



Smart Globe Holdings Limited

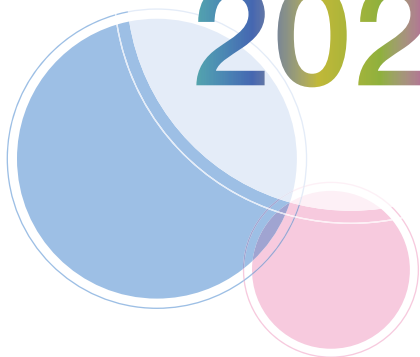
竣球控股有限公司

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

Stock Code: 1481

INTERIM REPORT

2021





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## CORPORATE INFORMATION

### Registered Office

P.O. Box 1350, Clifton House  
75 Fort Street  
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 Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("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

#### Ocorian Trust (Cayman) Limited

Windward 3  
Regatta Office Park  
P.O. Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

### Hong Kong Share Registrar and Transfer Office

#### Tricor Investor Services Limited

Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### Company's Websites

<http://www.smartglobehk.com>

### Legal Advisers

#### Deacons

5th Floor  
Alexandra House  
18 Charter Road  
Central, Hong Kong

### Auditor

#### Baker Tilly Hong Kong Limited

2nd Floor, 625 King's Road,  
North Point,  
Hong Kong

### Stock code

1481



- The Group's revenue amounted to approximately HK\$77.8 million for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately HK\$56.0 million), representing an increase of approximately 39.1% as compared to the six months ended 30 June 2020.
- The profit attributable to owners of the Company is approximately HK\$2.3 million for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately HK\$2.5 million), representing a decrease of approximately 8.4% mainly due to the keen competition in the market and with an increase in production cost.
- Basic earnings per share for the six months ended 30 June 2021 was approximately HK\$0.23 cents (six months ended 30 June 2020: approximately HK\$0.25 cents).
- The board of Directors (the "**Board**") does not recommend the payment of any interim dividend for the six months ended 30 June 2021.



# MANAGEMENT DISCUSSION AND ANALYSIS

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 2021, the Group recorded an increase in its total revenue by 39.1% to approximately HK\$77.8 million from approximately HK\$56.0 million for the six months ended 30 June 2020. This was mainly due to increase in sale in the book product segment in the United Kingdom (“**UK**”), Hong Kong (“**HK**”) and United States of America (“**USA**”). Profit attributable to owners of the Company was approximately HK\$2.3 million, representing a decrease of 8.4% from approximately HK\$2.5 million for the six months ended 30 June 2020 mainly due to a decrease of approximately more than 8.4% mainly due to the keen competition in the market and with an increase in production cost.

For the six months ended 30 June 2021, approximately 89.2% of total revenue was contributed by the book products segment. Revenue contributed by the book products segment was approximately HK\$69.4 million, representing an increase of approximately 43.8% compared to revenue contributed by the same segment for the six months ended 30 June 2020 of approximately HK\$48.3 million. The increase was mainly due to the increase in orders placed by UK, HK and USA 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.



## Financial Review

### **Revenue**

The revenue increased by approximately 39.1% from approximately HK\$56.0 million for the six months ended 30 June 2020 to approximately HK\$77.8 million for the six months ended 30 June 2021. This was mainly due to more customer orders received from USA, HK and UK in the book's products segment compared to the same period of last year.

### **Gross profit margin**

The overall gross profit margin decreased from approximately 28.0% for the six months ended 30 June 2020 to approximately 18.3% for the six months ended 30 June 2021. The decrease in gross profit margin was mainly due to decrease in product price to capture more market shares and with an increase in production cost.

### **Other income**

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

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

The reversal of allowance for credit losses on trade receivables, net decreased by more than 91.5% of approximately HK\$0.2 million for the six months ended 30 June 2020 to approximately HK\$0.02 million for the six months ended 30 June 2021. The decrease was mainly due to the decrease in recovery of credit-impaired debts.

### **Other gains and losses**

The other gains decreased by 82.6% from approximately HK\$0.6 million for the six months ended 30 June 2020 to approximately HK\$0.1 million for the six months ended 30 June 2021. This was mainly due to decrease in exchange gain incurred during the reporting period.

### **Selling and distribution costs**

The distribution costs increased by approximately 39.1% from approximately HK\$3.2 million for six months ended 30 June 2020 to approximately HK\$4.5 million for the six months ended 30 June 2021. This was mainly due to the increase in transportation and freight charges which is in line with increase in revenue during the reporting period.



