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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 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 small and mid-sized 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.

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.

*This announcement, 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 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

- The Group’s revenue amounted to approximately HK\$47.1 million for the six months ended 30 June 2018 (six months ended 30 June 2017: approximately HK\$80.2 million), representing a decrease of approximately 41.3% as compared to the six months ended 30 June 2017.
- The profit attributable to owners of the Company is approximately HK\$1.8 million for the six months ended 30 June 2018 (six months ended 30 June 2017: loss of approximately HK\$3.3 million), representing an increase of approximately 156.3% as compared to the six months ended 30 June 2017.
- Basic earning per share for the six months ended 30 June 2018 was approximately HK\$0.18 cents (six months ended 30 June 2017: basic loss per share was approximately HK\$0.46 cents).
- The board of Directors (the “**Board**”) does not recommend the payment of any interim dividend for the six months ended 30 June 2018.

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 six months ended 30 June 2018, the Group recorded a decrease in its total revenue by approximately 41.3% to approximately HK\$47.1 million from approximately HK\$80.2 million for the six months ended 30 June 2017. This was mainly due to decrease in sale in the book product segment in the United States (“**U.S.**”). Profit attributable to owners of the Company was approximately HK\$1.8 million, representing an increase of 156.3% from loss attributable to owners of approximately HK\$3.3 million for the six months ended 30 June 2017.

For the six months ended 30 June 2018, approximately 81.3% of total revenue was contributed by the book products segment. Revenue contributed by the book products segment was approximately HK\$38.3 million, representing a decrease of approximately 49.2% compared to revenue contributed by the same segment for the six months ended 30 June 2017 of approximately HK\$75.4 million. The decrease was mainly due to the decrease in orders placed by U.S. 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.

The Group will also cautiously explore viable investment and acquisition opportunities that can enhance shareholders' value.

As of the date of this announcement, there are no identified targets for such opportunities.

Financial Review

Revenue

Our revenue decreased by approximately 41.3% from approximately HK\$80.2 million for the six months ended 30 June 2017 to approximately HK\$47.1 million for the six months ended 30 June 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 increased from approximately 29.2% for the six months ended 30 June 2017 to approximately 32.5% for the six months ended 30 June 2018. The slight increase in gross profit margin was mainly due to less discounts were given to customers from U.S. compared to the same period of last year.

Other income

Our other income increased by approximately 20.0% from approximately HK\$0.5 million for the six months ended 30 June 2017 to approximately HK\$0.6 million in same period of this year. The increase was mainly due to the net effect of increase in interest income and decrease in inspection income received for the period.

Other gains and losses

Our other gains and losses decreased by approximately 200.0% from other gain approximately of HK\$0.1 million for the six months ended 30 June 2017 to other loss approximately of HK\$0.1 million for the six months ended 30 June 2018. This was mainly due to less reversal of impairment loss incurred for the period.

Selling and distribution costs

Our distribution costs decreased by approximately 43.9% from approximately HK\$4.1 million for six months ended 30 June 2017 to approximately HK\$2.3 million for the six months ended 30 June 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 2.7% from approximately HK\$11.2 million for the six months ended 30 June 2017 to approximately HK\$10.9 million for the six months ended 30 June 2018. No material fluctuation was noted.

Finance costs

Our finance costs decreased by approximately 62.5% from approximately HK\$0.8 million for the six months ended 30 June 2017 to approximately HK\$0.3 million for the six months ended 30 June 2018. This was mainly due to the settlement of other borrowing and bank borrowings in the year 2018.

Income tax expense

Our income tax expense decreased by approximately 75.0% from approximately HK\$2.0 million for the six months ended 30 June 2017 to approximately HK\$0.5 million for the six months ended 30 June 2018. It was mainly due to the decrease in assessable profits that was subject to Hong Kong profits tax.

