SMART GLOBE HOLDINGS LIMITED
竣球控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8485)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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$123.8 million for the year ended 31 December 2018 ("**FY18**")(2017: approximately HK$150.4 million), representing a decrease of approximately 17.7% as compared to the year ended 31 December 2017 ("**FY17**").

— The profit of the Company is approximately HK$17.8 million for FY18, representing an increase of more than 100.0% from approximately loss attributable to owners of HK$0.2 million last year mainly due to one-off listing expenses of approximately HK$17.2 million incurred in FY17.

— Basic earnings per share for FY18 was approximately HK$1.78 cents (2017: Basic loss per share was approximately HK$0.02 cents).

— During FY18, no dividend was declared. During FY17, dividend of HK$2,000,000 was declared and distributed by CP Printing Limited ("**CP Printing**") to its then shareholders.

— No dividend has been proposed by the Directors for FY18.

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 FY18, the Group recorded a decrease in its total revenue by approximately 17.7% to approximately HK$123.8 million from approximately HK$150.4 million in FY17. This was mainly due to the decrease in sale in the book product segment in the United States ("**U.S.**"). Profit of the Company was approximately HK$17.8 million, an increase of more than 100.0% from approximately loss attributable to owners of HK$0.2 million last year mainly due to one-off listing expenses of approximately HK$17.2 million incurred in FY17.

During FY18, approximately 82.2% of total revenue was contributed by the book products segment amounting to approximately HK$101.7 million (2017: approximately HK$137.5 million). This segment's performance was not as good as last year mainly due to the decrease in orders placed by customers based in the U.S. as a result of the decrease in their local demand of book products and keen competition.

As a strategy to maintain competitiveness in the current operating environment, the Group continue to extend its geographical reach of customers during FY18. Revenues were generated from areas such as the U.S., the People's Republic of China (the "**PRC**") (including Hong Kong), the United Kingdom and Netherlands, representing 11.0%, 43.1%, 30.3% and 13.1% of our total revenue, respectively.

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 value of the shareholders of the Company ("**Shareholders**").

Financial Review

Revenue

Our revenue decreased by approximately 17.7% from approximately HK$150.4 million for FY17 to approximately HK$123.8 million for FY18. This was mainly due to the net effect of less orders received from customers based in the U.S. and more secure orders from customers based in the U.K. which resulted decrease in total revenue by approximately 17.7%.

Gross profit margin

Our overall gross profit margin increased from approximately 32.3% in FY17 to approximately 35.9% in FY18. The 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 and better streamlined production management in the FY18.

Other income

Our other income decreased by approximately 81.0% from approximately HK$1.7 million in FY17 to approximately HK$0.3 million in FY18. The decrease was mainly due to the decrease in receipt of government grants by HK$0.7 million in FY18.

Impairment loss, net of reversal

Our net impairment loss increased by over 100% from approximately HK$0.1 million in FY17 to approximately HK$0.5 million in FY18. The increase was mainly due to the increase in trade receivables that were considered irrecoverable in FY18.

Other gains and losses

Our other gains and losses increased by approximately 140.2% from losses of approximately HK$1.8 million in FY17 to gains of approximately HK$0.7 million in FY18. Such variance is mainly due to exchange loss of HK$1.9 million incurred in FY17.

Selling and distribution costs

Our distribution costs decreased by approximately 24.2% from approximately HK$8.4 million in FY17 to approximately HK$6.3 million in FY18. This was mainly due to the decrease of approximately HK$1.0 million in transportation and freight charges resulting from lower sales volume.

Administrative expenses

Our administrative expenses decreased slightly by approximately 3.8% from approximately HK$17.1 million in FY17 to approximately HK$16.4 million in FY18. Not much variance was noted by us.

Finance costs

Our finance costs decreased by approximately 70.5% from approximately HK$1.7 million in FY17 to approximately HK$0.5 million in FY18. This was mainly due to the settlement of other borrowing and some bank term loans during the FY18.