# MANAGEMENT DISCUSSION AND ANALYSIS

## ***Administrative expenses***

The administrative expenses increased by approximately 3.5% from approximately HK\$6.9 million for the six months ended 30 June 2020 to approximately HK\$7.1 million for the six months ended 30 June 2021. No material fluctuation was noted.

## ***Finance costs***

The finance costs increased by more than 100.0% from approximately HK\$0.05 million for the six months ended 30 June 2020 to approximately HK\$0.2 million for the six months ended 30 June 2021. This was mainly due to new tenancy for the Group's production site in Heyuan Hi-Tech Development Zone, Heyuan, Guangdong Province, the PRC ("**He Yuan Factory**") started in November 2020 with more interest expense on lease liabilities.

## ***Income tax expense***

The income tax expense decreased by 56.1% from approximately HK\$1.1 million for the six months ended 30 June 2020 to approximately HK\$0.5 million for the six months ended 30 June 2021. 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\$2.3 million.

## **CAPITAL STRUCTURE**

The shares of the Company were successfully listed on Main Board of the Stock Exchange on 11 December 2020. 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 2021, 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 and cash generated from operations.





The Group maintained bank balances and cash amounting to approximately HK\$21.5 million as at 30 June 2021 (as at 31 December 2020: approximately HK\$50.8 million), which decreased by approximately 57.7% as compared with that as at 31 December 2020 mainly due to increase in raw material purchased, purchase of property, plant and equipment and dividend paid during the reporting period.

The Group's non-current assets increased to approximately HK\$48.1 million as at 30 June 2021 (as at 31 December 2020: approximately HK\$44.2 million), the increase is primarily due to the acquisition of plant and equipment during the reporting period.

As at 30 June 2021, the Group's current assets amounted to approximately HK\$126.2 million, which comprised inventories of approximately HK\$44.4 million (as at 31 December 2020: approximately HK\$22.8 million), trade and other receivables of approximately HK\$59.9 million (as at 31 December 2020: approximately HK\$43.6 million), tax recoverable of approximately HK\$0.4 million (as at 31 December 2020: nil), and cash and cash equivalents of approximately HK\$21.5 million (as at 31 December 2020: approximately HK\$50.8 million).

As at 30 June 2021, the Group's current liabilities amounted to approximately HK\$38.5 million, which comprised trade and other payables of approximately HK\$35.9 million (as at 31 December 2020: approximately HK\$19.7 million), contract liabilities of approximately HK\$0.02 million (as at 31 December 2020: approximately HK\$0.01 million), taxation payable of approximately HK\$0.2 million (as at 31 December 2020: approximately HK\$0.8 million), lease liabilities of approximately HK\$2.4 million (as at 31 December 2020: approximately HK\$2.4 million).

As at 30 June 2021, the net current assets of the Group decreased by approximately HK\$6.7 million or approximately 7.1% to approximately HK\$87.8 million (as at 31 December 2020: approximately HK\$94.4 million).

The Group had total lease liabilities of approximately HK\$5.2 million as at 30 June 2021 (as at 31 December 2020: approximately HK\$6.3 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 3.9% (as at 31 December 2020: approximately 4.7%). The Group's current ratio, which was calculated as current assets divided by current liabilities as at the relevant reporting date stood at approximately 3.3 as at 30 June 2021 (as at 31 December 2020: approximately 5.1).





# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 PRC. Any appreciation of Renminbi (“**RMB**”) may lead to an increase of our cost of production. During the six months ended 30 June 2021, 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 2021, the Group had acquired property, plant and equipment of approximately HK\$7.0 million (six months ended 30 June 2020: HK\$3.3 million).

## CAPITAL COMMITMENTS

As at 30 June 2021 and 31 December 2020, the Group had no significant capital commitments.

## CONTINGENT LIABILITIES

As at 30 June 2021 and 31 December 2020, 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 2021 (six months ended 30 June 2020: nil).