The applicable rate of Hong Kong Profits tax on the estimated assessable profits for the six months ended 30 June 2018 was 16.5% (six months ended 30 June 2017: 16.5%). Tax on overseas profits has been calculated on the estimated assessable profits for six months ended 30 June 2018 at the rates of tax prevailing in the countries in which the Group operates.

Net profit

As a result of the above factors, net profit for the period stood at approximately HK\$1.8 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 2018, 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 and bank and other borrowings.

The Group maintained bank deposits, bank balances and cash amounting to approximately HK\$32.7 million as at 30 June 2018 (as at 31 December 2017: approximately HK\$22.4 million), which increased by approximately 46.0% as compared with that as at 31 December 2017.

The Group's non-current assets decreased to approximately HK\$34.6 million (as at 31 December 2017: approximately HK\$35.9 million), primarily due to depreciation of property, plant and equipment.

As at 30 June 2018, the Group's current assets amounted to approximately HK\$85.5 million, which comprised inventories of approximately HK\$12.5 million (as at 31 December 2017: approximately HK\$8.6 million), trade and other receivables of approximately HK\$37.3 million (as at 31 December 2017: approximately HK\$88.5 million), certificates of deposit of approximately HK\$3.0 million (as at 31 December 2017: approximately HK\$3.0 million) and cash and cash equivalents of approximately HK\$32.7 million (as at 31 December 2017: approximately HK\$22.4 million).

The Group's current liabilities amounted to approximately HK\$33.0 million, which comprised trade and other payables of approximately HK\$23.3 million (as at 31 December 2017: approximately HK\$35.8 million), taxation payable of approximately HK\$1.9 million (as at 31 December 2017: approximately HK\$1.5 million), obligations under finance leases of approximately HK\$4.8 million (as at 31 December 2017: approximately HK\$5.4 million), bank borrowing of approximately HK\$3.0 million (as at 31 December 2017: approximately HK\$6.7 million) and nil other borrowing (as at 31 December 2017: approximately HK\$5.0 million).

As at 30 June 2018, the net current assets of the Group decreased by approximately HK\$15.6 million or approximately 22.9% to approximately HK\$52.5 million (as at 31 December 2017: approximately HK\$68.1 million).

The Group had total bank borrowings, other borrowing and obligations under finance leases of approximately HK\$11.3 million as at 30 June 2018 (as at 31 December 2017: approximately HK\$38.7 million).

As at 30 June 2018, the Group's borrowings were secured by (i) corporate guarantee provided by the Company, (ii) letters of undertaking from its subsidiary, namely CP Printing Limited ("**CP Printing**"); and (iii) pledging of certain plant and machinery, certificates of deposit and assignment of trade receivables.

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 13.5% (as at 31 December 2017: approximately 47.0%). The Group's current ratio, which was calculated as current assets divided by current liabilities as at the relevant reporting date stood at approximately 2.6 as at 30 June 2018 (as at 31 December 2017: approximately 2.3).

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.

CHARGES ON GROUP ASSETS

As at 30 June 2018, the assets of the Group pledged are certain plant and machinery, certificate of deposit and assignment of trade receivables.

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 2018, 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 2018, the Group had acquired property, plant and equipment of approximately HK\$0.7 million.

CAPITAL COMMITMENTS

As at 30 June 2018 and 31 December 2017, the Group had no significant capital commitments.

CONTINGENT LIABILITIES

As at 30 June 2018 and 31 December 2017, 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 2018. For the six months ended 30 June 2017, total dividend of HK\$2,000,000 was declared and distributed by CP Printing to its then shareholders.

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. The Group intends to utilise such net proceeds as disclosed in the section headed "Future Plans and Use of Proceeds" of the prospectus (the "Prospectus") of the Company. As at the date of this announcement, utilisation of the net proceeds from the Listing is as follows:

	Planned utilisation per Prospectus <i>HK\$'000</i>	Utilisation <i>HK\$'000</i>	Balance <i>HK\$'000</i>
Expansion of production capacity	12,755	436	12,319
Loan repayment	10,933	10,933	—
Expansion of sale and distribution network	5,466	222	5,244
Potential investment	3,644	—	3,644
General working capital	3,644	3,644	—

MATERIAL INVESTMENTS

The Group had not made any significant investments during the six months ended 30 June 2018.

