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SMART GLOBE HOLDINGS LIMITED **竣球控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8485)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2019

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

FINANCIAL HIGHLIGHTS

For the three months ended 31 March 2019, revenue of the Group was approximately HK\$24.0 million, representing an increase of approximately 27.0% compared to the corresponding period in 2018.

For the three months ended 31 March 2019, gross profit of the Group increased by approximately 29.8% to approximately HK\$7.4 million compared to the corresponding period of last year.

Net profit for the three months ended 31 March 2019 amounted to approximately HK\$1.2 million, representing an increase of more than 100.0% compared to the corresponding period in 2018.

Basic earnings per share for the three months ended 31 March 2019 was approximately HK\$0.12 cents, and basic earnings per share for the three months ended 31 March 2018 was approximately HK\$0.03 cents.

The Board does not recommend the payment of any interim dividend for the three months ended 31 March 2019 (three months ended 31 March 2018: nil).

FIRST QUARTERLY RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 31 March 2019 together with the comparative unaudited figures for the three months ended 31 March 2018 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2019

| | Notes | Three months ended 31 March | |
|--|-------|---------------------------------|---------------------------------|
| | | 2019 HK\$'000 (unaudited) | 2018 HK\$'000 (unaudited) |
| Revenue | 3 | 23,978 | 18,892 |
| Cost of sales | | <u>(16,627)</u> | <u>(13,201)</u> |
| Gross profit | | 7,351 | 5,691 |
| Other income | 4 | 158 | 273 |
| Other gains and losses | 5 | (101) | (73) |
| Selling and distribution costs | | (1,426) | (1,021) |
| Administrative expenses | | (4,298) | (4,413) |
| Finance costs | | <u>(89)</u> | <u>(185)</u> |
| Profit before taxation | | 1,595 | 272 |
| Taxation | 6 | <u>(424)</u> | <u>(54)</u> |
| Profit for the period | | 1,171 | 218 |
| Other comprehensive income for the period | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences arising from translation of a foreign operation | | <u>1,122</u> | <u>1,633</u> |
| Total comprehensive income for the period | | <u>2,293</u> | <u>1,851</u> |
| Earnings per share | | | |
| Basic (HK cents) | 8 | <u>0.12</u> | <u>0.03</u> |

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2019

| | Share capital <i>HK\$'000</i> | Share premium <i>HK\$'000</i> | Special reserve <i>HK\$'000</i> | Translation reserve <i>HK\$'000</i> | Retained profits <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|-------------------------------------|-------------------------------------|---------------------------------------|---|--|--------------------------|
| At 1 January 2018 | 10,000 | 43,645 | 12,290 | 363 | 16,063 | 82,361 |
| Profit for the period | — | — | — | — | 218 | 218 |
| Other comprehensive income | | | | | | |
| — exchange differences arising from translation of a foreign operation | — | — | — | 1,633 | — | 1,633 |
| Total comprehensive income for the period | — | — | — | 1,633 | 218 | 1,851 |
| At 31 March 2018 | <u>10,000</u> | <u>43,645</u> | <u>12,290</u> | <u>1,996</u> | <u>16,281</u> | <u>84,212</u> |
| At 1 January 2019 | 10,000 | 43,645 | 12,290 | (2,570) | 33,901 | 97,266 |
| Profit for the period | — | — | — | — | 1,171 | 1,171 |
| Other comprehensive income | | | | | | |
| — exchange differences arising from translation of a foreign operation | — | — | — | 1,122 | — | 1,122 |
| Total comprehensive income for the period | — | — | — | 1,122 | 1,171 | 2,293 |
| At 31 March 2019 | <u>10,000</u> | <u>43,645</u> | <u>12,290</u> | <u>(1,448)</u> | <u>35,072</u> | <u>99,559</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the three months ended 31 March 2019

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.

2. BASIS OF PREPARATION

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

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

The accounting policies adopted in preparing the unaudited consolidated financial statements are consistent with those applied in the annual financial statements for the year ended 31 December 2018.