Income tax expense

Our income tax expense decreased by approximately 11.9% from approximately HK$4.4 million in FY17 to approximately HK$3.9 million in FY18. It was mainly due to the decrease in assessable profit that is subject to Hong Kong profits tax.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. Tax on overseas profits has been calculated on the estimated assessable profits for FY18 at the rates of tax prevailing in the countries in which the Group operates.

Profit for the year

As a result of the above factors, profit for the FY18 stood at approximately HK$17.8 million (FY17: loss of approximately HK$0.2 million).

The above financial data were chosen to be presented in this annual report as they represent a material financial impact on the financial statements of the Group for FY17 and/or FY18. The Board believes that by presenting the changes of these financial data can effectively explain the financial performance of the Group for FY18.

FUTURE DEVELOPMENT AND PROSPECTS

In the year ahead, the Group hopes to utilize its growth potential. The Group will continue to explore new business opportunities for existing products in different markets so as to promote a diversified quality customer base by implementing strategic initiatives and enhancing marketing efforts. In addition, the Group will strive to 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 enhance its capabilities. Improved production efficiency and the enhancement of manufacturing flexibility are expected to add a competitive advantage to the Group and hence may generate more sales orders from both existing and new customers.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for FY18 (2017: Nil).

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 31 December 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 borrowings.

The Group maintained bank deposits, bank balances and cash amounting to approximately HK$29.4 million as at 31 December 2018 (2017: approximately HK$22.4 million), increased by approximately 31.4% as compared with that as at 31 December 2017. The functional currency of our Group is the Hong Kong dollar. As at 31 December 2018, 90.5% of our Group's cash and bank balances was denominated in Hong Kong dollar (31 December 2017: 42.5%) and the remaining 9.5% (31 December 2016: 57.5%) in other currencies, mainly the US dollar.

The Group's non-current assets decreased to approximately HK$35.2 million (2017: approximately HK$35.9 million), primarily due to the net effect of depreciation of plant and equipment and addition of plant and equipment.

As at 31 December 2018, the Group's current assets amounted to approximately HK$95.2 million, mainly comprised of inventories of approximately HK$10.7 million (2017: approximately HK$8.6 million), trade and other receivables of approximately HK$51.8 million (2017: approximately HK$88.5 million), taxation recoverable of HK$0.3 million (2017: nil), certificates of deposit of approximately HK$3.0 million (2017: approximately HK$3.0 million) and bank balance and cash of approximately HK$29.4 million (2017: approximately HK$22.4 million).

The Group's current liabilities amounted to approximately HK$31.8 million, mainly comprised of trade and other payables of approximately HK$19.3 million (2017: approximately HK$35.8 million), contract liabilities of approximately HK$0.5 million (2017: nil), taxation payable of approximately HK$0.3 million (2017: approximately HK$1.5 million), obligations under finance leases of approximately HK$4.3 million (2017: approximately HK$5.4 million), bank borrowing of approximately HK$7.4 million (2017: approximately HK$6.7 million) denominated in Hong Kong dollars with variable rates ranging from 2.75% to 5.00% per annum.

As at 31 December 2018, the net current assets of the Group decreased by approximately HK$4.7 million or approximately 7.0% to approximately HK$63.4 million (2017: approximately HK$68.1 million).

The Group had total bank borrowings and obligations under finance leases of approximately HK$13.0 million as at 31 December 2018 (2017: approximately HK$38.8 million).

As at 31 December 2018, the Group's borrowings were secured by certain machinery, certificates of deposit and assignment of trade receivables.

The Group's gearing ratio, which is total interest-bearing liabilities divided by total equity was approximately 13.4% (2017: approximately 47.0%). The Group's current ratio (calculated on the basis of the Group's current assets over current liabilities) stood at approximately 3.0 as at 31 December 2018 (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 under review. To manage the Group's liquidity risk, the management monitors the Group's liquidity position and maintains sufficient cash and cash equivalents within the Group, as well as ensuring 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 31 December 2018, the assets of the Group pledged are certain plant and machinery, certificates 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 PRC. The continuing depreciation of Renminbi ("**RMB**") may lead to a decrease of our cost of production. During FY18, the Group has not entered into any financial instrument for hedging purposes nor 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 FY18, the Group had acquired plant and equipment at approximately HK$4.6 million (2017: HK$1.4 million).

