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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 2021

FINANCIAL HIGHLIGHTS

- Total revenue of the Group for the six months ended 30 June 2021 amounted to HK$4,911.9 million (2020: HK$2,126.9 million), representing an increase of 130.9% as compared with the corresponding period in 2020.

- Gross profit of the Group for the six months ended 30 June 2021 amounted to HK$415.9 million (2020: HK$120.3 million), representing an increase of 245.7% as compared with the corresponding period in 2020.

- Net profit attributable to the owners of the Company for the six months ended 30 June 2021 amounted to HK$94.6 million (2020: HK$29.8 million), representing an increase of 217.4% as compared with the corresponding period in 2020.

- Basic earnings per share for the six months ended 30 June 2021 was HK19.36 cents (2020: HK6.05 cents).

- The Board resolved to declare an interim dividend of HK4 cents per share for the six months ended 30 June 2021 (six months ended 30 June 2020: HK2 cents).

INTERIM RESULTS

The board ("**Board**") of directors (the "**Directors**") of Smart-Core Holdings Limited (the "**Company**") is pleased to announce the condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**", "**we**" or "**our**") for the six months ended 30 June 2021 (the "**Reporting Period**") with the comparative figures for the corresponding period in 2020. These results were based on the condensed consolidated financial statements for the Reporting Period which were prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure provision requirements of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of profit or loss and other comprehensive income
For the six months ended 30 June 2021

	Notes	**Six months ended 30 June**	
		2021	2020
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**4,911,942**	2,126,863
Cost of sales		**(4,496,043)**	(2,006,565)
Gross profit		**415,899**	120,298
Other income		**4,596**	4,620
Other gains or losses, net		**(1,249)**	91
Impairment losses (recognised) reversed under expected credit loss model, net		**(15,314)**	7,236
Research and development expenses		**(19,014)**	(11,184)
Administrative expenses		**(52,031)**	(27,793)
Selling and distribution expenses		**(115,769)**	(41,232)
Finance costs		**(21,034)**	(9,809)
Share of result of an associate		**(739)**	–
Profit before tax	*4*	**195,345**	42,227
Income tax expense	*5*	**(33,715)**	(7,387)
Profit for the period		**161,630**	34,840
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**684**	(537)
Share of other comprehensive income of an associate		**338**	–
Other comprehensive income (expense) for the period		**1,022**	(537)
Total comprehensive income for the period		**162,652**	34,303

	Note	Six months ended 30 June **2021** ***HK$'000*** **(unaudited)**	 2020 *HK$'000* (unaudited)
Profit for the period attributable to:			
Owners of the Company		**94,576**	29,816
Non-controlling interests		**67,054**	5,024
		161,630	34,840
Total comprehensive income for the period attributable to:			
Owners of the Company		**95,615**	29,271
Non-controlling interests		**67,037**	5,032
		162,652	34,303
Earnings per share:			
Basic (HK cents)	*7*	**19.36**	6.05

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	**As at 30 June 2021** *HK$'000* **(unaudited)**	As at 31 December 2020 *HK$'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**4,724**	4,298
Right-of-use assets		**25,168**	26,197
Goodwill		**9,735**	9,735
Intangible asset		**5,581**	6,776
Deposits, prepayments and other receivables		**3,682**	3,634
Deferred tax asset		**8,260**	5,704
Financial assets at fair value through profit or loss		**147,990**	130,147
Investment in an associate		**22,024**	–
		227,164	186,491
CURRENT ASSETS			
Inventories		**676,548**	416,285
Trade receivables	*8*	**1,846,293**	1,102,296
Deposits, prepayments and other receivables		**80,024**	73,867
Pledged bank deposits		**293,901**	178,191
Bank balances and cash		**172,342**	238,557
		3,069,108	2,009,196
CURRENT LIABILITIES			
Trade payables	*9*	**812,961**	590,732
Other payables and accrued charges		**139,645**	90,390
Lease liabilities		**10,072**	9,704
Contract liabilities		**66,516**	51,665
Amount due to a non-controlling shareholder of a subsidiary		**21,306**	–
Tax liabilities		**44,419**	11,829
Bank and other borrowings	*10*	**1,336,668**	727,065
		2,431,587	1,481,385
NET CURRENT ASSETS		**637,521**	527,811
TOTAL ASSETS LESS CURRENT LIABILITIES		**864,685**	714,302

	Note	As at 30 June 2021 HK$'000 (unaudited)	As at 31 December 2020 HK$'000 (audited)
NON-CURRENT LIABILITIES			
Deferred tax liability		**923**	1,119
Lease liabilities		**16,362**	17,840
Bank and other borrowings	*10*	**11,382**	–
		28,667	18,959
NET ASSETS		**836,018**	695,343
CAPITAL AND RESERVES			
Share capital		**38**	38
Reserves		**704,278**	630,640
Equity attributable to owners of the Company		**704,316**	630,678
Non-controlling interests		**131,702**	64,665
		836,018	695,343

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The condensed consolidated financial statements do not include all the information required for a complete set of financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

The functional currency of the Company is United States Dollars and the presentation currency of the Group's condensed consolidated financial statements is Hong Kong Dollars ("**HK$**"). The directors of the Company considered that using HK$ as presentation currency enables the shareholders and potential investors of the Company to have a more accurate picture of the Group by aligning the Group's financial performance with its share price.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

2.1 Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

Except as described below, the application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform — Phase 2"

2.1.1 Accounting policies

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in HKFRS 9 *Financial Instrument* ("**HKFRS 9**") on modification of a financial asset or a financial liability to the additional changes to which the practical expedient does not apply.

