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

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

**(Stock Code: 8485)**

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 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 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$61.3 million for the six months ended 30 June 2019 (six months ended 30 June 2018: approximately HK$47.1 million), representing an increase of approximately 30.3% as compared to the six months ended 30 June 2018.

— The profit attributable to owners of the Company is approximately HK$5.7 million for the six months ended 30 June 2019 (six months ended 30 June 2018: approximately HK$1.8 million), representing an increase of approximately more than 100.0% as compared to the six months ended 30 June 2018.

— Basic earning per share for the six months ended 30 June 2019 was approximately HK$0.57 cents (six months ended 30 June 2018: approximately HK$0.18 cents).

— The board of Directors (the "**Board**") does not recommend the payment of any interim dividend for the six months ended 30 June 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

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

**Business Review**

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

For the six months ended 30 June 2019, the Group recorded an increase in its total revenue by approximately 30.3% to approximately HK$61.3 million from approximately HK$47.1 million for the six months ended 30 June 2018. This was mainly due to increase in sale in the book product segment in the United Kingdom ("**UK**"), Hong Kong ("**HK**") and the United States ("**U.S.**"). Profit attributable to owners of the Company was approximately HK$5.7 million, representing an increase of more than 100.0% from approximately HK$1.8 million for the six months ended 30 June 2018.

For the six months ended 30 June 2019, approximately 83.1% of total revenue was contributed by the book products segment. Revenue contributed by the book products segment was approximately HK$50.9 million, representing an increase of approximately 33.1% compared to revenue contributed by the same segment for the six months ended 30 June 2018 of approximately HK$38.3 million. The increase was mainly due to the increase in orders placed by UK, HK and U.S. customers with us.

**Outlook**

In the year ahead, the Group will continue to explore and capture new business opportunities for potential growth by enhancing our marketing strategy to expand our quality customer base and promote our one-stop printing services to existing and potential customers as well as the Group will strive to further tighten control over its operating expenses and streamline the production processes.

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

**Financial Review**

***Revenue***

Our revenue increased by approximately 30.3% from approximately HK$47.1 million for the six months ended 30 June 2018 to approximately HK$61.3 million for the six months ended 30 June 2019. This was mainly due to more customer orders received from U.S., HK and UK in the book's products segment compared to the same period of last year.

***Gross profit margin***

Our overall gross profit margin increased from approximately 32.4% for the six months ended 30 June 2018 to approximately 34.6% for the six months ended 30 June 2019. The increase in gross profit margin was mainly due to less discounts were given to customers from U.S. and better streamlined production management.

***Other income***

Our other income decreased by approximately 58.7% from approximately HK$0.6 million for the six months ended 30 June 2018 to approximately HK$0.2 million in same period of this year. The decrease was mainly due to the decrease of sundry income of approximately of HK$0.3 million for the period.

*Other gains and losses*

Our other losses decreased by approximately 72.0% from approximately HK0.1 million for the six months ended 30 June 2018 to approximately of HK$0.04 million for the six months ended 30 June 2019. This was mainly due to less exchange loss incurred and more reversal of impairment losses on trade receivables for the period.

*Selling and distribution costs*

Our distribution costs increased by approximately 30.3% from approximately HK$2.3 million for six months ended 30 June 2018 to approximately HK$3.0 million for the six months ended 30 June 2019. This was mainly due to the increase in transportation and freight charges resulting from higher sales volume.

*Administrative expenses*

Our administrative expenses increased by approximately 4.2% from approximately HK$10.8 million for the six months ended 30 June 2018 to approximately HK$11.3 million for the six months ended 30 June 2019. No material fluctuation was noted.

*Finance costs*

Our finance costs decreased by approximately 14.8% from approximately HK$0.3 million for the six months ended 30 June 2018 to approximately HK$0.2 million for the six months ended 30 June 2019. This was mainly due to lesser outstanding balances of hire purchased plant and equipment.

*Income tax expense*

Our income tax expense increased by more than 100.0% from approximately HK$0.5 million for the six months ended 30 June 2018 to approximately HK$1.2 million for the six months ended 30 June 2019. It was mainly due to the increase in assessable profits that was subject to taxation for the period.

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 at the rates of tax prevailing in the countries in which the Group operates.