## 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 Company's listing of shares on GEM was transferred to Main Board on 11 December 2020. The net proceeds from the Listing were approximately HK\$36.4 million after payment of transaction costs and listing expenses. As disclosed in the Company's report dated 21 September 2018, the Board has resolved to reallocate the remaining balance of the net proceeds. In the 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 report of the Company dated 21 September 2018. As at the date of this report, utilisation of the net proceeds from the Listing is as follows:

	<b>Revised utilization as disclosure in the report dated 21 September 2018</b>	<b>Utilisation</b>	<b>Balance</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Expansion of production capacity	20,399	20,399	—
Loan repayment	10,933	10,933	—
Expansion of sale and distribution network	1,466	834	632
General working capital	3,644	3,644	—

The remaining net proceeds for expansion of sale and distribution network is expected to be fully utilise by the end of 2021, which is based on the best estimation of the present and future market condition made by the Board.

## MATERIAL INVESTMENTS

The Group had not made any significant investments during the six months ended 30 June 2021.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in “Future Plans and Use of Proceeds” of the prospectus of the Company dated 13 December 2017 (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 2021, 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 2021, there were 334 (as at 31 December 2020: 326) employees in the Group. The total staff costs, including directors’ emoluments, amounted to approximately HK\$22.2 million during the six months ended 30 June 2021 (six months ended 30 June 2020: approximately HK\$13.9 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 He Yuan Factory are employed by the He Yuan Factory. As at 30 June 2021, there were 322 (as at 31 December 2020: 315) 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 2021.

## UPDATE ON DIRECTORS’ INFORMATION

During the reporting period, there was no information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 4 December 2017 (the “**Scheme**”). No share options have been granted since the adoption of the Scheme and there was no share option outstanding as at 30 June 2021.



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

As at 30 June 2021, 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 the 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 (note 1)	675,000,000	67.5%
Chan Yee Yeung ("Mr. Chan")	Held by controlled corporation (note 1)	675,000,000	67.5%
Tse Yuen Shan Ivy ("Ms. Tse")	Held by controlled corporation (note 2)	75,000,000	7.5%

#### Notes:

- (1) The 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) The 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 2021.



## OTHER INFORMATION

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

As at 30 June 2021, 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:

<b>Name of shareholders</b>	<b>Capacity</b>	<b>Number of Shares held</b>	<b>Percentage of the issued share capital of the Company</b>
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 2021, 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 2021.

### CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

As far as the Directors are aware, at no time during the six months ended 30 June 2021 had the Company or any of its subsidiaries and the controlling shareholders (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.



## 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 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 2021.

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 2021. 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 14 to Listing Rules (the "**CG Code**").

During the six months ended 30 June 2021, the Company has complied with the code provisions in the CG Code, except the following deviations:

- (1) Code Provision A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term, subject to re-election. All independent non-executive directors of the Company are not appointed for specific terms, but they are subject to retirement by rotations and re-elections at the annual general meeting of the Company in accordance with the articles of associations of the Company (the "**Articles of Association**").



## OTHER INFORMATION

- (2) Code Provision A.2.1 of the CG Code provides that the roles of chairman and chief executive officer should not be performed by the same individual. Mr. Lam Tak Ling Derek (“**Mr. Lam**”) is currently performing the roles of chairman and chief executive officer of the Company. 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.
  
- (3) Code Provision A.5.1 of the Code provides that issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. However, the Nomination Committee is currently chaired by Ms. Tse Yuen Shan Ivy (“**Ms. Tse**”), an executive Director. Taking into account Ms. Tse’s primary responsibility of handling administrative and human resources matters of the Group and her strong experience in the handling relevant matters as well as in the printing industry, the Directors consider that the role of chairman of the nomination committee being performed by Ms. Tse allows more effective and efficient execution of the responsibilities of the nomination committee. In addition, as there are three independent non-executive Directors offering independent perspectives in the nomination committee, the Board is of the view that there are adequate safeguards in place to ensure effective operation within the committee. In order to maintain good corporate governance and fully comply with such code provision, the Board will regularly review the need to appoint the chairman of the Board or an independent non-executive Director to perform the role of chairman of the nomination committee.

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 6 May 2021.

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 the 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 2021.

## AUDIT COMMITTEE

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 adopted terms of reference which are in line with the code provisions of the CG Code.

The Audit Committee has reviewed the Company’s unaudited condensed consolidated financial statements for the six months ended 30 June 2021 and the interim report.

