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SMART GLOBE HOLDINGS LIMITED

竣球控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8485)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2018

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**”) of Smart Globe Holdings Limited (the “**Company**”) 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 announcement 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 announcement misleading.*

FINANCIAL HIGHLIGHTS

For the three months ended 31 March 2018, revenue of the Group was approximately HK\$18.9 million, representing a decrease of approximately 49.3% compared to the corresponding period in 2017.

For the three months ended 31 March 2018, gross profit of the Group decreased by approximately 52.9% to approximately HK\$5.7 million compared to the corresponding period of last year.

Net profit for the three months ended 31 March 2018 amounted to approximately HK\$0.2 million, representing a decrease of approximately 91.9% compared to the corresponding period in 2017.

Basic earnings per share for the three months ended 31 March 2018 was approximately HK\$0.03 cents, and basic earnings per share for the three months ended 31 March 2017 was approximately HK\$0.45 cents.

The Board does not recommend the payment of any interim dividend for the three months ended 31 March 2018. For the three months ended 31 March 2017, total dividend of HK\$2,000,000 was declared and distributed by CP Printing Limited (“**CP Printing**”) to its then shareholders.

FIRST QUARTERLY RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 31 March 2018 together with the comparative unaudited figures for the three months ended 31 March 2017 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2018

	Notes	Three months ended 31 March	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	3	18,892	37,297
Cost of sales		<u>(13,201)</u>	<u>(25,166)</u>
Gross profit		5,691	12,131
Other income	4	273	180
Other gains and losses	5	(73)	29
Selling and distribution costs		(1,021)	(1,403)
Administrative expenses		(4,413)	(6,564)
Listing expenses		—	(300)
Finance costs		(185)	(309)
Profit before taxation		272	3,764
Taxation	6	(54)	(743)
Profit for the period		218	3,021
Other comprehensive income for the period			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of a foreign operation		<u>1,633</u>	<u>94</u>
Total comprehensive income for the period		<u>1,851</u>	<u>3,115</u>
Earnings per share			
Basic (HK cents)	8	<u>0.03</u>	<u>0.45</u>

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2018

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2017	—	—	—	(1,623)	18,240	16,617
Profit for the period	—	—	—	—	3,021	3,021
Other comprehensive income						
— exchange differences arising from translation of a foreign operation	—	—	—	94	—	94
Total comprehensive income for the period	—	—	—	94	—	94
Issue of shares by CP						
Printing	12,290	—	—	—	—	12,290
Effect of group reorganisation	(12,290)	—	12,290	—	—	—
Dividend paid	—	—	—	—	(2,000)	(2,000)
At 31 March 2017	<u>—</u>	<u>—</u>	<u>12,290</u>	<u>(1,529)</u>	<u>19,261</u>	<u>30,022</u>
At 1 January 2018	10,000	43,645	12,290	363	16,063	82,361
Profit for the period	—	—	—	—	218	218
Other comprehensive income						
— exchange differences arising from translation of a foreign operation	—	—	—	1,633	—	1,633
Total comprehensive income for the period	—	—	—	1,633	—	1,633
At 31 March 2018	<u>10,000</u>	<u>43,645</u>	<u>12,290</u>	<u>1,996</u>	<u>16,281</u>	<u>84,212</u>

NOTES TO THE FINANCIAL STATEMENTS

For the three months ended 31 March 2018

1. GENERAL INFORMATION

Smart Globe Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 5 May 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the registered office of the Company is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The shares of the Company have been listed on GEM of the Stock Exchange since 28 December 2017 (the “**Listing Date**”).

The Company acts as an investment holding company and its subsidiaries are principally engaged in production, distribution and printing of books, novelty and packaging products. There has been no significant change in the Group’s principal activities during the period under review.

In preparation for the listing of the Company’s shares on GEM of the Stock Exchange (the “**Listing**”), the Group underwent a corporate reorganization (the “**Reorganization**”), pursuant to which the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 6 December 2017 (the “**Prospectus**”).