***Profit for the period***

As a result of the above factors, net profit for the period stood at approximately HK$5.7 million.

## CAPITAL STRUCTURE

The shares of the Company were successfully listed on GEM of the Stock Exchange on 28 December 2017. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises ordinary shares.

As at 30 June 2019, 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 balances and cash amounting to approximately HK$34.3 million as at 30 June 2019 (as at 31 December 2018: approximately HK$29.4 million), which increased by approximately 16.5% as compared with that as at 31 December 2018.

The Group's non-current assets increased to approximately HK$39.1 million as at 30 June 2019 (as at 31 December 2018: approximately HK$35.2 million), primarily due to acquisition of plant and equipment and the recognition of right-of-use assets.

As at 30 June 2019, the Group's current assets amounted to approximately HK$96.4 million, which comprised inventories of approximately HK$10.8 million (as at 31 December 2018: approximately HK$10.7 million), trade and other receivables of approximately HK$48.3 million (as at 31 December 2018: approximately HK$51.8 million), certificates of deposits of approximately HK$3.0 million (as at 31 December 2018: approximately HK$3.0 million) and cash and cash equivalents of approximately HK$34.3 million (as at 31 December 2018: approximately HK$29.4 million).

As at 30 June 2019, the Group's current liabilities amounted to approximately HK$32.3 million, which comprised trade and other payables of approximately HK$23.2 million (as at 31 December 2018: approximately HK$19.3 million), contract liabilities of approximately HK$0.3 million (as at 31 December 2018: approximately HK$0.5 million), taxation payable of approximately HK$0.9 million (as at 31 December 2018: approximately HK$0.3 million), lease liabilities/obligations under finance leases of approximately HK$5.2 million (as at 31 December 2018: approximately HK$4.4 million), bank borrowing of approximately HK$2.7 million (as at 31 December 2018: approximately HK$7.4 million) denominated in Hong Kong dollars with variable rates ranging from 2.75% to 5.00% per annum.

As at 30 June 2019, the net current assets of the Group increased by approximately HK$0.8 million or approximately 1.2% to approximately HK$64.1 million (as at 31 December 2018: approximately HK$63.4 million).

The Group had total bank borrowings and lease liabilities/obligations under finance leases of approximately HK$8.4 million as at 30 June 2019 (as at 31 December 2018: approximately HK$13.0 million).

As at 30 June 2019, the Group's borrowings were secured, certificates of deposit and assignment of trade receivables.

The Group's gearing ratio, which was calculated as total interest-bearing liabilities divided by total equity as at the relevant reporting date was approximately 8.2% (as at 31 December 2018: approximately 13.4%). The Group's current ratio, which was calculated as current assets divided by current liabilities as at the relevant reporting date stood at approximately 3.0 as at 30 June 2019 (as at 31 December 2018: approximately 3.0).

## TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period. To manage liquidity risk, the management monitors the Group's liquidity position and maintain sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to settle the payables of the Group.

## CHARGES ON GROUP ASSETS

As at 30 June 2019, the assets of the Group pledged are certificates of deposits and assignment of trade receivables.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

As its revenue is mainly denominated in United States dollars ("**US$**") and Hong Kong dollars ("**HK$**"), and HK$ is pegged to US$, the Group's exposure to fluctuations in exchange rate in relation to the Group's revenue is relatively low.

The Group is also exposed to foreign exchange risks as the Group's production is mainly in the People's Republic of China (the "**PRC**"). Any appreciation of Renminbi ("**RMB**") may lead to an increase of our cost of production. During the six months ended 30 June 2019, the Group had not entered into any financial instrument for hedging purposes or other hedging instruments to hedge against foreign exchange rate risks. The Group will keep on reviewing and monitoring the exchange fluctuation between RMB and HK$, and will consider entering into hedging arrangement as and when appropriate.

## CAPITAL EXPENDITURE

During the six months ended 30 June 2019, the Group had acquired property, plant and equipment of approximately HK$3.6 million.

## CAPITAL COMMITMENTS

As at 30 June 2019 and 31 December 2018, the Group had no significant capital commitments.

## CONTINGENT LIABILITIES

As at 30 June 2019 and 31 December 2018, the Group had no material contingent liabilities.

## DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

## USE OF PROCEEDS

On 28 December 2017, the Company's shares were listed (the "**Listing**") on GEM and 250,000,000 new shares of HK$0.01 each were issued at HK$0.25. The net proceeds from the Listing was approximately HK$36.4 million after payment of transaction costs and listing expenses. As disclosed in the Company's announcement dated 21 September 2018, the Board has resolved to reallocate the remaining balance of the net proceeds. In the light of the current market condition, the Company considers that the demand for novelty and packaging products is high and the packaging production segment represents great potential to generate stable revenue to the Group despite the uncertainty in the economy due to the trade conflicts between China and the United States. Therefore, the Board has resolved to allocate most of the remaining net proceeds to the purchasing of machinery for upgrading our production equipment to enhance level of automation and production efficiency with an aim to expand the packaging production capacity of the Group. For further details, please refer to the announcement of the Company dated 21 September 2018. As at the date of this announcement, utilisation of the net proceeds from the Listing is as follows:

| | **Revised utilization as disclosure in the announcement dated 21 September 2018** | **Utilisation** | **Balance** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Expansion of production capacity | 20,399 | 8,490 | 11,909 |
| Loan repayment | 10,933 | 10,933 | — |
| Expansion of sale and distribution network | 1,466 | 548 | 918 |
| General working capital | 3,644 | 3,644 | — |

## MATERIAL INVESTMENTS

The Group had not made any significant investments during the six months ended 30 June 2019.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

## MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During six months ended 30 June 2019, the Group had not made any significant acquisition or disposal of subsidiaries, associates or joint ventures.

## EMPLOYEES' INFORMATION AND EMOLUMENT POLICIES

Our employees are based in Hong Kong and He Yuan, Guangdong Province, the PRC. As at 30 June 2019, there were 327 (as at 31 December 2018: 343) employees in the Group. The total staff costs, including directors' emoluments, amounted to approximately HK$15.7 million during the six months ended 30 June 2019 (six months ended 30 June 2018: approximately HK$15.5 million). Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical insurance, and grants discretionary incentive bonuses to eligible staff based on their performance and contributions to the Group.

The workers working at our production site located at Heyuan Hi-Tech Development Zone, Heyuan, Guangdong Province, the PRC ("**He Yuan Factory**") are employed by the He Yuan Factory. As at 30 June 2019, there were 314 (as at 31 December 2018: 329) employees in the He Yuan Factory.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the securities of the Company during the six months ended 30 June 2019.

## UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 17.50A (1) of the GEM Listing Rules, there were changes in the information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 17.50(2) of the GEM Listing Rules in the course of the term of office of the Directors since the date of the annual report for the year ended 31 December 2018 of the Company up to the date of this announcement.

On 1 February 2019, Mr. Ong Chor Wei, an independent non-executive Director of the Company, resigned from being a non-executive director of Vico International Holdings Limited (a company listed on the Main Board with Stock Code: 1621).

Save as disclosed above, there was no change in the information of the Directors which was required to be disclosed pursuant to Rule 17.50A (1) of the GEM Listing Rules during the six months ended 30 June 2019.

## 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 June 2019.

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 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, 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 *(note 1)* | 675,000,000 | 67.5% |
| Chan Yee Yeung ("**Mr. Chan**") | Held by controlled corporation *(note 1)* | 675,000,000 | 67.5% |
| Tse Yuen Shan Ivy ("**Ms. Tse**") | Held by controlled corporation *(note 2)* | 75,000,000 | 7.5% |

*Notes:*

(1) Our Company is directly owned as to 67.5% by Master Sage Limited ("**Master Sage**"). Master Sage is directly owned as to 50% and 50% by Mr. Lam and Mr. Chan, respectively. By virtue of the SFO, each of Mr. Lam and Mr. Chan is deemed to be interested in the Shares held by Master Sage.

(2) Our Company is directly owned as to 7.5% by Fortune Corner Holdings Limited ("**Fortune Corner**"). Fortune Corner is wholly owned by Ms. Tse. By virtue of the SFO, Ms. Tse is deemed to be interested in the Shares held by Fortune Corner.

Other than as disclosed above, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2019.

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

So far as the Directors are aware, as at 30 June 2019, no entities or persons (not being a Director or chief executive of the Company) had an interest and short position in the shares and underlying shares of the Company as required to be recorded in the register maintained by the Company pursuant to section 336 of the SFO.

## MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the six months ended 30 June 2019.

## CONTROLLING SHAREHOLDER’S INTERESTS IN SIGNIFICANT CONTRACTS

As far as the Directors are aware, at no time during year 2018 and for the six months ended 30 June 2019 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 significant or any contracts of significance for the provision of services by the Controlling Shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

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

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

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 six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 2019, the Company has applied the principles and complied with all the applicable code provisions set out in the CG code.

CG Code provision A.6.7 requires that independent non-executive Directors shall attend general meetings and develop a balanced understanding of the views of shareholders. All independent non-executive Directors attended the annual general meeting held on 10 May 2019.

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

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company (the "**Code of Conduct**"), Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the six months ended 30 June 2019.

## INTERESTS OF THE COMPLIANCE ADVISER

As confirmed by the Group's compliance adviser, Red Sun Capital Limited (the "**Compliance Adviser**"), as at 30 June 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 three independent non-executive Directors, namely Mr. Li Chun Hung, Mr. Ong Chor Wei and Mr. Yam Kam Kwong. The chairman of the Audit Committee is Mr. Li Chun Hung, who holds the appropriate professional qualifications. None of the members of the Audit Committee are former partners of the Company's existing external auditors.

## INTERIM RESULTS

The Board is pleased to announce the condensed consolidated results of the Group for the six months ended 30 June 2019, together with the comparative figures for the six months ended 30 June 2018, as follows:

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

*For the six months ended 30 June 2019*

| | | | |
|---|---|---|---|
| | | **Six months ended 30 June** | |
| | | **2019** | 2018 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| | | **(Unaudited)** | (Unaudited) |
| Revenue | 3 | **61,295** | 47,059 |
| Cost of sales | | **(40,078)** | (31,811) |
| Gross profit | | **21,217** | 15,248 |
| Other income | 4 | **241** | 584 |
| Other gains and losses | 5 | **(35)** | (125) |
| Selling and distribution costs | | **(2,966)** | (2,277) |
| Administrative expenses | | **(11,304)** | (10,846) |
| Finance costs | | **(236)** | (277) |
| Profit before taxation | | **6,917** | 2,307 |
| Taxation | 6 | **(1,240)** | (512) |
| Profit for the period | | **5,677** | 1,795 |
| **Other comprehensive expense** | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences arising from translation of a foreign operation | | **(184)** | (544) |
| Total comprehensive income for the period | | **5,493** | 1,251 |
| Earnings per share | | | |
| — Basic (HK cent) | 8 | **0.57** | 0.18 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 June 2019*

| | Notes | **As at 30 June 2019** *HK$'000* **(Unaudited)** | As at 31 December 2018 *HK$'000* (Audited) |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 9 | **39,113** | 35,206 |
| Current assets | | | |
| Inventories | | **10,814** | 10,690 |
| Trade and other receivables | 10 | **48,324** | 51,782 |
| Certificates of deposits | | **2,989** | 2,983 |
| Tax recoverable | | **—** | 288 |
| Bank balances and cash | | **34,274** | 29,429 |
| | | **96,401** | 95,172 |
| Current liabilities | | | |
| Trade and other payables | 12 | **23,176** | 19,309 |
| Contract liabilities | | **292** | 528 |
| Taxation payable | | **885** | 259 |
| Lease liabilities/obligations under finance leases | | **5,224** | 4,352 |
| Bank borrowings | 13 | **2,714** | 7,372 |
| | | **32,291** | 31,820 |
| Net current assets | | **64,110** | 63,352 |
| Total assets less current liabilities | | **103,223** | 98,558 |

| | Note | **As at 30 June 2019** *HK$'000* **(Unaudited)** | As at 31 December 2018 *HK$'000* (Audited) |
|---|---|---|---|
| Non-current liabilities | | | |
| Lease liabilities/obligations under finance leases | | **464** | 1,292 |
| Net assets | | **102,759** | 97,266 |
| Capital and reserves | | | |
| Share capital | 14 | **10,000** | 10,000 |
| Reserves | | **92,759** | 87,266 |
| Total equity | | **102,759** | 97,266 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2019*

