



# Smart Globe Holdings Limited

## 竣球控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 8485

INTERIM REPORT

2020



## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the “**Directors**”) of Smart Globe Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*



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**Registered Office**

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Grand Cayman KY1-1108  
Cayman Islands

**Principal Place of Business in Hong Kong**

Unit 8, 17th Floor, Kodak House II  
39 Healthy Street East  
North Point, Hong Kong

**Principal Place of Business in the People's Republic of China ("PRC")**

Heyuan Hi-Tech Development Zone  
Heyuan, Guangdong Province  
PRC

**Company Secretary**

Mr. Cheung Sum Chin

**Authorised Representatives  
(for the purposes of the GEM Listing Rules)**

Mr. Lam Tak Ling Derek  
Mr. Chan Yee Yeung

**Compliance Officer**

Ms. Tse Yuen Shan Ivy

**Board of Directors****Executive Directors**

Mr. Lam Tak Ling Derek (*Chairman*)  
Mr. Chan Yee Yeung  
Ms. Tse Yuen Shan Ivy

**Independent Non-Executive Directors**

Mr. Li Chun Hung  
Mr. Ong Chor Wei  
Mr. Yam Kam Kwong, *JP*

**Audit Committee**

Mr. Li Chun Hung (*Chairperson*)  
Mr. Ong Chor Wei  
Mr. Yam Kam Kwong, *JP*

**Remuneration Committee**

Mr. Ong Chor Wei (*Chairperson*)  
Ms. Tse Yuen Shan Ivy  
Mr. Li Chun Hung  
Mr. Yam Kam Kwong, *JP*

**Nomination Committee**

Ms. Tse Yuen Shan Ivy (*Chairperson*)  
Mr. Li Chun Hung  
Mr. Ong Chor Wei  
Mr. Yam Kam Kwong, *JP*

**Cayman Islands Share Registrar and Transfer Office****Estera Trust (Cayman) Limited**

P.O. Box 1350, Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

**Hong Kong Share Registrar and Transfer Office****Tricolor Investor Services Limited**

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**Company's Websites**

<http://www.smartglobehk.com>

**Legal Advisers****Deacons**

5th Floor  
Alexandra House  
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Central, Hong Kong

**Auditor****Deloitte Touche Tohmatsu**

35th Floor, One Pacific Place  
88 Queensway  
Hong Kong

**Stock code**

8485



## FINANCIAL HIGHLIGHTS

- The Group's revenue amounted to approximately HK\$56.0 million for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately HK\$61.3 million), representing a decrease of approximately 8.7% as compared to the six months ended 30 June 2019.
- The profit attributable to owners of the Company is approximately HK\$2.5 million for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately HK\$5.7 million), representing a decrease of approximately more than 56.2% mainly due to the one-off transfer of listing expenses of approximately HK\$3.0 million incurred during the reporting period.
- Basic earning per share for the six months ended 30 June 2020 was approximately HK\$0.25 cents (six months ended 30 June 2019: approximately HK\$0.57 cents).
- The board of Directors (the "**Board**") does not recommend the payment of any interim dividend for the six months ended 30 June 2020.





## OVERVIEW

In view of the uncertain global economy, the Group will strive to launch various credit controls, and further tighten the control over operating expenses, while streamlining production control and improving manufacturing efficiency with advanced machinery to minimise the labour cost and maximise the facility utilisation rate.

### Business Review

As one of the leading printing service providers, the Group is engaged in its core business of printing books products and novelty and packaging products. It provides a full suite of services from pre-press to printing to finishing services, as well as producing custom-made and value added printing products.

For the six months ended 30 June 2020, the Group recorded a decrease in its total revenue by approximately 8.7% to approximately HK\$56.0 million from approximately HK\$61.3 million for the six months ended 30 June 2019. This was mainly due to decrease in sale in the book product segment in the United Kingdom (“**UK**”), Hong Kong (“**HK**”) and Netherlands. Profit attributable to owners of the Company was approximately HK\$2.5 million, representing a decrease of more than 56.2% from approximately HK\$5.7 million for the six months ended 30 June 2019 mainly due to the one-off transfer of listing expenses of approximately HK\$3.0 million incurred during the reporting period.

For the six months ended 30 June 2020, approximately 86.3% of total revenue was contributed by the book products segment. Revenue contributed by the book products segment was approximately HK\$48.3 million, representing a decrease of approximately 5.2% compared to revenue contributed by the same segment for the six months ended 30 June 2019 of approximately HK\$50.9 million. The decrease was mainly due to the decrease in orders placed by UK, HK and Netherlands customers with us.