2.1.2 Transition and summary of effects

As at 1 January, 2021, the Group has several financial liabilities, the interest of which are indexed to benchmark rates that will be subject to interest rate benchmark reform.

The following table shows the total amounts of outstanding contracts with payments indexed to benchmark rates which are subject to interest rate benchmark reform. The amounts of financial liabilities are shown at their carrying amounts.

	London Interbank Offered Rate *HK$'000*
Financial liabilities	
Bank and other borrowings	524,945

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank and other borrowings measured at amortised cost. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. The management is in the progress to negotiate with the banks for the transition to alternative benchmark rates. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group's consolidated financial statements for the year ending 31 December 2021.

2.2 Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these condensed consolidated financial statements using the equity method of accounting. The financial statements of an associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the condensed consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of assets* ("**HKAS 36**") as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3A. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Types of goods:		
Sale of electronic components	**4,911,942**	2,126,863
Sales channel/product lines:		
Authorised distribution		
Television products	**1,284,555**	671,349
Optoelectronic displays	**868,453**	397,684
Video processing	**513,051**	102,029
Smart devices	**300,234**	154,546
Memory products	**291,864**	256,345
Communication products	**271,964**	118,653
Others *(note)*	**262,778**	182,885
	3,792,899	1,883,491
Independent distribution	**1,119,043**	243,372
	4,911,942	2,126,863
Geographical markets:		
Hong Kong	**4,117,441**	1,998,851
The People's Republic of China (the "**PRC**")	**766,390**	128,012
Singapore	**28,111**	–
	4,911,942	2,126,863

Note: Others mainly comprising the sales of automotive electronics products.

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 discharged 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 30 June 2021 and 2020, all outstanding sales contracts are expected to be fulfilled within 12 months after the end of the reporting period.

3B. OPERATING SEGMENT

Information reported to the board of directors, being the chief operating decision maker (the "**CODM**"), for the purpose of resources allocation and assessment of segment performance focuses on sales channel.

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.

The following is an analysis of the Group's revenue and results by reportable and operating segments:

Six months ended 30 June 2021 (unaudited)

	Authorised distribution *HK$'000*	**Independent distribution** *HK$'000* *(note)*	**Segment total** *HK$'000*	**Elimination** *HK$'000*	**Consolidated** *HK$'000*
SEGMENT REVENUE					
Revenue from external customers	**3,792,899**	**1,119,043**	**4,911,942**	**–**	**4,911,942**
Inter-segment sales*	**18,524**	**2,090**	**20,614**	**(20,614)**	**–**
	3,811,423	**1,121,133**	**4,932,556**	**(20,614)**	**4,911,942**
Segment profit	**77,173**	**90,394**	**167,567**	**–**	**167,567**

* Inter-segment sales are charged at cost

Less: Unallocated expenses	**(4,658)**
Fair value loss on financial assets at fair value through profit or loss ("**FVTPL**")	**(540)**
Share of result of an associate	**(739)**
Profit for the period	**161,630**

Six months ended 30 June 2020 (unaudited)

	Authorised distribution *HK$'000*	Independent distribution *HK$'000* *(note)*	Segment total *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
SEGMENT REVENUE					
Revenue from external customers	1,883,491	243,372	2,126,863	–	2,126,863
Inter-segment sales*	1,668	298	1,966	(1,966)	–
	1,885,159	243,670	2,128,829	(1,966)	2,126,863
Segment profit	28,827	7,157	35,984	–	35,984

* Inter-segment sales are charged at cost

Less: Unallocated expenses	(2,394)
Fair value gain on financial assets at FVTPL	1,250
Profit for the period	34,840

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 described in note 3 to the Group's annual financial statements for the year ended 31 December 2020. Segment profit represents the profit earned by each segment without allocation of unallocated expenses, fair value (loss) gain on financial assets at FVTPL and share of result of an associate. 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.

4. PROFIT BEFORE TAX

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit before tax has been arrived after charging:		
Allowance for inventories	**1,609**	2,970
Amortisation of intangible asset (included in selling and distribution expenses)	**1,195**	1,195
Cost of inventories recognised as an expense	**4,494,434**	2,003,595
Depreciation of property, plant and equipment	**1,015**	792
Depreciation of right-of-use assets	**5,901**	4,184
Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**115,582**	45,862
Retirement benefit scheme contributions	**8,456**	3,121

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	**33,870**	6,186
PRC Enterprise Income Tax	**2,597**	204
	36,467	6,390
Deferred tax	**(2,752)**	997
	33,715	7,387

6. DIVIDENDS

During the current interim period, a final dividend of HK4 cents per share in respect of the year ended 31 December 2020 (2020: HK2 cents per share in respect of the year ended 31 December 2019) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to HK$19,547,000 (2020: HK$9,882,000).