| | Share capital | Share premium | Special reserve | Translation reserve | Retained profits | Total |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* *(Note)* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 January 2018 (audited) | 10,000 | 43,645 | 12,290 | 363 | 16,063 | 82,361 |
| Profit for the period | — | — | — | — | 1,795 | 1,795 |
| Other comprehensive expense for the period | | | | | | |
| — exchange differences arising on translation of a foreign operation | — | — | — | (544) | — | (544) |
| Total comprehensive (expense) income for the period | — | — | — | (544) | 1,795 | 1,251 |
| At 30 June 2018 (unaudited) | 10,000 | 43,645 | 12,290 | (181) | 17,858 | 83,612 |
| At 1 January 2019 (audited) | 10,000 | 43,645 | 12,290 | (2,570) | 33,901 | 97,266 |
| Profit for the period | — | — | — | — | 5,677 | 5,677 |
| Other comprehensive expense for the period | | | | | | |
| — exchange differences arising on translation of a foreign operation | — | — | — | (184) | — | (184) |
| Total comprehensive (expense) income for the period | — | — | — | (184) | 5,677 | 5,493 |
| At 30 June 2019 (unaudited) | 10,000 | 43,645 | 12,290 | (2,754) | 39,578 | 102,759 |

*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 pursuant to a group reorganisation in preparation for the listing of the Company's shares.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2019*

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Operating activities | | |
| Profit before taxation | **6,917** | 2,307 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **2,767** | 1,591 |
| Other non-cash items | **(153)** | (75) |
| Operating cash flows before movements in working capital | **9,531** | 3,823 |
| Decrease (increase) in trade and other receivables | **3,564** | (5,082) |
| Increase (decrease) in trade and other payables | **3,888** | (12,496) |
| Other working capital items | **(339)** | (4,125) |
| Cash generated from (used in) operations | **16,644** | (17,880) |
| Income tax paid | **(313)** | (19) |
| Net cash from (used in) operating activities | **16,331** | (17,899) |
| Investing activities | | |
| Proceeds received on maturity of certificates of deposit | **2,983** | — |
| Purchase of property, plant and equipment | **(3,611)** | (734) |
| Purchase of certificates of deposits | **(2,989)** | — |
| Other investing cash flows, net | **331** | 341 |
| Net cash used in investing activities | **(3,286)** | (393) |
| Financing activities | | |
| New bank borrowings raised | **2,714** | 6,153 |
| Repayments of bank borrowings | **(7,372)** | (9,847) |
| Repayment of lease liabilities/obligations under finance leases | **(3,148)** | (2,707) |
| Proceed from the share offer | **—** | 56,250 |
| Repayment of other borrowing | **—** | (21,037) |
| Other financing cash flows, net | **(158)** | (277) |
| Net cash (used in) from financing activities | **(7,964)** | 28,535 |
| Net increase in cash and cash equivalents | **5,081** | 10,243 |
| Cash and cash equivalents at beginning of the period | **29,429** | 22,398 |
| Effect of foreign exchange rate changes | **(236)** | 102 |
| Cash and cash equivalents at end of the period | | |
| Represented by bank balances and cash | **34,274** | 32,743 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2019*

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in annual financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018.

**Application of new and amendments to HKFRSs**

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| HKFRS 16 | Leases |
| HK (IFRIC)-Int 23 | Uncertainty over Income Tax Treatments |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015–2017 Cycle |

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

**Impacts and changes in accounting policies of application on HKFRS 16 "Leases"**

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases" ("**HKAS 17**"), and the related interpretations.

***a Key changes in accounting policies resulting from application of HKFRS 16***

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

*Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

*As a lessee*

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and

- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in "property, plant and equipment", the same line item as that within which the corresponding underlying assets would be presented if they were owned.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" and initially measured at fair value and subsequently at amortised cost. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The management of the Group considered that the discounting impact arising from the refundable rental deposits paid is immaterial.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments represent:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;

- variable lease payments that depend on an index or a rate;

- amounts expected to be payable by the Group under residual value guarantees;

- the exercise price of a purchase option which is reasonably certain to be exercised by the Group; and

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

**b *Transition and summary of effects arising from initial application of HKFRS 16***

*Definition of a lease*

The Group has elected 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 standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

*As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

At the date of initial application, 1 January 2019, the Group adopted the HKFRS 16.C8(b)(ii) and recognised the right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the condensed consolidated statement of financial position immediately before 1 January 2019.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK$3,114,000 and right-of-use assets of HK$3,114,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5.59% per annum.