CAPITAL COMMITMENTS

As at 31 December 2018, the Group had no significant capital commitments.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no material contingent liabilities.

MATERIAL INVESTMENTS

The Group had not made or held any significant investments during FY18.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in "Future Plans and Use of Proceeds" of the prospectus of the Company (the "**Prospectus**"), the Group did not have other plans for material investments or capital assets.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

During FY18, the Group had not made any significant acquisition or disposal of subsidiaries, associates or joint venture.

EMPLOYEES' INFORMATION AND EMOLUMENT POLICIES

Employees of the Group

Our employees are based in Hong Kong and He Yuan, Guangdong Province, the PRC. As at 31 December 2018, there were 343 (2017: 377) employees in the Group. The total staff costs, including directors' emoluments, amounted to approximately HK$32.8 million for FY18 (FY17: approximately HK$43.0 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.

Employees of He Yuan Factory

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 31 December 2018, there were 329 (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 FY18.

UPDATE ON DIRECTORS' INFORMATION

During FY18, there was no change in the information of the Directors pursuant to Rule 17.50A(1) of the GEM Listing Rules.

FINANCIAL HIGHLIGHTS

Earnings (loss) per share (HK cents)

Earnings (loss) per ordinary share based on profit (loss) attributable to owners of the Group

	2018	2017
(i) Based on weighted average number of ordinary shares	**HK 1.78 cents**	(HK 0.02 cents)
(ii) On a fully diluted basis	**Not applicable**	Not applicable

The calculation of basic earnings (loss) per share is based on the profit of the Company of approximately HK$17,838,000 (2017: loss of approximately HK$177,000) and on the weighted average number of 1,000,000,000 (2017: 734,658,000) ordinary shares in issue during FY18.

Diluted earnings (loss) per share for the years ended 31 December 2018 and 2017 are not presented as there is no dilutive potential ordinary share.

Revenue (HK$'000)

	Year ended 31 December			
	2015	2016	2017	**2018**
Revenue	67,985	114,260	150,367	**123,812**

Net profit (loss) for the year (HK$'000)

	Year ended 31 December			
	2015	2016	2017	**2018**
Profit (loss) for the year attributable to owners of the Company	7,239	10,694	(177)	**17,838**

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 FY18, 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.

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

The Board conducted reviews of the system of internal controls of the Group to ensure an effective and adequate internal control system is in place. The Board also conducted meetings to discuss financial, operational and risk management control.

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 year ended 31 December 2018.

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 option outstanding as at 31 December 2018.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on the information that is publicly available to the Company, at least 25% of the Company's issued share capital were held by the public as at the date of this announcement.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining entitlement to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 7 May 2019 to 10 May 2019, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Tricor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 pm. on 6 May 2019.

ANNUAL GENERAL MEETING

The annual general meeting will be held on 10 May 2019. A notice convening the meeting will be issued and sent to the Shareholders in due course.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises Mr. Li Chun Hung, Mr. Ong Chor Wei and Mr. Yam Kam Kwong, all of whom are independent non-executive directors of the Company. 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 results of the Group for FY18.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of Smart Globe Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