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK4 cent (2020: HK2 cents) per share in respect of the six months ended 30 June 2021 will be paid to the shareholders whose names appeared on the register of members as at the close of business on 15 September 2021.

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	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**94,576**	29,816

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**488,620,091**	492,714,689

For the six months ended 30 June 2021, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share has taken into account of 250,000 (30 June 2020: 250,000) ordinary shares purchased by Computershare Hong Kong Trustees Limited (the "**Trustee**") 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 for both periods were presented as there were no potential ordinary shares in issue for both periods.

8. TRADE RECEIVABLES

The Group allows credit period of 0 to 120 days (31 December 2020: 0 to 120 days) to its customers. The following is an analysis of trade receivables by age, presented based on the invoice date, which approximated the respective revenue recognition date.

	As at 30 June 2021	As at 31 December 2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0–60 days	**1,402,420**	871,138
61–120 days	**370,084**	170,033
Over 120 days	**73,789**	61,125
	1,846,293	1,102,296

As at 30 June 2021, total bills received amounting to HK$217,000 (31 December 2020: HK$4,756,000) are held by the Group for future settlement of trade receivables. The Group continue to recognise their full carrying amounts at the end of the reporting period.

9. TRADE PAYABLES

The credit period on trade purchases is 0 to 60 days (31 December 2020: 0 to 60 days).

The following is an analysis of the trade payables by age, presented based on the invoice date.

	As at 30 June 2021 *HK$'000* **(unaudited)**	As at 31 December 2020 *HK$'000* (audited)
0–30 days	**682,958**	492,322
31–60 days	**93,096**	71,715
61–90 days	**34,686**	25,906
Over 90 days	**2,221**	789
	812,961	590,732

10. BANK AND OTHER BORROWINGS

	As at 30 June 2021 *HK$'000* **(unaudited)**	As at 31 December 2020 *HK$'000* (audited)
Import and export loans	**657,925**	139,964
Other bank borrowings	**674,915**	587,101
	1,332,840	727,065
Other borrowings	**15,210**	–
	1,348,050	727,065
Carrying amounts of the above borrowings are repayable*		
— within one year	**1,336,668**	727,065
— one to two years	**3,657**	–
— two to five years	**7,725**	–
	1,348,050	727,065
Carrying amounts of borrowings that contain a repayable on demand clause (shown under current liabilities)	**1,331,837**	727,065
Analysed as:		
Secured	**1,326,805**	720,294
Unsecured	**21,245**	6,771
	1,348,050	727,065

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

INTERIM DIVIDEND

The Board resolved to declare an interim dividend of HK4 cents per share for the six months ended 30 June 2021 (six months ended 30 June 2020: HK2 cents per share) and is expected to be paid on or about Thursday, 30 September 2021 to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 15 September 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 16 September 2021 to Monday, 20 September 2021, 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 Wednesday, 15 September 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2021, the ongoing global pandemic of coronavirus disease ("**COVID-19**") and the uncertainties over the relations between the US and China have a profound impact on the development and direction of the global semiconductor industry. In Southeast Asia, the out-of-control pandemic has an impact on the local manufacturing industry. Such impact in Southeast Asia, which accounts for approximately 27% of the global market of chip packaging and testing, will directly affect the stability of the global supply chain of electronic components. According to some industry analyses, China has in fact became the global backbone in the fight against the pandemic thanks to its excellent control capabilities over the pandemic, strong industrial manufacturing capacity and massive workforce. If Southeast Asian countries fail to gain control over the pandemic in the near term, manufacturing orders will continue to flow to China. If the pandemic gets out of control in Southeast Asia and in turn dampens market confidence, the low-end manufacturing capacity and chip packaging and testing industries that had already moved out of China earlier will return to mainland China.

According to the information released by the Ministry of Industry and Information Technology, from January to May of this year, the added-value of China's above-scale electronic information manufacturing industry increased by 21.5% year-on-year, and the cumulative value of exports increased by 21.3% year-on-year, making China's electronics manufacturing industry a global leader in the first half of the year. According to the information released by the National Bureau of Statistics, China's chip imports grew by 14.8% year-on-year to RMB2.4 trillion in 2020. From January to May of this year, Chip imports increased year-on-year by 30% in terms of quantity and 18.2% in terms of value. The Group's semiconductor distribution business also benefited from this increase, with both sales and profitability improving significantly.

In recent years, the Group has been raising its quality of management by recruiting elites in the industry, enhancing efficiency by effecting digital transformation, and nurturing its core competitiveness by encouraging internal innovation, thereby establishing itself as a leading home-grown all-round distribution enterprise. For the first half of 2021, against the backdrop of positive development in both supply and demand, the Group recorded substantial growth in sales and profitability through rational allocation of internal and external resources, as well as close coordination with original equipment manufacturers (the "**OEM**") along the stream and customers, achieving an aggregate sales of HK$4,911.9 million, representing a significant increase of 130.9% over the corresponding period last year, and the gross profit of HK$415.9 million, representing a significant increase of 245.7% over the corresponding period last year.