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

3. REVENUE

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

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

| | Three months ended 31 March | |
|--------------------------------|------------------------------------|------------------------|
| | 2019 | 2018 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Books products | 21,942 | 15,948 |
| Novelty and packaging products | 2,036 | 2,944 |
| | <u>23,978</u> | <u>18,892</u> |

4. OTHER INCOME

| | Three months ended 31 March | |
|--------------------------------|------------------------------------|------------------------|
| | 2019 | 2018 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Bank and other interest income | 20 | 16 |
| Government grant | — | 85 |
| Sundry income | 138 | 172 |
| | <u>158</u> | <u>273</u> |

5. OTHER GAINS AND LOSSES

| | Three months ended 31 March | |
|--|-----------------------------|--------------------------|
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Exchange loss | (122) | (73) |
| Reversal of impairment loss on trade receivables | 20 | — |
| Gain on disposal of plant and equipment | 1 | — |
| | <u> </u> | <u> </u> |
| | <u> </u> | <u> </u> |
| | (101) | (73) |

6. TAXATION

| | Three months ended 31 March | |
|--|-----------------------------|--------------------------|
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| The charge comprise: | | |
| Hong Kong Profit Tax Charge for the period | 43 | 54 |
| PRC Enterprise Income Tax (“EIT”) | | |
| Charge for the period | 381 | — |
| | <u> </u> | <u> </u> |
| | <u> </u> | <u> </u> |
| | 424 | 54 |

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 period ended 31 March 2019, 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.

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 was paid or declared by the Company during the three months ended 31 March 2019 (2018: Nil), nor has any dividend been proposed since the end of the reporting period up to date of issuance of these financial statements.

8. EARNINGS PER SHARE

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

| | Three months ended 31 March | |
|---|------------------------------------|------------------------|
| | 2019 | 2018 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Profit for the period attributable to owners of the Company | <u>1,171</u> | <u>218</u> |
| | | |
| | Three months ended 31 March | |
| | 2019 | 2018 |
| | '000 | '000 |
| | (unaudited) | (unaudited) |
| Weighted average number of ordinary shares | <u>1,000,000</u> | <u>750,000</u> |

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In view of the uncertain global economy, the Group will strive to launch various credit controls, and further tighten the control over operating expenses, while streamlining production control and improving manufacturing efficiency with advanced machinery to minimise the labour cost and maximise the facility utilisation rate.

Business Review

As one of the leading printing service providers, the Group is engaged in its core business of printing books products and novelty and packaging products. It provides a full suite of services from pre-press to printing to finishing services, as well as producing custom-made and value added printing products.

For the three months ended 31 March 2019, the Group recorded an increase in its total revenue by approximately 27.0% to approximately HK\$24.0 million from approximately HK\$18.9 million for the three months ended 31 March 2018. This is mainly due to the fact that we have obtained more customer orders from the U.S. customers in the books products segment for the three months ended 31 March 2019. Profit attributable to owners of the Company was approximately HK\$1.2 million, representing an increase of more than 100.0% from approximately profit attributable to owners of HK\$0.2 million for the three months ended 31 March 2018.

For the three months ended 31 March 2019, approximately 91.5% of total revenue was contributed by the book products segment amounting to approximately HK\$21.9 million (three months ended 31 March 2018: approximately HK\$15.9 million). This segment's performance has improved compared with that of the corresponding period in 2018 mainly due to the increase in orders placed by U.S. customers with us.

Financial Review

Revenue

Our revenue increased by approximately 27.0% from approximately HK\$18.9 million for the three months ended 31 March 2018 to approximately HK\$24.0 million for the three months ended 31 March 2019. This was mainly due to more customer orders received from the book products segment compared to the same period of last year.

Gross profit margin

Our overall gross profit margin increased from approximately 30.2% for the three months ended 31 March 2018 to approximately 30.8% for the three months ended 31 March 2019. No material fluctuation was noted during the reporting period.