| | **At 1 January 2019** *HK$'000* |
|---|---|
| Operating lease commitments disclosed as at 31 December 2018 | 1,042 |
| Lease liabilities discounted at relevant incremental borrowing rate | 878 |
| Add: Termination option reasonably certain not to be exercised by the Group | 2,236 |
| Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019 | 3,114 |
| Analysed as | |
| Current | 1,855 |
| Non-current | 1,259 |
| | 3,114 |

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

| | **Right-of-use assets** *HK$'000* |
|---|---|
| Right-of-use assets relating to operating leases recognised upon application of HKFRS 16 | 3,114 |
| By class: | |
| Land and buildings | 3,114 |

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

| | Carrying amounts previously reported at 31 December 2018 | Adjustments | **Carrying amounts under HKFRS 16 at 1 January 2019** |
|---|---|---|---|
| | *HK$000* | *HK$000* | ***HK$000*** |
| **Non-current assets** | | | |
| Property, plant and equipment | 35,206 | 3,114 | 38,320 |
| **Current liabilities** | | | |
| Lease liabilities/obligations under finance leases | (4,352) | (1,855) | (6,207) |
| **Non-current liabilities** | | | |
| Lease liabilities/obligations under finance leases | (1,292) | (1,259) | (2,551) |

*Note:* For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening condensed consolidated statement of financial position as at 1 January 2019 as disclosed above.

## 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:

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Revenue recognised at a point in time | | |
| Books products | **50,913** | 38,255 |
| Novelty and packaging products | **10,382** | 8,804 |
| | **61,295** | 47,059 |

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 People's Republic of China (the "**PRC**").

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

| | Revenue from external customers | |
|---|---|---|
| | Six months ended 30 June | |
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| United Kingdom | **18,979** | 10,237 |
| Hong Kong | **17,927** | 15,278 |
| United States | **10,261** | 5,271 |
| Netherlands | **9,424** | 9,316 |
| The PRC | **2,396** | 5,333 |
| Others | **2,308** | 1,624 |
| | **61,295** | 47,059 |

## 4. OTHER INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Bank interest income | **75** | 17 |
| Government grant | **18** | 86 |
| Sundry income | **148** | 481 |
| | **241** | 584 |

## 5. OTHER GAINS AND LOSSES

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Exchange loss | **(103)** | (147) |
| Reversal of impairment losses on trade receivables | **66** | 22 |
| Gain on disposal of property, plant and equipment | **2** | — |
| | **(35)** | (125) |

## 6. TAXATION

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| The charge comprises: | | |
| Hong Kong Profits Tax | | |
| Charge for the period | **970** | 493 |
| PRC Enterprise Income Tax ("**EIT**") | | |
| Charge for the period | **237** | 19 |
| Underprovision in prior period | **33** | — |
| | **270** | 19 |
| | **1,240** | 512 |

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%.

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 periods.

## 7. DIVIDENDS

No dividends were paid, declared or proposed during both interim periods.

The directors of the Company have determined that no dividends will be paid or proposed in respect of the six months period ended 30 June 2019.

## 8. EARNINGS PER SHARE

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

| | **Six months ended 30 June** | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Profit for the period attributable to owners of the Company for the purpose of basic earnings per share | **5,677** | 1,795 |

| | **Six months ended 30 June** | |
|---|---|---|
| | **2019** | 2018 |
| | ***'000*** | *'000* |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **1,000,000** | 1,000,000 |

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

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment amounting to HK$3,611,000 (six months ended 30 June 2018: HK$734,000).

## 10. TRADE AND OTHER RECEIVABLES

| | At 30 June 2019 *HK$'000* (Unaudited) | At 31 December 2018 *HK$'000* (Audited) |
|---|---|---|
| Trade receivables | **47,392** | 48,593 |
| Less: Allowance for impairment loss | **(2,075)** | (2,141) |
| | **45,317** | 46,452 |
| Rental deposits | **171** | 171 |
| Prepayments, deposits and other receivables | **2,836** | 5,159 |
| Total trade and other receivables | **48,324** | 51,782 |

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

| | At 30 June 2019 *HK$'000* (Unaudited) | At 31 December 2018 *HK$'000* (Audited) |
|---|---|---|
| Within 30 days | **17,240** | 16,983 |
| 31 to 60 days | **9,672** | 6,297 |
| 61 to 90 days | **8,494** | 7,330 |
| Over 90 days | **9,911** | 15,842 |
| | **45,317** | 46,452 |

Included in the Group's trade receivables balance as at 30 June 2019 are debtors with aggregate carrying amount of HK$11,391,000 (31 December 2018: HK$15,990,000), which are past due at the end of the reporting period. The Group does not hold any collateral over these balances.