For the specific business segmentation, the authorized semiconductor distribution business in television ("**TV**") products, optoelectronic displays, video processing, smart devices, communication products and automotive electronics materialized substantial growth in both revenue and net margin. The memory product business segment remained stable. The independent distribution business also witnessed significant growth in revenue and net profit. The technology value-added businesses also achieved substantial growth in sales with its operating position further improving. The following is a business review of the main segments of the Group.

AUTHORISED DISTRIBUTION

Television Products

According to the information from the China Real Estate Index System, the sales area of commodity housing in China from January to May of this year increased by 36.3% year-on-year, and the growth of new house sales will facilitate the recovery of demand in the home appliance market. In addition, the 2020 UEFA European Football Championship and Copa América, which were postponed due to the pandemic, kicked off in June 2021. As the organizing committee restricted the number of spectators in stadiums due to the pandemic, many soccer aficionados were unable to watch the games in person that gave rise to a significant increase in demand for large-screen HD TVs from overseas markets. Judging from market feedback, the demand for TV products was relatively volatile in the first half of 2021, with January to March mainly for catering the demand brought forward from the end of 2020, which, together with that from overseas, contributed to a strong demand in the market. However, in the second quarter, the market began to recede and overall inventory level in the market was high. Generally, the Group's TV product business unit achieved significant growth in sales in the first half of 2021, with the cumulative sales of this business unit reaching HK$1,284.6 million, a significant increase of 91.3% over the corresponding period in 2020.

Optoelectronic Displays

The Group's optoelectronic display business mainly focuses on the sales of related chips used in display, touch screen, screen driver, CMOS image sensor, projection, and power supply. In the first half of 2021, demand for LCD panels continued to increase and supply of chips for peripherals was tight. Owing to the stable supply of chips from upstream OEMs to the Group's downstream blue-chip customers, optoelectronic display chips, such as Tcon, Driver and Power, in this business unit recorded rapid growth in sales. In 2021, the Scaler chips unit also secured additional blue-chip customers who contributed to substantial growth in the performance of this product line. CMOS image sensors grew in line with the movement of handset shipments with rapid growth in the first quarter and slowed down in the second quarter. Given the under-capacity of upstream core suppliers in the relevant business, the projection-related business was largely unchanged from the corresponding period last year. In terms of overall achievement of this business unit, it grew rapidly in the first half of 2021, realizing cumulative sales of HK$868.5 million, a significant increase of 118.4% compared to the corresponding period in 2020.

Video Processing

Over the past year, with stable and positive pandemic control, ongoing economic recovery and relevant policies in respect of new infrastructures, smart cities in the PRC had brought new growth points to the market of security-related video processing. At the same time, smart and secure community project, urban renewal and transformation projects also expanded market space, initiating a new boom in the security industry. According to the customer feedback gathered by the business community, most companies were optimistic about the development of the video processing market in 2021 and during the "14th Five-Year Plan" period, and believed that the industry would continue to grow at a relatively fast pace. In the first half of this year, several of the Group's key customers that we had been working with earlier also started to achieve bulk shipment one after another, and the new technology solutions launched by the upstream OEMs of chips were well received by the market, enabling the Group's video processing product business unit to achieve significant growth in sales in the first half of this year. The cumulative sales of this business unit amounted to HK$513.1 million, representing a significant increase of 402.8% compared with the corresponding period in 2020.

Smart Devices

According to the statistics released by the Ministry of Industry and Information Technology, as at May 2021, the total number of IPTV users in the PRC had reached 330 million, representing a penetration rate of approximately 65% as compared to a total of 500 million fixed broadband access users. As such, the number of new users of IPTV has seen a slowdown in recent years. Going overseas, the resurgence of pandemic in Europe during the first half of the year blasted off the "stay-at-home economy". According to a report published by Digital TV Group, the TV utilization rate in the UK was remarkably high during lockdowns. In 2020, the consumers in the UK purchased over 4.2 million units of 4K HDTV and spent 5.6 billion sterling pounds on TVs, set-top boxes and related services. Benefitting from the stable development of the domestic IPTV market and the increase in orders for H.265 set-top boxes from Europe, the Group's smart device business unit achieved significant sales growth in the first half of the year, generating cumulative sales of HK$300.2 million, or a significant increase of 94.3% compared with the corresponding period in 2020.

Memory Products

Memory chips are an essential component in the latest digital circuit system. In terms of specific memory chips, DRAM and NAND Flash account for more than 95% of the market share of memory chips. The Group's memory chips, including eMMC, DRAM, SPI Flash, MCP, etc., are mainly sold in the consumer electronics market together with SoC chips. Given the relatively low margin of memory chips catering for the consumer electronics market, imbalance between supply and demand and price hikes will have a greater bearing on the supply of such chips. The Group's sales of memory chips remained stable in the first half of 2021, with cumulative sales of HK$291.9 million, representing a slight increase of 13.9% over the corresponding period in 2020.