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 2018, the Group had not made any significant acquisition or disposal of subsidiaries or associated companies.

EMPLOYEES' INFORMATION AND EMOLUMENT POLICIES

Our employees are based in Hong Kong and He Yuan, Guangdong Province, the PRC. As at 30 June 2018, there were 329 (as at 31 December 2017: 377) employees in the Group. The total staff costs, including directors' emoluments, amounted to approximately HK\$15.5 million during the six months ended 30 June 2018 (six months ended 30 June 2017: approximately HK\$21.4 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 2018, there were 317 (as at 31 December 2017: 363) 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 2018.

UPDATE ON DIRECTORS' INFORMATION

During the six month ended 30 June 2018, 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 has been granted since the adoption of the Scheme and there was no option outstanding as at 30 June 2018.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 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 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 2018.

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

So far as the Directors are aware, as at 30 June 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 six months ended 30 June 2018.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

As for as the Directors are aware, at no time during year 2017 and for the six months ended 30 June 2018 had the Company or any of its subsidiaries and the controlling Shareholder or any of its subsidiaries entered into any contract of significant or any contracts of significance for the provision of services by the controlling Shareholder or any of its 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 (as defined in the GEM Listing Rules) (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 2018.

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 an annual confirmation on their respective compliance of the non-competition undertaking under the Deed of Non-competition. 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 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 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 2018, 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 11 May 2018.

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 2018.

INTERESTS OF THE COMPLIANCE ADVISER

As confirmed by the Group's compliance adviser, Red Sun Capital Limited (the "**Compliance Adviser**"), as at 30 June 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.

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.

INTERIM RESULTS

The Board is pleased to announce the condensed consolidated results of the Group for the six months ended 30 June 2018, together with the comparative figures for the six months ended 30 June 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Audited)
Revenue	3	28,167	42,862	47,059	80,159
Cost of sales		(18,610)	(31,584)	(31,811)	(56,750)
Gross Profit		9,557	11,278	15,248	23,409
Other income	4	311	330	584	510
Other gains and losses	5	(52)	83	(125)	112
Selling and distribution costs		(1,256)	(2,735)	(2,277)	(4,138)
Administrative expenses		(6,433)	(4,674)	(10,846)	(11,238)
Listing expenses		—	(8,809)	—	(9,109)
Finance costs		(92)	(505)	(277)	(814)
Profit (loss) before taxation		2,035	(5,032)	2,307	(1,268)
Taxation	6	(458)	(1,251)	(512)	(1,994)
Profit (loss) for the period		1,577	(6,283)	1,795	(3,262)
Other comprehensive income (expense) for the period					
<i>Item that may reclassified subsequently to profit or loss:</i>					
Exchange differences arising from translation of a foreign operation		(2,177)	183	(544)	277
Total comprehensive income (expense) for the period		(600)	(6,100)	1,251	(2,985)
Earnings (loss) per share					
— Basic (HK cent)	8	0.16	(0.93)	0.18	(0.46)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	<i>Notes</i>	As at 30 June 2018 <i>HK\$'000</i> (Unaudited)	As at 31 December 2017 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	9	<u>34,573</u>	<u>35,884</u>
Current assets			
Inventories		12,500	8,624
Trade and other receivables	10	37,252	88,500
Certificates of deposit		2,983	3,003
Bank balances and cash		<u>32,743</u>	<u>22,398</u>
		<u>85,478</u>	<u>122,525</u>
Current liabilities			
Trade and other payables	11	23,137	35,819
Taxation payable		1,963	1,473
Obligations under finance leases — due within one year		4,803	5,355
Bank borrowings	12	3,049	6,743
Other borrowing		—	5,044
		<u>32,952</u>	<u>54,434</u>
Net current assets		<u>52,526</u>	<u>68,091</u>
Total assets less current liabilities		<u>87,099</u>	<u>103,975</u>
Non-current liabilities			
Obligations under finance leases — due after one year		3,487	5,642
Other borrowing		—	15,972
		<u>3,487</u>	<u>21,614</u>
Net assets		<u>83,612</u>	<u>82,361</u>
Capital and reserves			
Share capital		10,000	10,000
Reserves		<u>73,612</u>	<u>72,361</u>
Total equity		<u><u>83,612</u></u>	<u><u>82,361</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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.