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

*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 27 August 2021

*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.*



# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



## To the board of directors of Smart Globe Holdings Limited

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

### INTRODUCTION

We have reviewed the interim financial information set out on pages 18 to 30 which comprises the condensed consolidated statement of financial position of Smart Globe Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) as at 30 June 2021 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 other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an 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 are responsible for the preparation and presentation of the interim financial information in accordance with HKAS 34.

Our responsibility is to form a conclusion, based on our review, on this interim financial information 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 the interim financial information consists of making enquiries, 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.

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

## OTHER MATTER

The comparative 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 ended 30 June 2020 and the relevant explanatory notes included in this interim financial information were extracted from the condensed consolidated financial statements of the Group for the six-month period ended 30 June 2020 reviewed by another auditor who expressed an unmodified conclusion on those condensed consolidated financial statements on 7 August 2020. The comparative condensed consolidated statement of financial position as at 31 December 2020 were extracted from the consolidated financial statements of the Group for the year ended 31 December 2020 audited by the same auditor who expressed an unmodified opinion on those consolidated financial statements on 23 March 2021.

### **Baker Tilly Hong Kong Limited**

Certified Public Accountants

Hong Kong, 27 August 2021

Chan Kwan Ho, Edmond

Practising certificate number P02092



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

For the six months ended 30 June 2021

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>Revenue</b>	3	<b>77,821</b>	55,953
Cost of sales		<b>(63,570)</b>	(40,266)
<b>Gross profit</b>		<b>14,251</b>	15,687
Other income	4	<b>165</b>	215
Reversal of allowance for credit losses on trade receivables, net		<b>16</b>	188
Other gains and losses	5	<b>109</b>	626
Selling and distribution costs		<b>(4,483)</b>	(3,222)
Administrative expenses		<b>(7,114)</b>	(6,875)
Professional fees for Transfer of Listing		<b>—</b>	(2,994)
Finance costs		<b>(187)</b>	(45)
<b>Profit before taxation</b>		<b>2,757</b>	3,580
Taxation	6	<b>(480)</b>	(1,094)
<b>Profit for the period</b>		<b>2,277</b>	2,486
<b>Other comprehensive income/(expense)</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
— Exchange differences arising from translation of a foreign operation, net of nil tax		<b>1,021</b>	(1,420)
<b>Total comprehensive income for the period</b>		<b>3,298</b>	1,066
<b>Earnings per share</b>			
— Basic and diluted (HK cents)	8	<b>0.23</b>	0.25

The notes on pages 22 to 30 form part of this interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION



As at 30 June 2021

(Expressed in Hong Kong dollars)

	Note	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	48,137	44,236
<b>Current assets</b>			
Inventories		44,374	22,845
Trade and other receivables	10	59,925	43,598
Taxation recoverable		441	—
Bank balances and cash		21,506	50,837
		<b>126,246</b>	117,280
<b>Current liabilities</b>			
Trade and other payables	11	35,875	19,651
Contract liabilities		16	7
Taxation payable		238	770
Lease liabilities		2,357	2,420
		<b>38,486</b>	22,848
<b>Net current assets</b>		<b>87,760</b>	94,432
<b>Total assets less current liabilities</b>		<b>135,897</b>	138,668
<b>Non-current liabilities</b>			
Lease liabilities		2,851	3,920
<b>NET ASSETS</b>		<b>133,046</b>	134,748
<b>Capital and reserves</b>			
Share capital	12	10,000	10,000
Reserves		123,046	124,748
<b>TOTAL EQUITY</b>		<b>133,046</b>	134,748

The notes on pages 22 to 30 form part of this interim financial information.



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

(Expressed in Hong Kong dollars)

	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
<b>At 1 January 2020 (audited)</b>	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, net of nil tax	—	—	—	—	(1,420)	—	(1,420)
Total comprehensive income for the period	—	—	—	—	(1,420)	2,486	1,066
Transfer	—	—	64	—	—	(64)	—
Final dividend paid for the year ended 31 December 2019 (Note 7)	—	(4,000)	—	—	—	—	(4,000)
<b>At 30 June 2020 (unaudited)</b>	<b>10,000</b>	<b>39,645</b>	<b>64</b>	<b>12,290</b>	<b>(5,076)</b>	<b>59,465</b>	<b>116,388</b>
<b>At 1 January 2021 (audited)</b>	<b>10,000</b>	<b>39,645</b>	<b>287</b>	<b>12,290</b>	<b>(231)</b>	<b>72,757</b>	<b>134,748</b>
Profit for the period	—	—	—	—	—	2,277	2,277
Other comprehensive income for the period:							
— Exchange differences arising on translation of a foreign operation, net of nil tax	—	—	—	—	1,021	—	1,021
Total comprehensive income for the period	—	—	—	—	1,021	2,277	3,298
Final dividend paid for the year ended 31 December 2020 (Note 7)	—	(5,000)	—	—	—	—	(5,000)
<b>At 30 June 2021 (unaudited)</b>	<b>10,000</b>	<b>34,645</b>	<b>287</b>	<b>12,290</b>	<b>790</b>	<b>75,034</b>	<b>133,046</b>

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.