Communication Products

According to the latest research conducted by Counterpoint, a market research company, in respect of cellular Internet of Things ("**IoT**") modules, chipsets and application trackers, the pandemic did not interrupt the rapid growth of cellular IoT modules, with global cellular IoT module shipments growing by 50% year-on-year and 11% quarter-on-quarter in the first quarter of 2021. Automotive, router/CPE and industry applications were the top three contributors of sales income while 5G module accounted for nearly 20% of the income from IoT modules. In the first half of 2021, the communication product business saw impressive growth in market development. Through close cooperation with major OEMs of communication modules in the industry, this business unit achieved significant growth in such product lines as MCP memory chips, radio frequency PA chips, communication modules and NB-IoT, and has further expanded its customer base and established in-depth cooperation with more benchmark customers in the industry, leading to rapid growth in shipments of various chips. The business unit achieved cumulative sales of HK$272.0 million in the first half of 2021, representing a significant increase of 129.2% compared to the corresponding period in 2020.

Others

Smart car data loggers comprise a digital video recorder (the "**DVR**") and a driver monitoring system (the "**DMS**"). The DVR mainly caters the aftermarket. According to statistics, as at June of this year, the nationwide auto ownership amounted to 292 million, giving rise to a huge aftermarket for the DVR. Meanwhile, as the DVR is characterized by its connection features, demand for this product will continue to rise in the near future thanks to the vehicle-to-everything (the "**V2X**") policy. However, with the degree of autonomous driving stepping up, driving safety has became increasingly important, automotive electronics will be all the rage and installation rate will move up steadily.

According to a report published by Win Market Research Co., Ltd., a market research company, China is the world's largest market for car data loggers, commanding a market share of approximately 66%. According to another report published by a market research company in China, with the ever rising standard of China's automobile industry, the market size continues to expand. In 2019, the market size of car data loggers in China was RMB43.88 billion and was expected to grow by 27.44% year-on-year to RMB55.92 billion in 2020 with rapid growth on the horizon. In the first half of 2021, the Group's sales of chips for car data loggers grew significantly. The business unit achieved cumulative sales of HK$123.2 million in the first half of 2021, representing a significant increase of 267.1% compared with the corresponding period in 2020.

In the first half of 2021, the technical service business of Smart-Core Cloud Limited also a achieved significant growth, continuing to materialize bulk shipments of smart projectors, laser TVs and smart door locks, with a year-on-year sales growth of over 50%. As one of the most important integrated service providers of Tencent Cloud IoT, Smart-Core Cloud has been expanding into new markets in the IoT, smart home, security, health and medical aesthetics based on the Group's existing IoT software and hardware solutions and the SaaS cloud services of Tencent Cloud IoT. The rapid expansion of customer base has laid a solid foundation for business growth in future. However, competition in the market remains relatively fierce.

INDEPENDENT DISTRIBUTION

Results of the Group's independent distribution business are mainly contributed by Quiksol International HK Pte Limited ("**Quiksol HK**") and IC Cloud Limited, both being the Group's subsidiaries. In 2021, the imbalance between supply and demand has worsened the price hikes and supply shortage of electronic components, but has allowed the independent distribution business to have considerable development. The independent distribution business achieved cumulative sales of HK$1,119.0 million in the first half of 2021, representing a significant increase of 359.8% compared with the corresponding period in 2020.

OUTLOOK

As of early July of this year, the number of people infected with COVID-19 worldwide had exceeded 184 million, according to the statistics of Johns Hopkins University. A study by McKinsey & Company considered that the global COVID-19 epidemic will not end until the second half of 2022 with the help of universal vaccination. However, as major Western economies continue to reopen, World Bank raised its global economic growth forecast for 2021 to 5.6% and its global economic growth forecast for the PRC to 8.5% in the Global Economic Prospects report published in June. Meanwhile, World Bank predicted the global economy to grow by 4.3% in 2022 and by 3.1% in 2023 and the global economy will return to modest growth.

In order to combat the epidemic and recover the economy, the Federal Reserve's significant expansion of its balance sheet caused inflation. The over-issued of US dollars pushed up commodity prices and raised upstream raw material prices, together with insufficient chip production capacity and imbalanced supply and demand, resulting in a new normal of "shortage" and "price increase" in electronic components since mid-2020. International Monetary Fund ("**IMF**") pointed out that the Federal Reserve is not expected to start raising interest rates and withdraw from quantitative monetary easing policy until after the end of 2022, thus it is expected that inflation pressure will remain relatively high for a longer period of time in the future and that price increase and shortage of electronic components may continue.

On the other hand, the electronic industry itself has not seen any major changes in the shape of mainstream electronic information products. However, with the growing popularity and maturity of usage of a lot of new technologies such as 5G, artificial intelligence, VR/AR and ultra-high-definition video, there is a chance that unprecedented popular new products will emerge in the areas of wearable devices, smart homes and industry applications, driving a new wave of consumption.

A recent research report by market research firm IC Insights concluded that 32 of the 33 major Integrated Circuit (the "**IC**") market categories defined by World Semiconductor Trade Statistics ("**WSTS**") are expected to record growth in sales in 2021, in which 29 categories showing significant double-digit growth, benefiting from strong demand on the market side. The global chip market is expected to record a significant year-on-year growth of 24% this year, surpassing US$500 billion for the first time. The global chip market's compound annual growth rate for 2020 to 2025 is 10.7%, with the market outlook remains positive.