		2018	2017
	Notes	***HK$'000***	*HK$'000*
Revenue	3	**123,812**	150,367
Cost of sales		**(79,389)**	(101,732)
Gross profit		**44,423**	48,635
Other income	4	**329**	1,731
Impairment loss on trade receivables, net of reversal		**(534)**	(38)
Other gains and losses	5	**731**	(1,819)
Selling and distribution costs		**(6,341)**	(8,363)
Administrative expenses		**(16,402)**	(17,051)
Listing expenses		**—**	(17,203)
Finance costs		**(494)**	(1,673)
Profit before taxation		**21,712**	4,219
Taxation	6	**(3,874)**	(4,396)
Profit (loss) for the year		**17,838**	(177)
Other comprehensive (expense) income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of a foreign operation		**(2,933)**	1,986
Total comprehensive income for the year		**14,905**	1,809
Earnings (loss) per share			
Basic (HK cents)	8	**1.78**	(0.02)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Plant and equipment		**35,206**	35,884
Current assets			
Inventories		**10,690**	8,624
Trade receivables, prepayments and deposits	9	**51,782**	88,500
Certificates of deposit		**2,983**	3,003
Tax recoverable		**288**	—
Bank balances and cash		**29,429**	22,398
		95,172	122,525
Current liabilities			
Trade and other payables	10	**19,309**	35,819
Contract liabilities		**528**	—
Taxation payable		**259**	1,473
Obligations under finance leases — due within one year		**4,352**	5,355
Bank borrowings		**7,372**	6,743
Other borrowing		**—**	5,044
		31,820	54,434
Net current assets		**63,352**	68,091
Total assets less current liabilities		**98,558**	103,975
Non-current liabilities			
Obligations under finance leases — due after one year		**1,292**	5,642
Other borrowing		**—**	15,972
		1,292	21,614
Net assets		**97,266**	82,361
Capital and reserves			
Share capital	11	**10,000**	10,000
Reserves		**87,266**	72,361
Total Equity		**97,266**	82,361

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note)	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 31 January 2017	—	—	—	(1,623)	18,240	16,617
Loss for the year	—	—	—	—	(177)	(177)
Other comprehensive expense — exchange differences arising from translation of a foreign operation	—	—	—	1,986	—	1,986
Total comprehensive income (expense) for the year	—	—	—	1,986	(177)	1,809
Issue of shares by CP Printing	12,290	—	—	—	—	12,290
Effect of group reorganisation	(12,290)	—	12,290	—	—	—
Dividend paid	—	—	—	—	(2,000)	(2,000)
Capitalisation issue	7,500	(7,500)	—	—	—	—
Issue of shares upon public offer and placing (the "**Share Offer**")	2,500	60,000	—	—	—	62,500
Costs incurred in connection with issue of share of the Company	—	(8,855)	—	—	—	(8,855)
At 31 December 2017	10,000	43,645	12,290	363	16,063	82,361
Profit for the year	—	—	—	—	17,838	17,838
Other comprehensive expense — exchange differences arising from translation of a foreign operation	—	—	—	(2,933)	—	(2,933)
Total comprehensive (expense) income for the year	—	—	—	(2,933)	17,838	14,905
At 31 December 2018	10,000	43,645	12,290	(2,570)	33,901	97,266

Note: 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 ("**CP Printing**") pursuant to the Reorganisation (as defined in note 1) completed in 2017.

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The ultimate holding company is Master Sage Limited ("**Master Sage**"), a company incorporated in the British Virgin Islands, which is ultimately controlled by Mr. Lam Tak Ling Derek ("**Mr. Lam**") and Mr. Chan Yee Yeung ("**Mr. Chan**").

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company.

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.

In preparation for the listing of the Company's shares on GEM of the Stock Exchange, the companies now comprising the Group underwent a reorganisation (the "**Reorganisation**") to rationalise the structure of the Group. Details of the principal steps of the Reorganisation are set out in note 1 in the Company's 2017 annual report dated 29 March 2018. The Reorganisation was completed on 24 May 2017.

The Group resulting from the Reorganisation, which involves interspersing the Company and Wealthy Global Group Limited between CP Printing and its shareholders, is regarded as a continuing entity. Accordingly, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2017 have been prepared to include the results, changes in equity and cash flows of the companies now comprising the Group as if the group structure upon the completion of the Reorganisation had been in existence throughout the year, or since their respective dates of incorporation where this is a shorter period and in accordance with the principles of merger accounting as set out in the Accounting Guideline 5 "Merger Accounting For Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and amendments to HKFRSs which are effective for the first time in the current year:

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

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard, if any, recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from production, distribution and printing of books, novelty and packaging products.