### Outlook

In the year ahead, the Group will continue to explore and capture new business opportunities for potential growth by enhancing our marketing strategy to expand our quality customer base and promote our one-stop printing services to existing and potential customers as well as the Group will strive to further tighten control over its operating expenses and streamline the production processes.

Meanwhile, by leveraging its leading one-stop printing platform, the Group will continue to invest in enhancing its capabilities to improve the overall production efficiency and prepare for any opportunity and potential growth in the future.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Review

### **Revenue**

Our revenue decreased by approximately 8.7% from approximately HK\$61.3 million for the six months ended 30 June 2019 to approximately HK\$56.0 million for the six months ended 30 June 2020. This was mainly due to less customer orders received from Netherlands, HK and UK in the book's products segment compared to the same period of last year.

### **Gross profit margin**

Our overall gross profit margin decreased from approximately 31.2% for the six months ended 30 June 2019 to approximately 28.0% for the six months ended 30 June 2020. The decrease in gross profit margin was mainly due to keen competition in the market.

### **Other income**

Our other income remains constant of approximately HK\$0.2 million for both periods.

### **Reversal of allowance for credit losses on trade receivables, net**

Our reversal of allowance for credit losses on trade receivables, net increased by more than 100% of approximately HK\$0.07 million for the six months ended 30 June 2019 to approximately HK\$0.2 million for the six months ended 30 June 2020. The increase was mainly due to the recovery of credit-impaired debts.

### **Other gains and losses**

Our other gains increased by more than 100.0% from other losses of approximately HK0.1 million for the six months ended 30 June 2019 to other gains of approximately of HK\$0.6 million for the six months ended 30 June 2020. This was mainly due to more exchange gain incurred during the reporting period.

### **Selling and distribution costs**

Our distribution costs decreased by approximately 9.8% from approximately HK\$3.6 million for six months ended 30 June 2019 to approximately HK\$3.2 million for the six months ended 30 June 2020. This was mainly due to the decrease in transportation and freight charges which is in line with decrease in revenue during the reporting period.

### **Administrative expenses**

Our administrative expenses decreased by approximately 20.2% from approximately HK\$8.6 million for the six months ended 30 June 2019 to approximately HK\$6.9 million for the six months ended 30 June 2020. This is mainly due to the decrease in others taxes in the PRC, repairs and maintenance and staff related costs.

**Professional fee for Transfer of Listing**

Our professional fee for the proposed transfer of the listing of the Company's shares from GEM of the Stock Exchange to Main Board of the Stock Exchange (the "Transfer of Listing") is a one-off expenses of approximately HK\$3.0 million incurred during the reporting period.

**Finance costs**

Our finance costs decreased by approximately 80.9% from approximately HK\$0.2 million for the six months ended 30 June 2019 to approximately HK\$0.05 million for the six months ended 30 June 2020. This was mainly due to lesser outstanding balances of hire purchased plant and equipment during the reporting period.

**Income tax expense**

Our income tax expense decreased by 11.8% from approximately HK\$1.2 million for the six months ended 30 June 2019 to approximately HK\$1.1 million for the six months ended 30 June 2020. It was mainly due to the decrease in assessable profits that was subject to taxation during the reporting period.

**Profit for the period**

As a result of the above factors, net profit for the reporting period stood at approximately HK\$2.5 million.

**CAPITAL STRUCTURE**

The shares of the Company were successfully listed on GEM of the Stock Exchange on 28 December 2017. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises ordinary shares.

As at 30 June 2020, the Company's issued share capital was HK\$10,000,000 and the number of its issued ordinary shares was 1,000,000,000 of HK\$0.01 each.

**LIQUIDITY AND FINANCIAL RESOURCES**

The Group financed its operations with shareholders' equity, cash generated from operations.

The Group maintained bank balances and cash amounting to approximately HK\$40.0 million as at 30 June 2020 (as at 31 December 2019: approximately HK\$42.7 million), which decreased by approximately 6.5% as compared with that as at 31 December 2019.

The Group's non-current assets increased to approximately HK\$37.5 million as at 30 June 2020 (as at 31 December 2019: approximately HK\$36.8 million), the increase is primarily due to the acquisition of plant and equipment during the reporting period.





## MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2020, the Group's current assets amounted to approximately HK\$106.0 million, which comprised inventories of approximately HK\$17.0 million (as at 31 December 2019: approximately HK\$11.6 million), trade and other receivables of approximately HK\$48.9 million (as at 31 December 2019: approximately HK\$48.6 million), and cash and cash equivalents of approximately HK\$40.0 million (as at 31 December 2019: approximately HK\$42.7 million).

As at 30 June 2020, the Group's current liabilities amounted to approximately HK\$26.7 million, which comprised trade and other payables of approximately HK\$23.6 million (as at 31 December 2019: approximately HK\$16.1 million), contract liabilities of approximately HK\$0.07 million (as at 31 December 2019: approximately HK\$0.2 million), taxation payable of approximately HK\$2.1 million (as at 31 December 2019: approximately HK\$4.7 million), lease liabilities of approximately HK\$1.0 million (as at 31 December 2019: approximately HK\$2.5 million).

As at 30 June 2020, the net current assets of the Group decreased by approximately HK\$3.2 million or approximately 3.9% to approximately HK\$79.3 million (as at 31 December 2019: approximately HK\$82.5 million).

The Group had lease liabilities of approximately HK\$1.3 million as at 30 June 2020 (as at 31 December 2019: approximately HK\$2.5 million).

The Group's gearing ratio, which was calculated as total interest-bearing liabilities divided by total equity as at the relevant reporting date was approximately 1.1% (as at 31 December 2019: approximately 2.1%). The Group's current ratio, which was calculated as current assets divided by current liabilities as at the relevant reporting date stood at approximately 4.0 as at 30 June 2020 (as at 31 December 2019: approximately 4.5).

### TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period. To manage liquidity risk, the management monitors the Group's liquidity position and maintain sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to settle the payables of the Group.



## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

As its revenue is mainly denominated in United States dollars (“**US\$**”) and Hong Kong dollars (“**HK\$**”), and HK\$ is pegged to US\$, the Group’s exposure to fluctuations in exchange rate in relation to the Group’s revenue is relatively low.

The Group is also exposed to foreign exchange risks as the Group’s production is mainly in the People’s Republic of China (the “**PRC**”). Any appreciation of Renminbi (“**RMB**”) may lead to an increase of our cost of production. During the six months ended 30 June 2020, the Group had not entered into any financial instrument for hedging purposes or other hedging instruments to hedge against foreign exchange rate risks. The Group will keep on reviewing and monitoring the exchange fluctuation between RMB and HK\$, and will consider entering into hedging arrangement as and when appropriate.

## CAPITAL EXPENDITURE

During the six months ended 30 June 2020, the Group had acquired property, plant and equipment of approximately HK\$3.3 million.

## CAPITAL COMMITMENTS

As at 30 June 2020 and 31 December 2019, the Group had no significant capital commitments.

## CONTINGENT LIABILITIES

As at 30 June 2020 and 31 December 2019, the Group had no material contingent liabilities.

## DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).



# MANAGEMENT DISCUSSION AND ANALYSIS

## USE OF PROCEEDS

On 28 December 2017, the Company's shares were listed (the “**Listing**”) on GEM and 250,000,000 new shares of HK\$0.01 each were issued at HK\$0.25. The net proceeds from the Listing was approximately HK\$36.4 million after payment of transaction costs and listing expenses. As disclosed in the Company's announcement dated 21 September 2018, the Board has resolved to reallocate the remaining balance of the net proceeds. In light of the current market condition, the Company considers that the demand for novelty and packaging products is high and the packaging production segment represents great potential to generate stable revenue to the Group despite the uncertainty in the economy due to the trade conflicts between China and the United States. Therefore, the Board has resolved to allocate most of the remaining net proceeds to the purchasing of machinery for upgrading our production equipment to enhance level of automation and production efficiency with an aim to expand the packaging production capacity of the Group. For further details, please refer to the announcement of the Company dated 21 September 2018. As at the date of this announcement, utilisation of the net proceeds from the Listing is as follows:

	<b>Revised utilization as disclosure in the announcement dated 21 September 2018</b>	<b>Utilisation</b>	<b>Balance</b>	<b>Expected timeline of full utilisation of the balance</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Expansion of production capacity	20,399	13,449	6,950	End of 2020
Loan repayment	10,933	10,933	—	
Expansion of sale and distribution network	1,466	834	632	End of 2021
General working capital	3,644	3,644	—	

## MATERIAL INVESTMENTS

The Group had not made any significant investments during the six months ended 30 June 2020.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in “Future Plans and Use of Proceeds” of the Prospectus, the Group did not have other plans for material investments or capital assets.



## MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During six months ended 30 June 2020, the Group had not made any significant acquisition or disposal of subsidiaries, associates or joint ventures.

## EMPLOYEES' INFORMATION AND EMOLUMENT POLICIES

Our employees are based in Hong Kong and He Yuan, Guangdong Province, the PRC. As at 30 June 2020, there were 327 (as at 31 December 2019: 333) employees in the Group. The total staff costs, including directors' emoluments, amounted to approximately HK\$13.9 million during the six months ended 30 June 2020 (six months ended 30 June 2019: approximately HK\$15.7 million). Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical insurance, and grants discretionary incentive bonuses to eligible staff based on their performance and contributions to the Group.

The workers working at our production site located at Heyuan Hi-Tech Development Zone, Heyuan, Guangdong Province, the PRC ("**He Yuan Factory**") are employed by the He Yuan Factory. As at 30 June 2019, there were 314 (as at 31 December 2019: 320) employees in the He Yuan Factory.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the securities of the Company during the six months ended 30 June 2020.

## UPDATE ON DIRECTORS' INFORMATION

During the six month ended 30 June 2020, there was no change in the information of the Directors pursuant to Rule 17.50A (1) of the GEM Listing Rules.

## SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 4 December 2017 (the "**Scheme**"). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. No share options have been granted since the adoption of the Scheme and there was no share option outstanding as at 30 June 2020.



## OTHER INFORMATION

### DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, the interests of the Directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, were as follows:

#### Long positions

##### Ordinary shares of HK\$0.01 each of the Company

Name of Director	Capacity	Number of ordinary shares held	Percentage of the share capital of the Company
Lam Tak Ling Derek ("Mr. Lam")	Held by controlled corporation ( <i>note 1</i> )	675,000,000	67.5%
Chan Yee Yeung ("Mr. Chan")	Held by controlled corporation ( <i>note 1</i> )	675,000,000	67.5%
Tse Yuen Shan Ivy ("Ms. Tse")	Held by controlled corporation ( <i>note 2</i> )	75,000,000	7.5%

#### Notes:

- (1) Our Company is directly owned as to 67.5% by Master Sage Limited ("**Master Sage**"). Master Sage is directly owned as to 50% and 50% by Mr. Lam and Mr. Chan, respectively. By virtue of the SFO, each of Mr. Lam and Mr. Chan is deemed to be interested in the shares held by Master Sage.
- (2) Our Company is directly owned as to 7.5% by Fortune Corner Holdings Limited ("**Fortune Corner**"). Fortune Corner is wholly owned by Ms. Tse. By virtue of the SFO, Ms. Tse is deemed to be interested in the shares held by Fortune Corner.

Other than as disclosed above, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2020.



## SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, the following shareholders and persons (not being a Director or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholders	Capacity	Number of Shares held	Percentage of the issued share capital of the Company
Master Sage	Beneficial owner	675,000,000	67.5%
Fortune Corner	Beneficial owner	75,000,000	7.5%

Other than disclosed above, as at 30 June 2020, the Directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and recorded in the register required to be kept by the Company under section 336 of the SFO.

## MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company, which were not a contract of service with any Director or any person engaged in full-time employment of the Company, were entered into or existed during the six months ended 30 June 2020.

## CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

As far as the Directors are aware, at no time during the six months ended 30 June 2020 had the Company or any of its subsidiaries and the controlling shareholders (as defined in the GEM Listing Rules) (the "**Controlling Shareholders**") or any of their subsidiaries entered into any contract(s) of significance for the provision of services by the Controlling Shareholder or any of their subsidiaries to the Company or any of its subsidiaries.





## OTHER INFORMATION

### DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN A COMPETING BUSINESS

None of the Directors and the Controlling Shareholders of the Company or their respective close associates (as defined in the GEM Listing Rules) is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the six months ended 30 June 2020.

Each of Controlling Shareholders (together, the "**Covenantors**") entered into a deed of non-competition in favour of the Group (the "**Deed of Non-competition**") on 4 December 2017, details of which are set out in the section headed "Relationship with Our Controlling Shareholders — Deed of Non-competition" in the Prospectus.

The Company received from each of the Covenantors confirmation on their respective compliance of the non-competition undertaking under the Deed of Non-competition for the six months ended 30 June 2020. The independent non-executive Directors have reviewed the compliance of such undertaking and evaluated the effective implementation of the Deed of Non-competition, and they were satisfied with the Covenantors' compliance with their undertaking.

### CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance to safeguard the interests of its shareholders and enhance its corporate value. The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules (the "**CG Code**").

During the six months ended 30 June 2020, the Company has complied with the code provisions set out in the CG Code, except that Mr. Lam is currently performing the roles of chairman and chief executive officer of the Company. Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should not be performed by the same individual. Taking into account Mr. Lam's strong expertise in the printing industry, the Board considered that the roles of chairman and chief executive officer being performed by Mr. Lam enables more effective and efficient overall business planning, decision making and implementation thereof by the Group. In order to maintain good corporate governance and fully comply with such code provision, the Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately. Save as disclosed above, the Directors consider that throughout the six months ended 30 June 2020, the Company has applied the principles and complied with all the applicable code provisions set out in the CG code.



CG Code provision A.6.7 requires that independent non-executive Directors shall attend general meetings and develop a balanced understanding of the views of shareholders. All independent non-executive Directors attended the annual general meeting held on 8 May 2020.

The Board will continue to monitor and renew the Company's corporate governance practices to ensure compliance with the CG Code.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company (the "**Code of Conduct**"). Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the six months ended 30 June 2020.

## AUDIT COMMITTEE

The Company established an Audit Committee on 4 December 2017 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The Audit Committee currently comprises all three independent non-executive Directors, namely Mr. Li Chun Hung, Mr. Ong Chor Wei and Mr. Yam Kam Kwong. The chairman of the Audit Committee is Mr. Li Chun Hung, who holds the appropriate professional qualifications. None of the members of the Audit Committee are former partners of the Company's existing external auditors.

The Audit Committee has reviewed the Company's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2020 and this interim report.

By Order of the Board  
**Smart Globe Holdings Limited**  
**Lam Tak Ling Derek**

*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 7 August 2020

*As at the date of this report, the executive Directors are Mr. Lam Tak Ling Derek, Mr. Chan Yee Yeung, Ms. Tse Yuen Shan Ivy; and the independent non-executive Directors are Mr. Li Chun Hung, Mr. Ong Chor Wei and Mr. Yam Kam Kwong.*

*This report will remain on the "Latest Company Announcements" page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting and on the websites of the Company at <http://www.smartglobehk.com>.*



# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# Deloitte.

# 德勤

**TO THE BOARD OF DIRECTORS OF SMART GLOBE HOLDINGS LIMITED**

*(incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Smart Globe Holdings Limited (the “**Company**”) and its subsidiaries set out on pages 17 to 30, which comprise the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
7 August 2020

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME



For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Revenue</b>	3	<b>55,953</b>	61,295
Cost of sales		<b>(40,266)</b>	(42,157)
<b>Gross profit</b>		<b>15,687</b>	19,138
Other income	4	<b>215</b>	241
Reversal of allowance for credit losses on trade receivables, net		<b>188</b>	66
Other gains and losses	5	<b>626</b>	(101)
Selling and distribution costs		<b>(3,222)</b>	(3,573)
Administrative expenses		<b>(6,875)</b>	(8,618)
Professional fee for Transfer of Listing		<b>(2,994)</b>	—
Finance costs		<b>(45)</b>	(236)
<b>Profit before taxation</b>		<b>3,580</b>	6,917
Taxation	6	<b>(1,094)</b>	(1,240)
<b>Profit for the period</b>		<b>2,486</b>	5,677
<b>Other comprehensive expense</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of a foreign operation		<b>(1,420)</b>	(184)
<b>Total comprehensive income for the period</b>		<b>1,066</b>	5,493
<b>Earnings per share</b>			
— Basic (HK cent)	8	<b>0.25</b>	0.57



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	37,488	36,824
<b>Current assets</b>			
Inventories		17,064	11,590
Trade and other receivables	10	48,929	48,619
Certificates of deposits		—	2,989
Bank balances and cash		39,941	42,735
		<b>105,934</b>	105,933
<b>Current liabilities</b>			
Trade and other payables	12	23,584	16,071
Contract liabilities		74	177
Taxation payable		2,063	4,657
Lease liabilities		950	2,530
		<b>26,671</b>	23,435
<b>Net current assets</b>		<b>79,263</b>	82,498
<b>Total assets less current liabilities</b>		<b>116,751</b>	119,322
<b>Non-current liabilities</b>			
Lease liabilities		363	—
<b>Net assets</b>		<b>116,388</b>	119,322
<b>Capital and reserves</b>			
Share capital	13	10,000	10,000
Reserves		106,388	109,322
<b>Total equity</b>		<b>116,388</b>	119,322