As a leading local all-round distributor of electronic components in China, the Group is starting to see the results of its business diversification. From our business performance, we can see that the Group's business development has entered a fast track in the first half of 2021, and we will face more development opportunities in the second half of 2021, specifically in the various business directions of the Group's distribution, as follows:

AUTHORISED DISTRIBUTION

Television Products

As raw material prices continue to rise, display panel prices have seen a significant increase, which, coupled with a shortage of other semiconductor components, has led to a significant increase in the average price of smart TVs this year. According to the feedback from the market, although the overall sales volume of the colour TV market is not satisfactory this year, the high-end market has taken a turn for the better, especially in categories based on innovative display technologies such as QLED, OLED, Mini LED and laser TV, which have became the focus of major colour TV brands. According to a recent report by market research firm TrendForce, global shipments of QLED TVs are expected to reach 11.02 million units in 2021, representing a year-on-year increase of 22.4%, while shipments of OLED TVs are expected to reach 7.1 million units, representing a year-on-year increase of 80%.

The second half of the year is traditionally a peak season for the consumer electronics market, and with the Tokyo 2020 Olympic Games in August, demand for TV products is expected to pick up in the second half of the year as compared to the second quarter. We are also cautiously optimistic about business growth in the second half of the year, as the Group's TV chip sales unit continues to dominate the market for licensed mid-end and high-end TVs, with recent shipments driven more by fluctuations in market demand.

Optoelectronic Displays

In the second half of 2021, the shortage of wafers and packaging and testing capacity related to display will continue, while market demand for screen modules for businesses of displays and notebook will remain strong. At present, it is foreseeable that the robust production and sales of chips will continue until the end of this year, thus there is an opportunity for the market demand situation of displays, screen modules and opencell to continue in the second half of the year. With the approaching new mobile phone release period from September to October and the arrival of the traditional sales peak season, market demand for CMOS image sensors and screen Driver chips related to mobiles phones will have the opportunity to achieve steady growth. At the same time, for the new business directions of industrial control Touch and BLDC, there is an opportunity to achieve significant business breakthroughs in the second half of the year with the accumulation of market customer groups and the support of sales strategies. In general, we are positive and optimistic about the performance of the optoelectronic display business unit in the second half of 2021.

Video Processing

The global demand for public safety control continues to remain high and the demand for smart city construction is also growing, resulting in a strong global demand for video processing. According to information published by industry research firm Gartner, total worldwide shipments of video processing cameras amounted to approximately 580 million units in 2020 and are expected to grow to 850 million units by 2022. According to research firm Omdia, the smart video processing market size in the PRC is estimated to be US$10.6 billion in 2019 and will grow to US$16.7 billion by 2024, representing a compound annual growth rate of 9.5%, making the market outlook positive. With the accelerated integration and continued maturation of technologies such as ultra-high definition cameras, 5G networks, AI chips and cloud services, new technology solutions will be able to better serve scenario-based applications in various industries, which will help boost the business unit's results in the second half of the year. According to the customer feedback from the market, nearly 80% of the customers are optimistic about the market in the second half of the year. At the current stage, due to insufficient upstream production capacity and strong demand from downstream customers, there is still a large number of orders that cannot be delivered in time, and such shortage of supply is expected to be alleviated only in the first half of next year.

Smart Devices

According to the statistics from "streaming media network", a consulting organisation, the number of smart set-top boxes tendered by the three major telecom operators in the first half of 2021 was about 43.8 million units, and these increased orders will start to be released in the second half of 2021. It is reported that such tender procurement volume exceeds the tender volume for the whole year of 2020 (approximately 15.2 million units), and even exceeds the tender volume for the whole year of 2019 (approximately 35 million units). With IPTV as a key business development direction for the Group's smart devices, it is expected that the increase in the number of tenders from carriers will help improve the sales figures of this business unit in the second half of the year and next year.

Memory Products

Driven by multiple factors such as economic recovery, growth in cloud, artificial intelligence and machine learning, 5G/gaming/automotive sectors and improvements in new server CPU structure, the market demand for storage chips continues to improve and the shortage of front-end production capacity leads to imbalance in supply and demand and price increase. According to industry statistics, the price of DRAM chips widely used in servers, mobile phones and other computing devices increased by 27% in the second quarter of 2021 as compared to the first quarter, while the price of NAND flash memory chips used in data storage market increased by 8.6%. Research firm IC Insights expects the storage market to enter a new upward cycle, with market size expected to grow 23% year-over-year to $155.2 billion in 2021. Feedback from manufacturers also confirms such result. A major memory manufacturer said that the tight supply of NAND Flash and DRAM will not only continue until the end of this year, but may even continue until 2022. Another manufacturer believes that the second quarter of 2021 will see strong demand and tight supply of consumer electronics products, including networking products, TVs and set-top boxes, as well as strong momentum in notebook computer shipments, resumption of growth in the server market and solid demand for smartphones. On an annual basis, the tight DRAM supply and demand situation might continue until the end of the year.