2. BASIS OF PREPARATION

The unaudited consolidated financial statements of the Group have not been audited by the Company’s auditors but have been reviewed by the Company’s audit committee.

The unaudited consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The unaudited consolidated financial statements have been prepared under the historical cost convention. They are presented in Hong Kong dollar (“**HK\$**”), and all values are rounded to the nearest thousand except otherwise indicated.

The accounting policies adopted in preparing the unaudited consolidated financial statements are consistent with those applied in the annual financial statements for the year ended 31 December 2017.

The Group has not applied any new and revised HKFRSs which have been issued and are not yet effective for the current accounting period but is in the process of assessing their impact on the results of operation and financial position of the Group.

3. REVENUE

Revenue represents amounts received or receivable from production and printing of books, novelty and packaging products.

The information of revenue by types of products sold are as follows:

	Three months ended 31 March	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Books products	15,948	35,488
Novelty and packaging products	2,944	1,809
	<u>18,892</u>	<u>37,297</u>

4. OTHER INCOME

	Three months ended 31 March	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Government grant	85	—
Bank and other interest income	16	—
Inspection income	—	176
Sundry income	172	4
	<u>273</u>	<u>180</u>

5. OTHER GAINS AND LOSSES

	Three months ended 31 March	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Exchange loss	(73)	(40)
Reversal of impairment loss on trade receivables	—	69
	<u>(73)</u>	<u>29</u>

6. TAXATION

	Three months ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The charge comprises:		
Hong Kong Profits Tax Charge for the period	<u>54</u>	<u>743</u>
	<u>54</u>	<u>743</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both periods.

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. No EIT has been provided since no assessable profit arose in PRC during the three months ended 31 March 2018 and 2017.

7. DIVIDENDS

No dividend was paid or declared by the Company during the three months ended 31 March 2018, nor has any dividend been proposed since the end of the reporting period up to date of issuance of these financial statements.

During the three months ended 31 March 2017, total dividend of HK\$2,000,000 was declared and distributed by CP Printing to its then shareholders.

8. EARNINGS PER SHARE

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

	Three months ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	<u>218</u>	<u>3,021</u>

	Three months ended 31 March	
	2018	2017
	'000	'000
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>750,000</u>	<u>676,667</u>

The number of ordinary shares for the purpose of calculating basic earnings per share for the three months ended 31 March 2017 and 2018 has been determined on the assumption that the Reorganisation and the Capitalisation Issue has been effective from 1 January 2017.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 three months ended 31 March 2018, the Group recorded a decrease in its total revenue by approximately 49.3% to approximately HK\$18.9 million from approximately HK\$37.3 million for the three months ended 31 March 2017. This is mainly due to the fact that we have loss customer orders from the U.S. customers in the books products segment for the three months ended 31 March 2018. Profit attributable to owners of the Company was approximately HK\$0.2 million, a decrease of 93.3% from approximately profit attributable to owners of HK\$3.0 million for the three months ended 31 March 2017.

For the three months ended 31 March 2018, approximately 84.1% of total revenue was contributed by the book products segment amounting to approximately HK\$15.9 million (three months ended 31 March 2017: approximately HK\$35.5 million). This segment's performance was not as good as last period mainly due to the decrease in orders placed by U.S. customers with us.

Financial Review

Revenue

Our revenue decreased by approximately 49.3% from approximately HK\$37.3 million for the three months ended 31 March 2017 to approximately HK\$18.9 million for the three months ended 31 March 2018. This was mainly due to less customer orders received from U.S. in the books products segment compared to the same period of last year.

Gross profit margin

Our overall gross profit margin decreased from approximately 32.4% for the three months ended 31 March 2017 to approximately 30.2% for the three months ended 31 March 2018. No material fluctuation was noted.

Other income

Our other income increased by approximately 50.0% from approximately HK\$0.2 million for the three months ended 31 March 2017 to approximately HK\$0.3 million in same period of this year. The increase was mainly due to the receipt of granted government grants for the period.

