



# Smart Globe Holdings Limited

## 竣球控股有限公司

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

Stock Code:8485



# THIRD QUARTERLY REPORT

# 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.

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



## FINANCIAL HIGHLIGHTS

- The Group's revenue amounted to approximately HK\$88.8 million for the nine months ended 30 September 2018 (nine months ended 30 September 2017: approximately HK\$128.5 million), representing a decrease of approximately 30.9% as compared to the nine months ended 30 September 2017.
- The profit attributable to owners of the Company is approximately HK\$11.0 million for the nine months ended 30 September 2018 (nine months ended 30 September 2017: approximately HK\$0.5 million primarily as a result of the non-recurring listing expense of approximately HK\$13.6 million incurred during the nine months ended 30 September 2017), representing an increase of approximately 2100.0% as compared to the nine months ended 30 September 2017.
- Basic earning per share for the nine months ended 30 September 2018 was approximately HK\$1.10 cents (nine months ended 30 September 2017: approximately HK\$0.08 cents).
- The board of Directors (the "**Board**") does not recommend the payment of any interim dividend for the nine months ended 30 September 2018.



## 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 nine months ended 30 September 2018, the Group recorded a decrease in its total revenue by approximately 30.9% to approximately HK\$88.8 million from approximately HK\$128.5 million for the nine months ended 30 September 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\$11.0 million, representing an increase of 2100.0% from approximately HK\$0.5 million for the nine months ended 30 September 2017 primarily as a result of the non-recurring listing expense of approximately HK\$13.6 million incurred during the nine months ended 30 September 2017.

For the nine months ended 30 September 2018, approximately 82.2% of total revenue was contributed by the book products segment. Revenue contributed by the book products segment was approximately HK\$73.0 million, representing a decrease of approximately 40.8% compared to revenue contributed by the same segment for the nine months ended 30 September 2017 of approximately HK\$123.4 million. The decrease was mainly due to the decrease in orders placed by U.S. customers with the Group.

### 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. The Group will also strive to further tighten control over its operating expenses and streamline the production processes.

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Review

### **Revenue**

Our revenue decreased by approximately 30.9% from approximately HK\$128.5 million for the nine months ended 30 September 2017 to approximately HK\$88.8 million for the nine months ended 30 September 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 31.8% for the nine months ended 30 September 2017 to approximately 33.0% for the nine months ended 30 September 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 14.3% from approximately HK\$0.7 million for the nine months ended 30 September 2017 to approximately HK\$0.8 million in same period of this year. The increase was mainly due to the net effect of increase in sundry income and decrease in inspection income received for the reporting period.

### **Other gains and losses**

Our other gains and losses decreased by approximately 1600.0% from other losses of approximately HK\$0.1 million for the nine months ended 30 September 2017 to other gains of approximately HK\$1.5 million for the nine months ended 30 September 2018. This was mainly due to exchange gain of HK\$1.2 million for the reporting period.

### **Selling and distribution costs**

Our distribution costs decreased by approximately 42.4% from approximately HK\$6.6 million for nine months ended 30 September 2017 to approximately HK\$3.8 million for the nine months ended 30 September 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 10.8% from approximately HK\$15.7 million for the nine months ended 30 September 2017 to approximately HK\$14.0 million for the nine months ended 30 September 2018. This is mainly due to the absence of any share based payment during the reporting period while a share based payment of approximately HK\$2.3 million was incurred for the nine months ended 30 September 2017.

**Finance costs**

Our finance costs decreased by approximately 69.2% from approximately HK\$1.3 million for the nine months ended 30 September 2017 to approximately HK\$0.4 million for the nine months ended 30 September 2018. This was mainly due to the settlement of other borrowing and bank borrowings in the nine months ended 30 September 2018.

**Income tax expense**

Income tax expense decreased by approximately 36.1% from approximately HK\$3.6 million for the nine months ended 30 September 2017 to approximately HK\$2.3 million for the nine months ended 30 September 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 nine months ended 30 September 2018 was 16.5% (nine months ended 30 September 2017: 16.5%). Tax on overseas profits has been calculated on the estimated assessable profits for nine months ended 30 September 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 reporting period stood at approximately HK\$11.0 million (nine months ended 30 September 2017: approximately HK\$0.5 million primarily as a result of the non-recurring listing expense of approximately HK\$13.6 million incurred during the nine months ended 30 September 2017).



## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 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 (Chapter 571 of the laws of Hong Kong) (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, were as follows:

#### Long positions

##### Ordinary shares of HK\$0.01 (the "Shares") each of the Company

Name of Director	Capacity	Number of Shares held	Percentage of the issued 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 directly 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 September 2018.



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

As at 30 September 2018, the following shareholders and persons (not being a Director or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO:

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

Other than disclosed above, as at 30 September 2018, 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 were entered into or existed during the nine months ended 30 September 2018.

## CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

As far as the Directors are aware, at no time during the nine months ended 30 September 2018 had the Company or any of its subsidiaries and the controlling Shareholder (as defined in the GEM Listing Rules) (the "**Controlling Shareholders**") or any of its subsidiaries entered into any contract of significance 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.





