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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: 1481)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- The revenue of Smart Globe Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) amounted to approximately HK\$127.2 million for the year ended 31 December 2020 (“**FY20**”) (2019: approximately HK\$132.2 million), representing a decrease of approximately 3.8% as compared to the year ended 31 December 2019 (“**FY19**”).
- The profit of the Company is approximately HK\$16.0 million for FY20 (FY19: approximately HK\$23.1 million), representing a decrease of approximately 30.9% which is mainly due to one-off expenses of professional fee for transfer of listing from GEM to Main Board (the “**Transfer of Listing**”) amount to HK\$5.8 million in FY20.
- Basic earnings per share for FY20 was approximately HK\$1.60 cents (FY19: HK\$2.31 cents).
- A final dividend of HK0.5 cent per share, amounting to an aggregate of HK\$5.0 million in respect of FY20 (FY19: HK\$4.0 million), has been proposed by the board (the “**Board**”) of directors (the “**Directors**”) and is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting (“**AGM**”) to be held on 7 May 2021 (Friday).

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 technology 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 customised and value added printing products.

During FY20, the Group had temporarily suspended its manufacturing activities following the 2020 Chinese New Year holidays due to the mandatory government quarantine measures of the People's Republic of China (the “**PRC**”) to contain the spread of COVID-19, which resulted in postponement of certain customers' orders. The Group resumed its manufacturing activities on 10 February 2020. The Directors considered that the temporary suspension of manufacturing activities had no material impact on the Group's operations or financial performance.

For FY20, the Group recorded a decrease in its total revenue by approximately 3.8% to approximately HK\$127.2 million from approximately HK\$132.2 million for FY19. This was mainly due to the decrease in sale in the book product segment in the United Kingdom (“**U.K.**”) and Hong Kong (“**HK**”). Profit of the Company was approximately HK\$16.0 million, representing a decrease of approximately 30.9% from approximately HK\$23.1 million in FY19 which is mainly due to one-off expenses of professional fee for Transfer of Listing amount to HK\$5.8 million in FY20.

During FY20, approximately 83.1% of total revenue was contributed by the book products segment amounting to approximately HK\$105.7 million (FY19: approximately HK\$109.3 million). This segment's performance remains stable for the year under review.

As a strategy to maintain competitiveness in the current operating environment, the Group continue to extend its geographical reach of customers during FY20. Revenues were generated from areas such as the U.S., the PRC (including HK), U.K. and the Netherlands, representing 23.4%, 44.1%, 8.8% and 10.5% 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

The revenue decreased by approximately 3.8% from approximately HK\$132.2 million for FY19 to approximately HK\$127.2 million for FY20. This was mainly due to the effect of less orders received from customers based in HK and U.K.

Gross profit margin

The overall gross profit margin decreased from approximately 37.8% in FY19 to approximately 36.1% in FY20. The decrease in gross profit margin was mainly due to keen competition in the market in FY20.

Other income

The other income decreased by 57.7% from approximately HK\$1.6 million in FY19 to approximately HK\$0.7 million in FY20. The decrease was mainly due to the decrease in receipt of government grants of HK\$0.7 million in FY20 as other income.

Reversal of allowance for credit losses on trade receivables, net

The amount increased by 94.1% from approximately HK\$0.1 million in FY19 to approximately HK\$0.2 million in FY20. The increase was mainly due to the increase in collection of trade receivables that were considered irrecoverable in FY20.

Other gains and losses

The other gains and losses decreased by more than 100.0% which other gains of approximately HK\$0.2 million in FY19 to other losses of approximately of HK\$0.7 million in FY20. Such variance is mainly due to exchange loss of HK\$0.7 million was incurred in FY20.

Selling and distribution costs

The distribution costs decreased by approximately 5.9% from approximately HK\$7.5 million in FY19 to approximately HK\$7.0 million in FY20. This was mainly due to the decrease of approximately HK\$0.5 million in transportation and freight charges resulting from lower sales volume during the year under review.

Administrative expenses

The administrative expenses decreased by approximately 17.1% from approximately HK\$15.8 million in FY19 to approximately HK\$13.1 million in FY20. The decrease is mainly due to the decrease of staff costs and benefits, office expenses, repair and maintenance expenses and PRC other taxes.