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 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, 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 2018 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which had resulted in changes in certain accounting policies and/or disclosures.

3. REVENUE AND SEGMENT INFORMATION

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:

Revenue from goods recognised at a point in time:

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Book products	22,307	39,910	38,255	75,398
Novelty and packaging products	5,860	2,952	8,804	4,761
	<u>28,167</u>	<u>42,862</u>	<u>47,059</u>	<u>80,159</u>

The Group's operating activities are attributable to a single operating segment focusing on production, distribution and printing of books, novelty and packaging products. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies that conform to HKFRSs and are regularly reviewed by the directors of the Company, being the chief operating decision maker ("CODM"). Accordingly, the Group has only one operating segment. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM. No further discrete financial information nor analysis of this single segment is presented as the CODM reviews the financial information of the Group as a whole.

The Group's operations are located in Hong Kong and the PRC.

Information about the Group's revenue from external customers is presented based on the geographical location of the customers.

	Revenue from external customers			
	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Hong Kong	8,296	7,154	15,278	17,645
United Kingdom	4,786	1,387	10,237	3,355
Netherlands	8,447	2,790	9,316	4,284
The PRC	3,069	2,219	5,333	2,819
United States	2,204	28,605	5,271	50,025
Belgium	344	8	344	704
Others	1,021	699	1,280	1,327
	28,167	42,862	47,059	80,159

4. OTHER INCOME

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Bank and other interest income	1	18	17	18
Government grant	1	—	86	—
Inspection income	—	121	—	297
Sundry income	309	191	481	195
	311	330	584	510

5. OTHER GAINS AND LOSSES

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Exchange loss	(74)	(101)	(147)	(141)
Reversal of impairment losses on trade receivables	22	82	22	151
Gain on disposal of property, plant and equipment	—	102	—	102
	<u>(52)</u>	<u>83</u>	<u>(125)</u>	<u>112</u>

6. TAXATION

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)

The charge (credit) comprise:

Hong Kong Profit Tax				
Charge for the period	439	627	493	1,370
Overprovision in prior periods	—	(20)	—	(20)
	<u>439</u>	<u>607</u>	<u>493</u>	<u>1,350</u>
PRC Enterprise Income Tax (“EIT”)				
Charge for the period	19	644	19	644
	<u>458</u>	<u>1,251</u>	<u>512</u>	<u>1,994</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.

7. DIVIDENDS

During the period ended 30 June 2017, total dividend of HK\$2,000,000 were declared and distributed by CP Printing to its then shareholders.

No dividend were paid, declared or proposed during the interim period.

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 2018.

8. EARNINGS (LOSS) PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Profit (loss) for the period attributable to owners of the Company for the purpose of basic earnings (loss) per share	<u>1,577</u>	<u>(6,283)</u>	<u>1,795</u>	<u>(3,262)</u>
	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	'000	'000	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<u>1,000,000</u>	<u>676,667</u>	<u>1,000,000</u>	<u>713,536</u>

The weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share for the six months ended 30 June 2017 has been determined on the assumption that the reorganisation and the Capitalisation Issue as defined in the prospectus dated 13 December 2017 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 periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment of approximately HK\$734,000 (six months ended 30 June 2017: HK\$1,282,000).