The notes on pages 22 to 30 form part of this interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS



For the six months ended 30 June 2021  
(Expressed in Hong Kong dollars)

	<b>Six months ended 30 June</b>	
	<b>2021</b> <b>HK\$'000</b> <b>(Unaudited)</b>	<b>2020</b> <b>HK\$'000</b> <b>(Unaudited)</b>
<b>Operating activities</b>		
Profit before taxation	2,757	3,580
Adjustments for:		
— Depreciation of property, plant and equipment	3,668	2,878
— Other non-cash items	116	(236)
<b>Operating cash flows before movements in working capital</b>	<b>6,541</b>	<b>6,222</b>
Increase in inventories	(21,109)	(5,959)
Increase in trade and other receivables	(16,252)	(244)
Increase in trade and other payables	16,030	7,853
Other working capital items	9	(103)
<b>Cash (used in)/generated from operations</b>	<b>(14,781)</b>	<b>7,769</b>
Income tax paid	(1,456)	(3,683)
<b>Net cash (used in)/generated from operating activities</b>	<b>(16,237)</b>	<b>4,086</b>
<b>Investing activities</b>		
Proceeds received on maturity of certificates of deposit	—	2,989
Purchase of property, plant and equipment	(7,036)	(2,930)
Deposits paid for acquisition of property, plant and equipment	—	(329)
Other investing cash flows, net	77	128
<b>Net cash used in investing activities</b>	<b>(6,959)</b>	<b>(142)</b>
<b>Financing activities</b>		
Repayment of lease liabilities	(1,200)	(2,214)
Dividend paid	(5,000)	(4,000)
Other financing cash flows, net	(169)	(45)
<b>Net cash used in financing activities</b>	<b>(6,369)</b>	<b>(6,259)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(29,565)</b>	<b>(2,315)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>50,837</b>	<b>42,735</b>
<b>Effect of foreign exchange rate changes</b>	<b>234</b>	<b>(479)</b>
<b>Cash and cash equivalents at the end of the period</b>		
<b>Represented by bank balances and cash</b>	<b>21,506</b>	<b>39,941</b>

The notes on pages 22 to 30 form part of this interim financial information.





# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(Expressed in Hong Kong dollars)

## 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 (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

## 2 PRINCIPAL ACCOUNTING POLICIES

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 2021 are the same as those presented in the annual consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2020.

### 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”

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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2021

(Expressed in Hong Kong dollars)

## 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 "Revenue from Contracts with Customers", 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 following 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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Books products	69,419	48,290
Novelty and packaging products	8,402	7,663
	<u>77,821</u>	<u>55,953</u>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(Expressed in Hong Kong dollars)

## 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:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	30,170	15,604
United States	26,870	22,932
United Kingdom	7,691	4,116
The PRC	3,765	2,379
Australia	2,672	2,645
Netherlands	2,067	6,109
Others	4,586	2,168
	<b>77,821</b>	<b>55,953</b>

## 4 OTHER INCOME

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	20	99
Government grants	140	107
Sundry income	5	9
	<b>165</b>	<b>215</b>

Government grants 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 2021

(Expressed in Hong Kong dollars)

## 5 OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net exchange gain	92	632
Gain/(loss) on disposal of property, plant and equipment	17	(6)
	<b>109</b>	<b>626</b>

## 6 TAXATION

The charge comprises:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax		
— Charge for the period	209	853
PRC Enterprise Income Tax		
— Charge for the period	268	220
— Under-provision in prior period	3	21
	<b>271</b>	<b>241</b>
	<b>480</b>	<b>1,094</b>

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

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 2021  
(Expressed in Hong Kong dollars)

## 7 DIVIDENDS

During the six months ended 30 June 2021, a final dividend of HK\$0.5 cent per share in respect of the year ended 31 December 2020 (six months ended 30 June 2020: HK\$0.4 cent per share for 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 current interim period amounted to HK\$5,000,000 (six months ended 30 June 2020: HK\$4,000,000).