Included in the Group's trade receivables as at 30 June 2019 is balance of HK$346,000 (31 December 2018: HK$960,000) due from a related company, which is a company owned by Ms. Tse Yuen Shan Ivy ("**Ms. Tse**"), a key management personnel of the Group, and her family. The amount is repayable within three months from the goods delivery dates.

## 11. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS

The basis of determining the inputs and assumptions and the estimation techniques used for impairment assessment on financial assets in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

The expected credit losses on trade receivables are assessed individually and/or collectively using a provision matrix as at 30 June 2019. No significant impairment allowance for trade receivables was provided based on the provision matrix since the loss given default and exposure at default are low based on historical credit loss experience. Certain trade receivables as at 30 June 2019 were assessed individually and were not included in provision matrix. There was no additional impairment allowance or movement in the allowance for doubtful debts during the current interim period.

For the certificates of deposits and bank balances, no allowance for impairment was made since the directors of the Company consider the probability of default is negligible as such amounts are receivable from or placed in banks in Hong Kong having good reputation.

## 12. TRADE AND OTHER PAYABLES

| | **At 30 June 2019** *HK$'000* **(Unaudited)** | At 31 December 2018 *HK$'000* (Audited) |
|---|---|---|
| Trade payables | **16,782** | 11,668 |
| Accrued expenses | **3,426** | 6,092 |
| Other payables | **2,968** | 1,549 |
| Total trade and other payables | **23,176** | 19,309 |

The credit period of trade payables is 30 to 90 days.

The following is an aged analysis of trade payables based on the due date at the end of reporting period:

| | At 30 June 2019 HK$'000 (Unaudited) | At 31 December 2018 HK$'000 (Audited) |
|---|---|---|
| Within 30 days | **16,201** | 9,282 |
| 31 to 60 days | **481** | 1,922 |
| 61 to 90 days | **3** | 190 |
| Over 90 days | **97** | 274 |
| | **16,782** | 11,668 |

## 13. BANK BORROWINGS

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

The bank borrowings are interest bearing at variable rate at United State Dollar Best Lending Rate ("**USDBLR**") per annum and variable rates at Hong Kong Dollar Best Lending Rate ("**HKDBLR**") less 2.25% per annum as at 30 June 2019 (31 December 2018: USDBLR per annum and HKDBLR less 2.25% per annum).

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

The effective interest rates (which are also equal to contracted interest rates) of the Group's bank borrowings were ranged from 2.75% to 5.00% per annum for the six months ended 30 June 2019 (for the six months ended 30 June 2018: 2.75% to 5.00% per annum).

## 14. SHARE CAPITAL

| | Number of shares | Share capital |
|---|---|---|
| | | *HK$000* |
| Authorised: | | |
| At 1 January 2018, 31 December 2018 and 30 June 2019 | 2,000,000,000 | 20,000 |
| Issued and fully paid: | | |
| At 1 January 2018, 31 December 2018 and 30 June 2019 | 1,000,000,000 | 10,000 |

## 15. RELATED PARTIES DISCLOSURES

Other than the amount due from a related company as disclosed in Note 10, the Group has the following transactions with related parties during the period:

(a) The emoluments of directors and other members of key management were HK$888,000 (for the six months ended 30 June 2018: HK$822,000).

(b) The Group received income for sales of novelty and packaging products totalling HK$452,000 (six months ended 30 June 2018: HK$1,094,000), from Tse Wing Hang Limited (trading as Richmond Company), a company of which Ms. Tse, the key management personnel of the Group and her family, hold 100% equity interest.

The audit committee has reviewed this announcement and the Group's unaudited condensed consolidated financial results for the six months ended 30 June 2019 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, 12 August 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.*