Finance costs

The finance costs decreased by approximately 68.2% from approximately HK\$0.4 million in FY19 to approximately HK\$0.1 million in FY20. This was mainly due to no hire purchase interest incurred during the year under review.

Income tax expense

The income tax expense decreased by approximately 18.8% from approximately HK\$5.2 million in FY19 to approximately HK\$4.2 million in FY20. It was mainly due to the decrease in assessable profit that is subject to HK profits tax.

Tax on overseas profits has been calculated on the estimated assessable profits for FY20 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 FY20 stood at approximately HK\$16.0 million (FY19: approximately HK\$23.1 million).

The above financial data were chosen to be presented in this announcement as they represent a material financial impact on the financial statements of the Group for FY19 and/or FY20. The Board believes that by presenting the changes of these financial data, they can effectively explain the financial performance of the Group for FY20.

FUTURE DEVELOPMENT AND PROSPECTS

In the year ahead, the Group will continue to utilise 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

A final dividend of HK0.5 cent per share, amounting to an aggregate of HK\$5.0 million in respect of FY20 (FY19: HK\$4.0 million), has been proposed by the Directors and is subject to approval of the Shareholders at the forthcoming AGM.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Company during FY20. The share capital of the Group only comprises of ordinary shares.

As at 31 December 2020, 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 and cash generated from operations.

The Group maintained bank deposits, bank balances and cash amounting to approximately HK\$50.8 million as at 31 December 2020 (31 December 2019: approximately HK\$42.7 million), increased by approximately 19.0% as compared with that as at 31 December 2019. The functional currency of the Company is HK dollar. As at 31 December 2020, 67.9% of the Group's cash and bank balances was denominated in HK dollar (31 December 2019: 74.1%) and the remaining 32.1% (31 December 2019: 25.9%) in other currencies, mainly the US dollar and Renminbi (“**RMB**”).

The Group's non-current assets increased to approximately HK\$44.2 million as at 31 December 2020 (31 December 2019: approximately HK\$36.8 million), primarily due to the net effect of depreciation of property, plant and equipment and addition of property, plant and equipment.

As at 31 December 2020, the Group's current assets amounted to approximately HK\$117.2 million, mainly comprised of inventories of approximately HK\$22.8 million (31 December 2019: approximately HK\$11.6 million), trade and other receivables of approximately HK\$43.6 million (31 December 2019: approximately HK\$48.6 million), nil certificates of deposit (31 December 2019: approximately HK\$3.0 million) and bank balance and cash of approximately HK\$50.8 million (31 December 2019: approximately HK\$42.7 million).

As at 31 December 2020, the Group's current liabilities amounted to approximately HK\$22.9 million, mainly comprised of trade and other payables of approximately HK\$19.7 million (31 December 2019: approximately HK\$16.1 million), nil contract liabilities (31 December 2019: approximately HK\$0.2 million), taxation payable of approximately HK\$0.8 million (31 December 2019: approximately HK\$4.7 million), lease liabilities of approximately HK\$2.4 million (31 December 2019: approximately HK\$2.5 million).

As at 31 December 2020, the net current assets of the Group increased by approximately HK\$11.9 million or approximately 14.5% to approximately HK\$94.4 million (31 December 2019: approximately HK\$82.5 million).

The Group had lease liabilities of approximately HK\$6.3 million as at 31 December 2020 (31 December 2019: approximately HK\$2.5 million).

The Group's gearing ratio, which is total interest-bearing liabilities divided by total equity was approximately 4.7% as at 31 December 2020 (31 December 2019: approximately 2.1%). The Group's current ratio (calculated on the basis of the Group's current assets over current liabilities) stood at approximately 5.1 as at 31 December 2020 (2019: approximately 4.5).

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.

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 appreciation of RMB may lead to an increase of our cost of production. During FY20, 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 FY20, the Group had acquired plant and equipment at approximately HK\$4.3 million (FY19: HK\$4.7 million).

CAPITAL COMMITMENTS

As at 31 December 2020, the Group had no significant capital commitments.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no material contingent liabilities (FY19: Nil).

MATERIAL INVESTMENTS

The Group had not made or held any significant investments during FY20 (FY19: Nil).

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.