## OTHER INFORMATION

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

None of the Directors and the Controlling Shareholders of the Company or their respective close associates (as defined in the GEM Listing Rules) is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the nine months ended 30 September 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 of the Company dated 13 December 2017.

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 nine months ended 30 September 2018 and year ended 31 December 2017. 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 nine months ended 30 September 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. Considering 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 nine months ended 30 September 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 nine months ended 30 September 2018. For the nine months ended 30 September 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 have been granted since the adoption of the Scheme and there was no share option outstanding as at 30 September 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 nine months ended 30 September 2018.

## INTERESTS OF THE COMPLIANCE ADVISER

As confirmed by the Group’s compliance adviser, Red Sun Capital Limited (the “**Compliance Adviser**”), as at 30 September 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 (the “**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, *JP*. The chairperson of the Audit Committee is Mr. Li Chun Hung, who holds the appropriate professional qualifications as required under Rule 5.28 of the GEM Listing Rules. None of the members of the Audit Committee are former partners of the Company’s existing external auditors.



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

For the nine months ended 30 September 2018

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

	Notes	Nine months ended	
		2018	2017
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
<b>Revenue</b>	3	<b>88,782</b>	128,476
Cost of sales		<b>(59,547)</b>	(87,707)
<b>Gross Profit</b>		<b>29,235</b>	40,769
Other income	4	<b>777</b>	721
Other gains and losses	5	<b>1,515</b>	(71)
Selling and distribution costs		<b>(3,803)</b>	(6,572)
Administrative expenses		<b>(13,981)</b>	(15,749)
Listing expenses		<b>—</b>	(13,587)
Finance costs		<b>(371)</b>	(1,333)
<b>Profit before taxation</b>		<b>13,372</b>	4,178
Taxation	6	<b>(2,342)</b>	(3,632)
<b>Profit for the period</b>		<b>11,030</b>	546
<b>Other comprehensive (expense) income for the period</b>			
<i>Item that may reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of a foreign operation		<b>(3,570)</b>	399
<b>Total comprehensive income for the period</b>		<b>7,460</b>	945
<b>Earnings per share</b>			
— Basic (HK cent)	8	<b>1.10</b>	0.08

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



For the nine months ended 30 September 2018

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2017	—	—	—	(1,623)	18,240	16,617
Profit for the period	—	—	—	—	546	546
Other comprehensive income						
— exchange differences arising from translation of a foreign operation	—	—	—	399	—	399
Total comprehensive income for the period	—	—	—	399	546	945
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 30 September 2017	—	—	12,290	(1,224)	16,786	27,852
At 1 January 2018	10,000	43,645	12,290	363	16,063	82,361
Profit for the period	—	—	—	—	11,030	11,030
Other comprehensive income						
— exchange differences arising from translation of a foreign operation	—	—	—	(3,570)	—	(3,570)
Total comprehensive income for the period	—	—	—	(3,570)	11,030	7,460
At 30 September 2018	10,000	43,645	12,290	(3,207)	27,093	89,821



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 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 13 December 2017 (the “**Prospectus**”).

## 2. BASIS OF PREPARATION

The unaudited condensed 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 condensed 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 condensed 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 condensed 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the nine months ended 30 September 2018

## 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:*

	Nine months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Book products	72,974	123,380
Novelty and packaging products	15,808	5,096
	<b>88,782</b>	<b>128,476</b>

## 4. OTHER INCOME

	Nine months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Government grant	276	—
Bank and other interest income	19	28
Inspection income	—	421
Sundry income	482	272
	<b>777</b>	<b>721</b>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2018

## 5. OTHER GAINS AND LOSSES

	Nine months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Exchange gain (loss)	1,189	(80)
Gain on disposal of property, plant and equipment	304	102
Reversal (provision) of impairment losses on trade receivables	22	(93)
	<u>1,515</u>	<u>(71)</u>

## 6. TAXATION

	Nine months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The charge (credit) comprise:		
Hong Kong Profit Tax		
Charge for the period	1,693	2,995
Under (over) provision in prior periods	110	(20)
	<u>1,803</u>	<u>2,975</u>
PRC Enterprise Income Tax ("EIT")		
Charge for the period	539	657
	<u>2,342</u>	<u>3,632</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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the nine months ended 30 September 2018

## 7. DIVIDENDS

No dividend were paid, declared or proposed during the nine months ended 30 September 2018, nor has any dividend been proposed since the end of the reporting period up to the date of issuance of these financial statements.

During the period ended 30 September 2017, total dividend of HK\$2,000,000 were 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:

	<b>Nine months ended 30 September</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	<b>11,030</b>	546

	<b>Nine months ended 30 September</b>	
	<b>2018</b>	2017
	<b>'000</b>	'000
	<b>(Unaudited)</b>	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,000,000</b>	726,099

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the nine months ended 30 September 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.





# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the nine months ended 30 September 2018*

The audit committee has reviewed this report and the Group's unaudited condensed consolidated financial results for the nine months ended 30 September 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, 9 November 2018

*As at the date of this report, the executive Directors are Mr. Lam Tak Ling Derek, Mr. Chan Yee Yeung and, 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, JP.*