The application of HKFRS 15 has had no material impact on the Group's financial position or retained profits as at 1 January 2018.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	**Adjustments**	**Amounts without application of HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Trade and other payables	19,309	528	19,837
Contract liabilities	528	(528)	—

As at 31 December 2018, an amount of HK$528,000 in respect of received in advance from customers was classified as contract liabilities and the amount will remain in trade and other payables without the application of HKFRS 15.

2.2 HKFRS 9 "Financial Instruments"

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities and (2) expected credit losses ("**ECL**") for financial assets.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The differences between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

There has been no material changes in classification and measurement on the Group's financial instruments as a result of the adoption of HKFRS 9.

Impairment under ECL model

In relation to the impairment of financial assets, HKFRS 9 requires an ECL model, as opposed to an incurred credit loss model under HKAS 39. The ECL model requires an entity to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In the current period, the Group has applied HKFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables. To measure the ECL, trade receivables have been assessed individually and/or grouped based on share credit risk characteristics.

Loss allowance for other financial assets at amortised cost mainly comprise of certificates of deposits and bank balances, are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, no additional credit loss allowance has been recognised against retained profits as the estimated allowance under the ECL model were not significantly different to the impairment losses previously recognised under HKAS 39.

The Group has not early applied the following new and amendments to HKFRSs and interpretations that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combination and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for the new HKFRS mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede the current lease guidance including HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of HKFRS 16 will not result in changes in classification of these assets and will continue to present within the same line item at which the corresponding underlying assets would be presented if they were owned.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$1,042,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$171,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

The Group will elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) - Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) - Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group will elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulate effect of initial application to opening retained profits without restating the comparative information.

3. REVENUE AND SEGMENT INFORMATION

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

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

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

	2018	2017
	HK$'000	*HK$'000*
Revenue recognised at a point in time		
Books products	**101,743**	137,542
Novelty and packaging products	**22,069**	12,825
	123,812	150,367

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 executive directors of the Company, being the chief operating decision maker ("**CODM**"). Accordingly, the Group has only one operating segment. 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. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers	
	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**42,495**	41,947
United Kingdom	**37,509**	8,590
Netherlands	**16,218**	7,994
United States	**13,631**	81,279
The PRC	**10,818**	7,153
Belgium	**539**	773
Others	**2,602**	2,631
	123,812	150,367

	Non-current assets	
	2018	2017
	HK$'000	*HK$'000*
The PRC	**35,184**	35,853
Hong Kong	**22**	31
	35,206	35,884

Revenue from customers contributing over 10% of total revenue of the Group during the year are as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer I	**21,222**	N/A[1]
Customer II	**15,830**	N/A[1]
Customer III	**N/A[1]**	63,095

1 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

4. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Government grant	**271**	1,010
Bank and other interest income	**36**	24
Inspection income	**—**	421
Sundry income	**22**	276
	329	1,731

5. OTHER GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'000*
Exchange gain (loss)	**432**	(1,923)
Gain on disposal of plant and equipment	**299**	104
	731	(1,819)

6. TAXATION

	2018	2017
	HK$'000	*HK$'000*
The charge (credit) comprises:		
Hong Kong Profits Tax		
Charge for the year	**3,396**	3,709
Underprovision (overprovision) in prior years	**110**	(20)
	3,506	3,689
PRC Enterprise Income Tax		
Charge for the year	**349**	681
Underprovision in prior year	**19**	26
	368	707
	3,874	4,396

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

During the year ended 31 December 2018, Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

During the year ended 31 December 2017, Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

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 years.

7. DIVIDENDS

No dividend has been proposed by the directors of the Company up to date of issuance of these consolidated financial statements.

During the year ended 31 December 2017, total dividend of HK$2,000,000 were declared and distributed by CP Printing to its then shareholders.