CHARGE ON GROUP’S ASSETS

As at 31 December 2020, the Group did not have any charge on its assets (FY19: Nil).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

During FY20, 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 2020, there were 326 (2019: 333) employees in the Group. The total staff costs, including directors’ emoluments, amounted to approximately HK\$24.5 million for FY20 (FY19: approximately HK\$27.4 million). Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical insurance, and grants discretionary incentive bonuses to eligible staff based on their performance and contributions to the Group.

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 2020, there were 315 (2019: 320) 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 FY20.

UPDATE ON DIRECTORS' INFORMATION

The change in the information of the Directors which are required to be disclosed pursuant to Rule 13.51(B)(1) of the Listing Rules are set out below:

Mr. Li Chun Hung, an independent non-executive Director, was appointed as an independent non-executive director of IMS Group Holdings Limited (stock code: 8136) on 25 January 2021.

Mr. Ong Chor Wei, an independent non-executive Director, (i) resigned as a non-executive director of Prosperous Printing Company Limited (stock code: 8385) on 16 October 2020; and (ii) acted as an independent non-executive director of O-Net Technologies (Group) Limited which was delisted from the Stock Exchange with effect from 19 October 2020.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

FINANCIAL HIGHLIGHTS

Earnings per share (HK cents)

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

	2020	2019
(i) Based on weighted average number of ordinary shares	<u>HK 1.60 cents</u>	<u>HK 2.31 cents</u>
(ii) On a fully diluted basis	<u>Not applicable</u>	<u>Not applicable</u>

The calculation of basic earnings per share is based on the profit of the Company of approximately HK\$16,001,000 for FY20 (2019: approximately HK\$23,142,000) and on the weighted average number of 1,000,000,000 (2019: 1,000,000,000) ordinary shares in issue during FY20.

Diluted earnings per share for the years ended 31 December 2020 and 2019 are not presented as there is no dilutive potential ordinary share.

Revenue (HK\$'000)

	Year ended 31 December				
	2016	2017	2018	2019	2020
Revenue	<u>114,260</u>	<u>150,367</u>	<u>123,812</u>	<u>132,194</u>	<u>127,213</u>

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

	Year ended 31 December				
	2016	2017	2018	2019	2020
Profit (loss) for the year attributable to owners of the Company	<u>10,694</u>	<u>(177)</u>	<u>17,838</u>	<u>23,142</u>	<u>16,001</u>

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 to the Listing Rules (the "CG Code").

During FY20, the Company has complied with the code provisions in the CG Code, except the following deviations:

- (1) Code Provision A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term, subject to re-election. All independent non-executive directors of the Company are not appointed for specific terms, but they are subject to retirement by rotations and re-elections at the annual general meeting of the Company in accordance with the articles of associations of the Company (the "Articles of Association").

- (2) Code Provision A.2.1 of the CG Code provides that the roles of chairman and chief executive officer should not be performed by the same individual. Mr. Lam Tak Ling Derek (“**Mr. Lam**”) is currently performing the roles of chairman and chief executive officer of the Company. 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.
- (3) Code Provision A.5.1 of the Code provides that issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. However, the Nomination Committee is currently chaired by Ms. Tse Yuen Shan Ivy (“**Ms. Tse**”), an executive Director. Taking into account Ms. Tse’s primary responsibility of handling administrative and human resources matters of the Group and her strong experience in the handling relevant matters as well as in the printing industry, the Directors consider that the role of chairman of the nomination committee being performed by Ms. Tse allows more effective and efficient execution of the responsibilities of the nomination committee. In addition, as there are three independent non-executive Directors offering independent perspectives in the nomination committee, the Board is of the view that there are adequate safeguards in place to ensure effective operation within the committee. In order to maintain good corporate governance and fully comply with such code provision, the Board will regularly review the need to appoint the chairman of the Board or an independent non-executive Director to perform the role of chairman of the nomination committee.

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 the 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 FY20.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 4 December 2017 (the “**Scheme**”). No share options have been granted since the adoption of the Scheme and there was no share option outstanding as at 31 December 2020.

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.

FINAL DIVIDEND

A final dividend of HK0.5 cent per share, amounting to an aggregate of HK\$5.0 million in respect of FY20 (FY19: HK\$4.0 million), has been proposed by the Directors and is subject to approval of the Shareholders at the forthcoming AGM.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 4 May 2021 (Tuesday) to 7 May 2021 (Friday), both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the AGM, 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 Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, no later than 4:30 pm. on 3 May 2021 (Monday).