Other income

Our other income decreased by approximately 33.3% from approximately HK\$0.3 million for the three months ended 31 March 2018 to approximately HK\$0.2 million in same period of this year. The decrease was mainly due to the decrease of government grants received during the reporting period.

Other gains and losses

Our other losses remained constant of approximately HK\$0.1 million for the three months ended 31 March 2019 and 2018. It mainly represented the exchange loss incurred for the three months ended 31 March 2019 and 2018. No material fluctuation was noted for the reporting period.

Selling and distribution costs

Our distribution costs increased by approximately 40.0% from approximately HK\$1.0 million for three months ended 31 March 2018 to approximately HK\$1.4 million for the three months ended 31 March 2019. This was mainly due to the increase in transportation and freight charges resulting from larger sales volume.

Administrative expenses

Our administrative expenses remain stable to be in the amount of approximately HK\$4.4 million and HK\$4.3 million for the three months ended 31 March 2018 and 2019, respectively. No material fluctuation was noted during the reporting period.

Finance costs

Our finance costs decreased by approximately 50.0% from approximately HK\$0.2 million for the three months ended 31 March 2018 to approximately HK\$0.1 million for the three months ended 31 March 2019. This was mainly due to the decrease of outstanding borrowings during the three months ended 31 March 2019.

Income tax expense

Our income tax expense increased by more than 100.0% from approximately HK\$0.1 million for the three months ended 31 March 2018 to approximately HK\$0.4 million for the three months ended 31 March 2019. It was mainly due to the increase in assessable profit that is subject to taxation.

Profit for the reporting period and profit attributable to owners of the Company

As a result of the above factors, profit for the period and profit attributable to owners of the Company stood at approximately HK\$1.2 million.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2019, 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 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) The Company is directly owned as to 67.5% by Master Sage Limited (“**Master Sage**”). Master Sage is directly owned as to 50% and 50% by Mr. Lam and Mr. Chan, respectively. By virtue of the SFO, each of Mr. Lam and Mr. Chan is deemed to be interested in the Shares held by Master Sage.
- (2) The Company is directly owned as to 7.5% by Fortune Corner Holdings Limited (“**Fortune Corner**”). Fortune Corner is wholly owned by Ms. Tse. By virtue of the SFO, Ms. Tse is deemed to be interested in the Shares held by Fortune Corner.

Other than as disclosed above, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 March 2019.

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

As at 31 March 2019, 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 31 March 2019, 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 three months ended 31 March 2019.

CONTROLLING SHAREHOLDER’S INTERESTS IN SIGNIFICANT CONTRACTS

As far as the Directors are aware, at no time during the three months ended 31 March 2019 had the Company or any of its subsidiaries and the controlling shareholders (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.

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 three months ended 31 March 2019.

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 three months ended 31 March 2019. 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 three months ended 31 March 2019, 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 three months ended 31 March 2019, the Company has applied the principles and complied with all the applicable code provisions set out in the CG code.

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the three months ended 31 March 2019 (three months ended 31 March 2018: nil).

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 4 December 2017 (the "**Scheme**"). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. No share options has been granted since the adoption of the Scheme and there were no option outstanding as at 31 March 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the securities of the Company during the three months ended 31 March 2019.

INTERESTS OF THE COMPLIANCE ADVISER

As confirmed by the Group's compliance adviser, Red Sun Capital Limited (the "**Compliance Adviser**"), as at 31 March 2019, 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 the three independent non-executive Directors, namely Mr. Li Chun Hung, Mr. Ong Chor Wei and Mr. Yam Kam Kwong. The chairman of the Audit Committee is Mr. Li Chun Hung, who holds the appropriate professional qualifications. None of the members of the Audit Committee are former partners of the Company's existing external auditors.

The Group's unaudited consolidated financial results for the three months ended 31 March 2019 have been reviewed by the Audit Committee and the management, which were of the view that the preparation of such financial results have complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

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

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 14 May 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 Listed 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>.