8. EARNINGS (LOSS) PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Profit (loss) for the year attributable to owners of the Company	**17,838**	(177)

	2018	2017
	'000	*'000*
Weighted average number of ordinary shares	**1,000,000**	734,658

The number of ordinary shares for the purpose of calculating basic earnings (loss) per share for the year ended 31 December 2017 has been determined on the assumption that the Reorganisation and the Capitalisation Issue (as defined in note 11) 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 year.

9. TRADE RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**48,593**	31,230
Less: Allowance for impairment loss	**(2,141)**	(1,607)
	46,452	29,623
Proceeds receivable from the Share Offer *(Note)*	**—**	56,250
Rental deposits	**171**	159
Prepayments and deposits	**5,159**	2,468
Total trade receivables, prepayments and deposits	**51,782**	88,500

Note: The amount represents the proceeds from the Share Offer collected by the bookrunner on behalf of the Company. The amount was fully settled on 10 January 2018.

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

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**16,983**	9,167
31 to 60 days	**6,297**	6,855
61 to 90 days	**7,330**	4,360
Over 90 days	**15,842**	9,241
	46,452	29,623

10. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**11,668**	14,855
Accrued listing expenses	**—**	9,947
Accrued expenses	**6,092**	5,878
Other payables	**1,549**	5,139
Total trade and other payables	**19,309**	35,819

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:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**9,282**	9,266
31 to 60 days	**1,922**	328
61 to 90 days	**190**	34
Over 90 days	**274**	5,227
	11,668	14,855

11. SHARE CAPITAL

The issued share capital as at 1 January 2017 represented the issued share capital of CP Printing Limited. The share capital as at 31 December 2018 and 31 December 2017 represents the issued share capital of the Company with details as follows:

	Notes	**Number of shares**	**Share capital** *HK$'000*
Authorised:			
At date of incorporation (ordinary shares of HK$0.01 each)	(a)	39,000,000	390
Increase in authorised share capital	(b)	1,961,000,000	19,610
At 31 December 2017 and 2018		**2,000,000,000**	20,000
Issued and fully paid:			
At date of incorporation	(a)	1	—
Issue of shares on Reorganisation	(a)	999	—
Issue of shares on Capitalisation Issue	(c)	749,999,000	7,500
Issue of shares from the Share Offer	(d)	250,000,000	2,500
At 31 December 2018 and 31 December 2017		**1,000,000,000**	10,000

Notes:

(a) On 5 May 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of HK$390,000 divided into 39,000,000 shares of HK$0.01 each. On the date of its incorporation, (i) one share was issued to the initial subscriber, which was transferred to Master Sage, a company directly owned as to 50% and 50% by Mr. Lam and Mr. Chan. On the same day; (ii) 899 shares were issued to Master Sage; and (iii) 100 shares were issued to Fortune Corner, a company wholly owned by Ms. Tse Yuen Shan Ivy.

(b) On 4 December 2017, the authorised share capital of the Company was increased from HK$390,000 divided into 39,000,000 shares to HK$20,000,000 divided into 2,000,000,000 shares by the creation of an additional 1,961,000,000 shares, ranking pari passu in all respect with the then existing shares.

(c) Pursuant to the written resolutions passed by the sole shareholder of the Company on 4 December 2017, upon completion of the public offer and placing on 28 December 2017, the Company was authorised to capitalise a sum of HK$7,500,000 standing to the credit of the share premium account of the Company and applied such amount to pay up in full at par of 749,999,000 ordinary shares of the Company (the "**Capitalisation Issue**").

(d) In connection with the listing of the shares of the Company on GEM of the Stock Exchange on 28 December 2017, the Company allotted and issued a total of 250,000,000 new shares at HK$0.25 per share.

PRELIMINARY ANNOUNCEMENT OF THE RESULTS

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to our business partners, shareholders, staff and management for their continuous dedication, commitment and support.

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

Hong Kong, 18 March 2019

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.