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 2021.

## 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>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit for the period attributable to owners of the Company	<u>2,277</u>	<u>2,486</u>
	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>'000</b>	<b>'000</b>
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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2021

(Expressed in Hong Kong dollars)

## 9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment, excluding right-of-use assets, amounting to HK\$7,036,000 (six months ended 30 June 2020: HK\$3,265,000).

During the six months ended 30 June 2020, two leased machineries with a carrying amount of HK\$10,661,000 was transferred to machineries under property, plant and equipment on full settlement of the relevant lease liabilities. In addition, the Group entered into a new lease agreement for the office in Hong Kong with a lease term of two years. On lease commencement, the Group recognised right-of-use assets and relevant lease liabilities of HK\$1,012,000.

## 10 TRADE AND OTHER RECEIVABLES

	<b>As at 30 June 2021 HK\$'000 (Unaudited)</b>	As at 31 December 2020 HK\$'000 (Audited)
Trade receivables	<b>57,815</b>	42,490
Less: Allowance for credit losses	<b>(1,826)</b>	(1,841)
	<b>55,989</b>	40,649
Rental deposits	<b>171</b>	171
Prepayments, deposits and other receivables	<b>3,765</b>	2,778
Total trade and other receivables	<b>59,925</b>	43,598



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(Expressed in Hong Kong dollars)

## 10 TRADE AND OTHER RECEIVABLES (continued)

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>As at 30 June 2021 HK\$'000 (Unaudited)</b>	As at 31 December 2020 HK\$'000 (Audited)
Within 30 days	<b>9,975</b>	11,675
31 to 60 days	<b>25,064</b>	10,790
61 to 90 days	<b>14,009</b>	6,053
Over 90 days	<b>6,941</b>	12,131
	<b>55,989</b>	40,649

Included in trade receivables as at 30 June 2021 are debtors with aggregate carrying amount of HK\$11,690,000 (31 December 2020: HK\$11,998,000), which are past due at the end of the reporting period. Out of the past due balances, HK\$2,342,000 (31 December 2020: HK\$2,107,000) 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 trade receivables as at 30 June 2021 is a balance of HK\$3,000 (31 December 2020: HK\$285,000) due from a related company which is 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.

The expected credit losses on trade receivables are assessed individually and/or collectively using a provision matrix as at 30 June 2021. Certain trade receivables as at 30 June 2021 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\$Nil and reversal of credit losses of HK\$15,000 was made on credit-impaired debtors (six months ended 30 June 2020: allowance for credit losses of HK\$29,000 and reversal of credit losses of HK\$217,000).



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2021  
(Expressed in Hong Kong dollars)

## 11 TRADE AND OTHER PAYABLES

	<b>As at 30 June 2021 HK\$'000 (Unaudited)</b>	As at 31 December 2020 HK\$'000 (Audited)
Trade payables	<b>26,854</b>	11,438
Accrued expenses	<b>6,681</b>	5,988
Other payables	<b>2,340</b>	2,225
Total trade and other payables	<b>35,875</b>	19,651

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

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

	<b>As at 30 June 2021 HK\$'000 (Unaudited)</b>	As at 31 December 2020 HK\$'000 (Audited)
Within 30 days	<b>24,285</b>	11,038
31 to 60 days	<b>763</b>	235
61 to 90 days	<b>1,352</b>	37
Over 90 days	<b>454</b>	128
	<b>26,854</b>	11,438



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021  
(Expressed in Hong Kong dollars)

## 12 SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Authorised:		
At 1 January 2020, 31 December 2020 and 30 June 2021		
— Ordinary share of HK\$0.01 each	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 1 January 2020, 31 December 2020 and 30 June 2021		
— Ordinary share of HK\$0.01 each	<u>1,000,000,000</u>	<u>10,000</u>

## 13 RELATED PARTY DISCLOSURES

In addition to 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\$1,088,000 (for the six months ended 30 June 2020: HK\$911,000).
- (b) The Group received income for sales of novelty and packaging products totalling HK\$276,000 (six months ended 30 June 2020: HK\$755,000), 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.

## 14 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.