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



For the six months ended 30 June 2020

	Share capital HK\$'000	Share premium HK\$'000	PRC statutory reserves HK\$'000 (Note a)	Special reserve HK\$'000 (Note b)	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2019 (audited)	10,000	43,645	—	12,290	(2,570)	33,901	97,266
Profit for the period	—	—	—	—	—	5,677	5,677
Other comprehensive expense for the period							
— exchange differences arising on translation of a foreign operation	—	—	—	—	(184)	—	(184)
Total comprehensive (expense) income for the period	—	—	—	—	(184)	5,677	5,493
At 30 June 2019 (unaudited)	10,000	43,645	—	12,290	(2,754)	39,578	102,759
At 1 January 2020 (audited)	10,000	43,645	—	12,290	(3,656)	57,043	119,322
Profit for the period	—	—	—	—	—	2,486	2,486
Other comprehensive expense for the period							
— exchange differences arising on translation of a foreign operation	—	—	—	—	(1,420)	—	(1,420)
Total comprehensive (expense) income for the period	—	—	—	—	(1,420)	2,486	1,066
Transfer	—	—	64	—	—	(64)	—
Final dividend paid for the year ended 31 December 2019	—	—	—	—	—	(4,000)	(4,000)
At 30 June 2020 (unaudited)	10,000	43,645	64	12,290	(5,076)	55,465	116,388

Notes:

- (a) The People's Republic of China ("PRC") statutory reserves are non-distributable and the transfer to these reserves are determined according to the relevant laws in the PRC and by the board of directors of the PRC subsidiary in accordance with the Articles of Association of the subsidiary.
- (b) The special reserve of the Group represented the difference between the nominal value of the share capital of the Company and the nominal value of the share capital of CP Printing Limited pursuant to a group reorganisation in preparation for the listing of the Company's shares.





# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2019 <b>HK\$'000</b> (Unaudited)
Operating activities		
Profit before taxation	<b>3,580</b>	6,917
Adjustments for:		
Depreciation of property, plant and equipment	<b>2,878</b>	2,767
Other non-cash items	<b>(236)</b>	(153)
Operating cash flows before movements in working capital	<b>6,222</b>	9,531
Increase in inventories	<b>(5,959)</b>	(140)
(Increase) decrease in trade and other receivables	<b>(244)</b>	3,564
Increase in trade and other payables	<b>7,853</b>	3,888
Other working capital items	<b>(103)</b>	(199)
Cash generated from operations	<b>7,769</b>	16,644
Income tax paid	<b>(3,683)</b>	(313)
Net cash from operating activities	<b>4,086</b>	16,331
Investing activities		
Proceeds received on maturity of certificates of deposit	<b>2,989</b>	2,983
Purchase of property, plant and equipment	<b>(2,930)</b>	(3,611)
Deposit paid for acquisition of property, plant and equipment	<b>(329)</b>	—
Purchase of certificates of deposits	<b>—</b>	(2,989)
Other investing cash flows, net	<b>128</b>	331
Net cash used in investing activities	<b>(142)</b>	(3,286)
Financing activities		
Repayment of lease liabilities	<b>(2,214)</b>	(3,148)
Dividend paid	<b>(4,000)</b>	—
Other financing cash flows, net	<b>(45)</b>	(158)
New bank borrowings raised	<b>—</b>	2,714
Repayments of bank borrowings	<b>—</b>	(7,372)
Net cash used in financing activities	<b>(6,259)</b>	(7,964)
Net (decrease) increase in cash and cash equivalents	<b>(2,315)</b>	5,081
Cash and cash equivalents at beginning of the period	<b>42,735</b>	29,429
Effect of foreign exchange rate changes	<b>(479)</b>	(236)
Cash and cash equivalents at end of the period		
Represented by bank balances and cash	<b>39,941</b>	34,274

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2020

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

### 1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The Company and its subsidiaries (collectively referred to as the “**Group**”) suspended its manufacturing activities following the Chinese New Year holidays pursuant to the notices issued by the PRC government and resumed its operation on 10 February 2020 due to mandatory government quarantine measures in an effort to contain the spread of COVID-19, which resulted in postponement of certain customers’ orders. The directors of the Company considered the suspension of manufacturing activities due to COVID-19 had no material impact to the Group’s revenue and operation.