In the first half of this year, the Group conducted a comprehensive review of its existing storage business structure. By bringing in professional talents and changing the traditional model of relying on SoC chips with sales, the Group has established a unified management system for the national market, and introduced several new product lines including Nand Flash, DRAM and Nor Flash, actively deploying and promoting at both the original manufacturer and market end in hope of achieving good results in the traditional peak season of the electronics industry in the second half of the year.

Communication Products

According to the information disclosed by the three major domestic carriers, the scale of 5G users of the three major carriers as at December 2020 was 163 million, while the scale of users exceeded 400 million in April 2021, with a penetration rate of approximately 26% for 5G mobile phones. In the face of the rapidly growing 5G mobile phone and communication module market, the business unit will introduce more new product lines and new customers in addition to radio frequency and MCP storage products to capture market opportunities brought by the growth of 5G. The new product lines of communication modules, NB-IoT and passive devices will be expanded with the existing customer resources. Looking ahead to the second half of the year, it is expected that the IoT smart devices business will continue to maintain the growth trend in the first half of the year.

Others

According to the data compiled by a market research company, the current semiconductor usage for traditional fuel vehicles is approximately US$338, while that for new energy vehicles will reach US$704, and for more advanced connected vehicles and new energy vehicles with assisted driving functions will reach approximately US$1,500. Industry data shows that the global automotive semiconductor market would reach US$41 billion in 2019 and is expected to grow to US$65.1 billion in 2022, expecting to account for 12% of the global semiconductor market size and become the fastest growing segment in the semiconductor sub-segment. Our business unit is currently focused on providing driving recorders and tire pressure monitoring solutions and chips, and will expand and introduce more new product lines in the future based on the development direction of automotive electronics. From the current supply of the original manufacturer and customer demand, the market end will continue to maintain a robust production and sales pattern in the second half of the year, with sales expected to maintain a growth trend.

Technology value-added services business of Smart-Core Cloud Limited include smart projectors, laser TVs and smart door locks business, which are currently in steady operation. Software services business had experienced business development and market cultivation in the first half of the year and is expected to start to receive order returns in the second half of the year.

According to the analysis of research firm IC Insights, driven by strong digital economies such as automotive, server, IoT and 5G, the global semiconductor market is expected to continue its three-year super-boom cycle starting from 2019, with a conservative estimate of at least 12% growth in the annual semiconductor market size in 2021. In short term, the semi-conductor industry is still in the cycle of prosperity in the second half of the year, with the price increase cycle continues and market shortage still serious. According to the analysis of research firm Counterpoint, semiconductor chips will remain in short supply in the future, leading to at least another 10-20% increase in chip prices in 2022.

INDEPENDENT DISTRIBUTION

The independent distribution business had achieved a very good performance in the first half of the year and will continue to actively promote the globalization of its business in the second half of the year. The current business outlook for the second half of the year remains optimistic. The market boom for semiconductor chips is expected to continue at least until the end of the third quarters of 2021, thus the business will continue to grow at a higher rate in the second half of the year. We will respond to the changing market conditions in an orderly manner.

For the semiconductor industry, 2021 is a year full of opportunities and excitement. The Group achieved significant growth in its business indicators in the first half of the year, unleashing the strength it has built up over the years. In the future, the Group will continue to focus on expanding and strengthening the existing distribution system and continue to invest in business units that have made progress in order to consolidate and expand its market share and promote the comprehensive and balanced development of the Group's business. In view of imbalanced market supply and demand in the second half of the year, the Group will continue to vigorously develop its independent distribution business, actively explore the e-commerce business of electronic components in combination with its independent distribution business, so as to build up the Group's all-rounded distribution system. In the area of technology services, we will work with our partners to expand the new IoT ecosystem based on software SaaS and cloud services. For productization solutions, we will focus on some differentiated sub-markets to realize value through refinement and specialization, enhance business efficiency through standardized development processes and improve return on investment. For investment in the semiconductor industry, we will steadily advance healthy development of the new company's business in accordance with our established plan.

In the second half of the year, we will accelerate the development of the Group's business on the basis of sound operation and active innovation to enhance the scale and profitability of the Group's business, bringing better returns and long-term value to the shareholders of the Company ("**Shareholders**").

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2021, the Group's revenue amounted to HK$4,911.9 million, representing an increase of HK$2,785.0 million (130.9%) as compared with the corresponding period in 2020 (HK$2,126.9 million). The increase in revenue level was mainly caused by the rapid increase in the sales from both the authorised distribution business and independent distribution business.

Gross profit

Our gross profit for the six months ended 30 June 2021 increased by HK$295.6 million (245.7%) to HK$415.9 million as compared with the corresponding period in 2020 (HK$120.3 million). Our gross profit margin increased by 2.8% to 8.5% for the six months ended 30 June 2021 (six months ended 30 June 2020: 5.7%). The increase in gross profit margin was principally caused by increase in gross profit margin from independent distribution, the sales of optoelectronic display products and memory products.