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2018 <i>HK\$'000</i> (Unaudited)	At 31 December 2017 <i>HK\$'000</i> (Audited)
Trade receivables	36,091	31,230
Less: Allowance for doubtful debts	<u>(1,585)</u>	<u>(1,607)</u>
	34,506	29,623
Proceeds receivable from the Share Offer (<i>Note</i>)	—	56,250
Prepayments and deposits	<u>2,746</u>	<u>2,627</u>
Total trade and other receivables	<u><u>37,252</u></u>	<u><u>88,500</u></u>

Note: The amount represents the proceeds from the Share Offer, as defined in the prospectus dated 13 December 2017, collected by the bookrunner on behalf of the Company. The amount was fully settled during the period.

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

	At 30 June 2018 <i>HK\$'000</i> (Unaudited)	At 31 December 2017 <i>HK\$'000</i> (Audited)
Within 30 days	13,562	9,167
31 to 60 days	7,969	6,855
61 to 90 days	5,668	4,360
Over 90 days	<u>7,307</u>	<u>9,241</u>
	<u><u>34,506</u></u>	<u><u>29,623</u></u>

Included in the Group's trade receivables balance as at 30 June 2018 are debtors with aggregate carrying amount of HK\$9,211,000 (31 December 2017: HK\$10,103,000), which are past due at the end of the reporting period. The Group does not hold any collateral over these balances.

Included in the Group's trade receivables as at 30 June 2018 is balance of HK\$900,000 (31 December 2017: HK\$245,000) due from a related company, which is a company owned by Ms. Tse, the key management personnel of the Group, and her family. The amounts is repayable within three months from the goods delivery dates.

11. TRADE AND OTHER PAYABLES

	At 30 June 2018 <i>HK\$'000</i> (Unaudited)	At 31 December 2017 <i>HK\$'000</i> (Audited)
Trade payables	16,712	14,855
Accrued listing expenses	—	9,947
Accrued expenses	5,023	5,878
Other payables	1,402	5,139
	<u>23,137</u>	<u>35,819</u>
Total trade and other payables	<u>23,137</u>	<u>35,819</u>

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:

	At 30 June 2018 <i>HK\$'000</i> (Unaudited)	At 31 December 2017 <i>HK\$'000</i> (Audited)
Within 30 days	14,638	9,266
31 to 60 days	678	328
61 to 90 days	79	34
Over 90 days	1,317	5,227
	<u>16,712</u>	<u>14,855</u>
	<u>16,712</u>	<u>14,855</u>

12. BANK BORROWINGS

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Secured	3,049	3,821
Unsecured	—	2,922
	<u>3,049</u>	<u>6,743</u>

The carrying amounts of the above borrowings are repayable within one year. The amounts due are based on scheduled repayment dates set out in the loan agreements.

The bank borrowings are interest bearing at variable rate at United State Dollar Best Lending Rate (“USDBLR”) per annum and variable rates at Hong Kong Dollar Best Lending Rate (“HKDBLR”) less 2.25% per annum as at 30 June 2018 (31 December 2017: USDBLR plus 0.25% per annum and HKDBLR less 2.75% to HKDBLR per annum).

The secured bank borrowings were secured by the certificates of deposit and assignment of certain receivables of the respective group entity.

The effective interest rates (which are also equal to contracted interest rates) of the Group’s bank borrowings were ranged from 2.75% to 5.00% per annum for the six months ended 30 June 2018 (for the year ended 31 December 2017: 2.25% to 5.00% per annum).

The audit committee has reviewed this announcement and the Group’s condensed consolidated financial results for the six months ended 30 June 2018 and is of the opinion that the preparation of such results complied with applicable accounting standards and that adequate disclosure has been made in respect thereof.

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

Hong Kong, 3 August 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>.