On 20 April 2020, the Company has submitted a formal application to the Stock Exchange for the proposed transfer of listing pursuant to Chapter 9A and Appendix 28 of the Rules Governing the Listing of Securities on the Stock Exchange. During the interim period, approximately HK\$2,994,000 professional service fee was incurred relating to the transfer of listing.

## 2. PRINCIPAL ACCOUNTING POLICIES

During the interim period, comparative figures for certain line items in the condensed consolidated statement of profit and loss and other comprehensive income have been reclassified to align with presentation in the annual financial statements of the Group for the year ended 31 December 2019 (the “**Annual Financial Statements**”). No further information is presented as there is no impact to profit before tax.

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Annual Financial Statements.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Application of amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in HKFRS Standards and the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

### Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2020

## 3. REVENUE AND SEGMENT INFORMATION

Revenue represents amounts received or receivable from production and printing of books, novelty and packaging products. Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specified location. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 60 to 120 days upon delivery.

All sales contracts are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and assessment of performance, focuses specifically on the revenue analysis the Group's core business of printing books products and novelty and packaging products. No further discrete financial information is provided. Accordingly, no segment information is presented other than entity wide disclosures. The Group's operations are located in Hong Kong and the PRC.

The disaggregated information of revenue is as follows:

### Revenue from major products

The followings is an analysis of the Group's revenue from its major products which is recognised at a point in time:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Books products	48,290	50,913
Novelty and packaging products	7,663	10,382
	<u>55,953</u>	<u>61,295</u>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 3. REVENUE AND SEGMENT INFORMATION (continued)

### Geographical information

Information about the Group's revenue from external customers are presented based on the geographical location of the customers is as follows:

	Revenue from external customers	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
United States	22,932	18,205
Hong Kong	15,604	18,819
Netherlands	6,109	9,424
United Kingdom	4,116	7,261
Australia	2,645	2,929
The PRC	2,379	2,440
Others	2,168	2,217
	<b>55,953</b>	<b>61,295</b>

## 4. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	99	75
Government grant ( <i>note</i> )	107	18
Sundry income	9	148
	<b>215</b>	<b>241</b>

*Note:* Government grant represent export incentive and other incentive payments received by the Group from the relevant government department. There are no unfulfilled conditions attach to those grants.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2020

## 5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net exchange gain (loss)	632	(103)
(Loss) gain on disposal of property, plant and equipment	(6)	2
	<b>626</b>	<b>(101)</b>

## 6. TAXATION

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The charge comprises:		
Hong Kong Profits Tax		
Charge for the period	853	970
PRC Enterprise Income Tax ("EIT")		
Charge for the period	220	237
Underprovision in prior period	21	33
	<b>241</b>	<b>270</b>
	<b>1,094</b>	<b>1,240</b>

Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both periods.





# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 7. DIVIDENDS

During the current interim period, a final dividend of HK0.4 cent per share in respect of the year ended 31 December 2019 (2019: nil for the year ended 31 December 2018) 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\$4,000,000 (2019: nil).

The directors of the Company have determined that no dividends will be paid or proposed in respect of the six months period ended 30 June 2020.

## 8. EARNINGS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Profit for the period attributable to owners of the Company	<u>2,486</u>	<u>5,677</u>
	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>'000</b>	'000
Number of ordinary shares for the purpose of basic earnings per share	<u>1,000,000</u>	<u>1,000,000</u>

No diluted earnings per share is presented as there were no potential ordinary shares in issue during both periods.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment excluding right-of-use assets amounting to HK\$3,265,000 (six months ended 30 June 2019: HK\$3,611,000). During the current interim period, two leased machineries with carrying amount approximately HK\$10,661,000 was transferred to machineries under property, plant and equipment on full settlement of the relevant lease liabilities.

During the current interim period, the Group entered into a new lease agreement for the office in Hong Kong with lease term of two years. On lease commencement, the Group recognised right-of-use assets and relevant lease liabilities of HK\$1,012,000 (six months ended 30 June 2019: nil.)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2020

## 10. TRADE AND OTHER RECEIVABLES

	<b>At 30 June 2020 HK\$'000 (Unaudited)</b>	At 31 December 2019 HK\$'000 (Audited)
Trade receivables	<b>48,159</b>	47,666
Less: Allowance for credit losses	<b>(1,851)</b>	(2,039)
	<b>46,308</b>	45,627
Rental deposits	<b>171</b>	171
Prepayments, deposits and other receivables	<b>2,450</b>	2,821
Total trade and other receivables	<b>48,929</b>	48,619