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 2021, research and development expenses amounted to HK$19.0 million, increased by 69.6% as compared with the six months ended 30 June 2020 (HK$11.2 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$167.8 million for the six months ended 30 June 2021 (six months ended 30 June 2020: HK$69.0 million), which accounted for 3.4% of the revenue for the six months ended 30 June 2021 as compared with 3.2% over the corresponding period in 2020. There is no significant change in administrative, selling and distribution expenses as compared to the prior period.

Finance costs

The Group's finance costs for the six months ended 30 June 2021 amounted to HK$21.0 million (six months ended 30 June 2020: HK$9.8 million). The Group has entered into various financing arrangements with principal bankers. The finance costs increased compared to the prior period which was mainly due to an increase in bank borrowings.

Profit for the period

For the six months ended 30 June 2021, the Group's profits amounted to HK$161.6 million, representing an increase of HK$126.8 million as compared to HK$34.8 million for the corresponding period in 2020, a rise of 364.4%. The net profit margin for the six months ended 30 June 2021 was approximately 3.3%, representing an increase of 1.7% as compared with the corresponding period in 2020 (2020: 1.6%).

Net profit attributable to the owners of the Company

The net profit attributable to the owners of the Company for the six months ended 30 June 2021 amounted to HK$94.6 million, representing an increase of 217.4% as compared with the corresponding period in 2020 (six months ended 30 June 2020: HK$29.8 million).

Use of proceeds from the global offering

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

The Group has utilised approximately HK$161.4 million of the net proceeds as at 30 June 2021 according to the intentions set out in the prospectus of the Company dated 27 September 2016 (the "**Prospectus**"). The unutilised net proceeds have been placed as deposits with banks and are expected to be utilised as intended.

Use of Proceeds	**Net proceeds** *(in HK$ million)*	**Utilised as at 30 June 2021** *(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	(7.5)	33.7	Expected to be fully utilised on or before 31 December 2022
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	(51.0)	10.7	Expected to be fully utilised on or before 31 December 2022
6. General working capital	20.5	(20.5)	0.0	
	205.8	(161.4)	44.4	

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 in 2018, the social unrest in Hong Kong in June 2019 and the outbreak of 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 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 2021, the Group maintained aggregate restricted and unrestricted bank balances and cash of HK$466.2 million (31 December 2020: HK$416.7 million). As at 30 June 2021, the outstanding bank and other borrowings of the Group was HK$1,348.1 million (31 December 2020: HK$727.1 million). The Group's gearing ratio, based on the interest-bearing borrowings, lease liabilities and total equity, increased from 108.5% as at 31 December 2020 to 164.4% as at 30 June 2021 as a result of the increased level of bank and other borrowings to finance our expanded working capital needs.

As at 30 June 2021, the total and unutilised amount of the Group's banking facilities (excluding standby letter of credit) were HK$2,200.3 million and HK$867.5 million (31 December 2020: HK$1,173.5 million and HK$449.6 million) respectively.

As at 30 June 2021, the Group had current assets of HK$3,069.1 million (31 December 2020: HK$2,009.2 million) and current liabilities of HK$2,431.6 million (31 December 2020: HK$1,481.4 million). The current ratio was 1.3 times as at 30 June 2021 (31 December 2020: 1.4 times).

The Group's debtor's turnover period was 54 days for the six months ended 30 June 2021 as compared to 63 days for the corresponding period in 2020. The overall debtors' turnover period was within the credit period. The decrease in debtors' turnover period is mainly caused by improvement of credit control management.

The creditors' turnover period was 28 days for the six months ended 30 June 2021 as compared with 35 days for the corresponding period in 2020. Creditors' turnover period improved which was due to the more timely repayment of the amount due to our suppliers during current period.

The inventories' turnover period was 22 days for the six months ended 30 June 2021 as compared with 17 days for the corresponding period in 2020. The inventories' turnover period has been maintaining at a reasonable level.

Foreign currency exposure

The Group's transactions are principally denominated in United States 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$2.0 million during the six months ended 30 June 2021 (six months ended 30 June 2020: net foreign exchange loss of approximately HK$1.2 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 30 June 2021, the financial assets at fair value through profit or loss ("**FVTPL**") amounted to HK$148.0 million (31 December 2020: HK$130.1 million), trade receivable factored amounted to HK$637.1 million (31 December 2020: HK$580.3 million) and bank deposits amounted to HK$293.9 million (31 December 2020: HK$178.2 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 as at 30 June 2021.

Significant investment held

Save for the financial assets at FVTPL as disclosed above, the Group did not hold any significant investments during the six months ended 30 June 2021.

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 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2021, the Company bought back a total of 1,960,000 Shares on the Stock Exchange (the "**Share Repurchase**") and a total of 4,274,000 shares bought back were cancelled by the Company. 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	**Lowest**	
		HK$	*HK$*	*HK$*
January	1,960,000	1.26	1.20	2,421,660

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 six months ended 30 June 2021.

EVENTS AFTER THE INTERIM PERIOD ENDED 30 JUNE 2021

Up to the date of this announcement, the Group has no significant subsequent event after 30 June 2021 which requires disclosure.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules 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 2021. 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 2021.

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 interim results of the Group for the six months ended 30 June 2021 (the "**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 on 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 2021 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, 25 August 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.