 million). As the Group has entered into various factoring arrangements with some of the principal bankers, despite a decrease in the Group's revenue, the borrowing cost remained stable which was because of the prolonged factoring arrangement as well as the increase in borrowing charge rate.

Profit for the period

For the six months ended 30 June 2017, the Group's profit amounted to US\$5.4 million, representing an increase of US\$0.5 million as compared to US\$4.9 million for the corresponding period in 2016, an increment of 9.9%. The net profit margin for the six months ended 30 June 2017 was approximately 1.9%, which represents an increase of 0.4% as compared with the corresponding period in 2016 (1.5%).

Net profit attributable to the owners of the Company

The net profit attributable to the owners of the Company for the six months ended 2017 reached US\$5.4 million, representing an increase of 13.3% as compared with the corresponding period in 2016.

Use of proceeds from the global offering

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

The Group has utilised approximately HK\$37.6 million of the net proceeds as at 30 June 2017. The unutilised net proceeds have been placed as deposits with banks.

Liquidity and financial resources

The Group’s primary source of funding include 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 30 June 2017, the Group maintained bank balances and cash of US\$23.6 million (31 December 2016: US\$27.8 million).

As at 30 June 2017, the outstanding bank borrowings of the Group was US\$11.8 million (31 December 2016: US\$22.6 million) with effective variable interest rate ranging from 2.27% to 5.25% (2016: 3.32% to 5.25%) per annum. The Group’s gearing ratio, based on the interest-bearing borrowings and total equity, decreased from 39.7% as at 31 December 2016 to 18.9% as at 30 June 2017 as a result of the decrease in bank borrowings and increase of net asset value of the Group after the global offering.

As at 30 June 2017, the Group had current assets of US\$121.1 million (31 December 2016: US\$151.4 million) and current liabilities of US\$75.8 million (31 December 2016: US\$105.7 million). The current ratio was 1.6 times as at 30 June 2017 (31 December 2016: 1.4 times).

The Group’s debtor’s turnover period was 32 days for the six months ended 30 June 2017 as compared with 50 days for the corresponding period in 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 improved as a result of such financing arrangement.

The creditors' turnover period was 39 days for the six months ended 30 June 2017 as compared with 29 days for the corresponding period in 2016. Creditors' turnover period increased which was due to the increase in credit line granted by our major suppliers and hence the average creditors' balances increased compared to the corresponding period.

The inventories' turnover period was 21 days for the six months ended 30 June 2017 as compared with 11 days for the six months ended 30 June 2016. 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 increased which was due to the business expansion of the Group and hence a higher inventories level were maintained since 2016.

Foreign currency exposure

The Group's transactions are principally denominated in US\$ 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 gain of approximately US\$0.2 million during the six months ended 30 June 2017 (six months ended 30 June 2016: exchange loss of approximately US\$0.8 million). As 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 30 June 2017, available-for-sale investments amounted to US\$7.8 million (31 December 2016: US\$7.8 million) and bank deposits amounted to US\$15.2 million (31 December 2016: US\$32.5 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 six months ended 30 June 2017 and the corresponding period in 2016.

Significant investment held

Save for the available-for-sale investments as disclosed above, the Group did not hold any significant investments during the six months ended 30 June 2017.

Material Acquisition and disposal of subsidiaries and associated companies

The Group has no material acquisitions or disposals of subsidiaries and associated companies during the six months ended 30 June 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 six months ended 30 June 2017.

EVENTS AFTER THE INTERIM PERIOD ENDED 30 JUNE 2017

Up to the date of announcement, the Group has no significant subsequent event after 30 June 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 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 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 six months ended 30 June 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, 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 for the six months ended 30 June 2017.

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 unaudited interim results of the Group for the six months ended 30 June 2017 (“**interim financial statements**”) and discussed with the external auditors on the result of an independent review of the interim financial statements as well as with the management the accounting policies adopted by the Group, internal controls and financial reporting matters of the Group.

PUBLICATION OF INTERIM RESULTS

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.smart-core.com.hk). The interim report of the Company for the six months ended 30 June 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.

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

Hong Kong, 28 August 2017

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.