The Group allows credit period ranging from 60 to 120 days. The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the goods delivery date, which were the respective revenue recognition dates, at the end of reporting period:

	<b>At 30 June 2020 HK\$'000 (Unaudited)</b>	At 31 December 2019 HK\$'000 (Audited)
Within 30 days	<b>12,243</b>	10,507
31 to 60 days	<b>10,268</b>	10,498
61 to 90 days	<b>13,890</b>	5,720
Over 90 days	<b>9,907</b>	18,902
	<b>46,308</b>	45,627

Included in the Group's trade receivables balance as at 30 June 2020 are debtors with aggregate carrying amount of HK\$9,372,000 (31 December 2019: HK\$21,261,000), which are past due at the end of the reporting period. Out of the past due balances, HK\$4,076,000 (31 December 2019: HK\$2,727,000) has been past due over 90 days or more and is not considered as in default, as the Group considered such balances could be recovered based on historical experience and reference to subsequent settlement. The Group does not hold any collateral over these balances.

Included in the Group's trade receivables as at 30 June 2020 is balance of HK\$748,000 (31 December 2019: HK\$1,019,000) due from a related company, which is a company owned by Ms. Tse Yuen Shan Ivy ("**Ms. Tse**"), a key management personnel of the Group, and her family. The amount is repayable within three months from the goods delivery dates.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 11. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS

The basis of determining the inputs and assumptions and the estimation techniques used for impairment assessment on financial assets in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

The expected credit losses on trade receivables are assessed individually and/or collectively using a provision matrix as at 30 June 2020. Certain trade receivables as at 30 June 2020 were assessed individually and were not included in provision matrix. During the current interim period, the Group provided an additional allowance for credit losses of HK\$29,000 and reversal of credit losses of HK\$217,000 was made on credit-impaired debtors (six months ended 30 June 2019: nil allowance for credit loss and reversal of credit loss of HK\$66,000).

For the bank balances, no allowance for impairment was made since the directors of the Company consider the probability of default is negligible as such amounts are receivable from or placed in banks in Hong Kong having good reputation.

## 12. TRADE AND OTHER PAYABLES

	<b>At 30 June 2020 HK\$'000 (Unaudited)</b>	<b>At 31 December 2019 HK\$'000 (Audited)</b>
Trade payables	<b>16,953</b>	9,535
Accrued expenses	<b>4,957</b>	5,279
Other payables	<b>1,674</b>	1,257
Total trade and other payables	<b>23,584</b>	16,071

The credit period of trade payables is 30 to 90 days.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2020

## 12. TRADE AND OTHER PAYABLES (continued)

The following is an aged analysis of trade payables based on the due date at the end of reporting period:

	<b>At 30 June 2020 HK\$'000 (Unaudited)</b>	At 31 December 2019 HK\$'000 (Audited)
Within 30 days	<b>14,249</b>	8,628
31 to 60 days	<b>2,616</b>	726
61 to 90 days	<b>—</b>	94
Over 90 days	<b>88</b>	87
	<b>16,953</b>	9,535

## 13. SHARE CAPITAL

	<b>Number of shares</b>	<b>Share capital HK\$'000</b>
Authorised:		
At 1 January 2019, 31 December 2019 and 30 June 2020		
— Ordinary share of HK\$0.01 each	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 30 June 2020		
— Ordinary share of HK\$0.01 each	<u>1,000,000,000</u>	<u>10,000</u>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2020*

## 14. RELATED PARTIES DISCLOSURES

Other than the amount due from a related company as disclosed in note 10, the Group has the following transactions with related parties during the period:

- (a) The emoluments of directors and other members of key management were HK\$911,000 (for the six months ended 30 June 2019: HK\$888,000).
- (b) The Group received income for sales of novelty and packaging products totalling HK\$755,000 (six months ended 30 June 2019: HK\$452,000), from Tse Wing Hang Limited (trading as Richmond Company), a company of which Ms. Tse, the key management personnel of the Group and her family, hold 100% equity interest.

## 15. BANK BORROWINGS

During the interim period 30 June 2019, the Group obtained new secured bank borrowings amounting to HK\$2,714,000 and repaid secured bank borrowings amounting to HK\$7,372,000. No bank borrowings was noted during the interim period ended 30 June 2020.

## 16. FAIR VALUE OF MEASUREMENTS OF FINANCIAL INSTRUMENTS

The directors of the Company consider that the carrying amounts of the Group's financial assets and liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.