Other gains and losses

The amount mainly represents the exchange loss incurred for the three months ended 31 March 2018.

Selling and distribution costs

Our distribution costs decreased by approximately 28.6% from approximately HK\$1.4 million for three months ended 31 March 2017 to approximately HK\$1.0 million for the three months ended 31 March 2018. This was mainly due to the decrease in transportation and freight charges resulting from lower sales volume.

Administrative expenses

Our administrative expenses decreased by approximately 33.3% from approximately HK\$6.6 million for the three months ended 31 March 2017 to approximately HK\$4.4 million for the three months ended 31 March 2018. This was mainly due to nil expense related to equity-settled share based payment for the three months ended 31 March 2018. Such expense amounted to HK\$2.3 million for the three months ended 31 March 2017.

Finance costs

Our finance costs decreased by approximately 33.3% from approximately HK\$0.3 million for the three months ended 31 March 2017 to approximately HK\$0.2 million for the three months ended 31 March 2018. This was mainly due to the decrease of outstanding borrowings in the year 2018.

Income tax expense

Our income tax expense decreased by approximately 85.7% from approximately HK\$0.7 million for the three months ended 31 March 2017 to approximately HK\$0.1 million for the three months ended 31 March 2018. It was mainly due to the decrease in assessable profit that is subject to Hong Kong profits tax.

The applicable rate of Hong Kong Profits tax on the estimated assessable profits tax in for the three months ended 31 March 2018 was 16.5% (three months ended 31 March 2017: 16.5%). Tax on overseas profits has been calculated on the estimated assessable profits for three months ended 31 March 2018 at the rates of tax prevailing in the countries in which the Group operates.

Profit for the three months and profit attributable to owners of the Company

As a result of the above factors, profit for the period and profit attributable to owners of the Company stood at approximately HK\$0.2 million.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As 31 March 2018, 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 Model Code for Securities Transactions by Directors of Listed Issuers, 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) Our Company is directly owned as to 67.5% by Master Sage Limited. Master Sage Limited 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 Limited.
- (2) Our Company is directly owned as to 7.5% by Fortune Corner Holdings Limited. Fortune Corner Holdings Limited 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 Holdings Limited.

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 31 March 2018.

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

So far as the Directors are aware, as at 31 March 2018, no entities or persons (not being a Director or Chief Executive of the Company) had an interest and short position of 5% or more in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO, or which are required to be disclosed pursuant to 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 were entered into or existed during the three months ended 31 March 2018.

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 three months ended 31 March 2018, 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 our 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, our 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 our Group. In order to maintain good corporate governance and fully comply with such code provision, our 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 three months ended 31 March 2018, the Company has applied the principles and complied with all the applicable code provisions set out in the CG code.

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the three months ended 31 March 2018. For the three months ended 31 March 2017, total dividend of HK\$2,000,000 was declared and distributed by CP Printing Limited ("**CP Printing**") to its then shareholders.

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 has been granted since the adoption of the Scheme and there were no option outstanding as at 31 March 2018.

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 three months ended 31 March 2018.

INTERESTS OF THE COMPLIANCE ADVISER

As confirmed by the Group's compliance adviser, Red Sun Capital Limited (the "Compliance Adviser"), as at 31 March 2018, save for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 31 May 2017 in connection with the Listing, none of the Compliance Adviser, its employees or associates (as defined in the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

COMPETING BUSINESS

Neither 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 three months ended 31 March 2018.

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 the three independent non-executive Directors, namely Mr. Li Chung Hung, Mr. Ong Chor Wei and Mr. Yam Kam Kwong. The chairman of the Audit Committee is Mr. Li Chung 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 Group's unaudited consolidated financial results for the three months ended 31 March 2018 have been reviewed by the Audit Committee and the management, which were of the view that the preparation of such financial results have complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

By Order of the Board
Smart Globe Holdings Limited
Lam Tak Ling Derek
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 14 May 2018

As at the date of this announcement, 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 announcement 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>.