The proposed final dividend of HK0.5 cent per share is subject to the approval of the Shareholders at the AGM. The record date for the proposed final dividend is 14 May 2021 (Friday). For the purpose of determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 13 May 2021 (Thursday) to 14 May 2021 (Friday) (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, Shareholders must deliver their relevant share certificates and transfer forms to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 12 May 2021 (Wednesday) for registration of the relevant transfer.

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 FY20.

ANNUAL GENERAL MEETING

The AGM will be held on 7 May 2021 (Friday). A notice convening the meeting will be issued and sent to the Shareholders in due course.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020, together with the comparative figures for the year ended 31 December 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	3	127,213	132,194
Cost of sales		<u>(81,250)</u>	<u>(82,290)</u>
Gross profit		45,963	49,904
Other income	4	695	1,642
Reversal of allowance for credit losses on trade receivables, net		198	102
Other gains and losses	5	(686)	246
Selling and distribution costs		(7,010)	(7,453)
Administrative expenses		(13,060)	(15,753)
Professional fee for Transfer of Listing		(5,784)	—
Finance costs		<u>(120)</u>	<u>(377)</u>
Profit before taxation		20,196	28,311
Taxation	6	<u>(4,195)</u>	<u>(5,169)</u>
Profit for the year		16,001	23,142
Other comprehensive income (expense) for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of a foreign operation		<u>3,425</u>	<u>(1,086)</u>
Total comprehensive income for the year		<u>19,426</u>	<u>22,056</u>
Earnings per share			
Basic (HK cents)	8	<u>1.60</u>	<u>2.31</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment		<u>44,236</u>	<u>36,824</u>
Current assets			
Inventories		22,845	11,590
Trade and other receivables	9	43,598	48,619
Certificates of deposit		—	2,989
Bank balances and cash		<u>50,837</u>	<u>42,735</u>
		<u>117,280</u>	<u>105,933</u>
Current liabilities			
Trade and other payables	10	19,651	16,071
Contract liabilities		7	177
Taxation payable		770	4,657
Lease liabilities		<u>2,420</u>	<u>2,530</u>
		<u>22,848</u>	<u>23,435</u>
Net current assets		<u>94,432</u>	<u>82,498</u>
Total assets less current liabilities		<u>138,668</u>	<u>119,322</u>
Non-current liabilities			
Lease liabilities		<u>3,920</u>	<u>—</u>
Net assets		<u><u>134,748</u></u>	<u><u>119,322</u></u>
Capital and reserves			
Share capital	11	10,000	10,000
Reserves		<u>124,748</u>	<u>109,322</u>
Total equity		<u><u>134,748</u></u>	<u><u>119,322</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 December 2020

1. GENERAL INFORMATION

Smart Globe Holdings Limited (the “**Company**”) is a public limited company incorporated in the Cayman Islands and the ordinary shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited in 2017. On 11 December 2020, the ordinary shares of the Company transferred and listed on the Mainboard of the Stock Exchange. The ultimate holding company is Master Sage Limited, a company incorporated in the British Virgin Islands, which is ultimately controlled by Mr. Lam Tak Ling Derek and Mr. Chan Yee Yeung (“**Mr. Chan**”).

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non- current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²

- ¹ Effective for annual periods beginning on or after 1 January 2023.
- ² Effective for annual periods beginning on or after 1 January 2022.
- ³ Effective for annual periods beginning on or after a date to be determined.
- ⁴ Effective for annual periods beginning on or after 1 June 2020.
- ⁵ Effective for annual periods beginning on or after 1 January 2021.

Except for the amendments in HKFRSs 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.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents amounts received or receivable from production and printing of books, novelty and packaging products. Certain of the Group's contracts with customers for books products and novelty and packaging products are based on customer's specification with no alternative use to the Group. Taking into consideration for contract terms and the relevant legal and regulatory environment that apply to those relevant contracts. Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specified location. Transporting and handling activities that occur before customer obtain control are considered as fulfilment activities. 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.

For certain customers initially purchases the books, novelty and packaging products, the deposit received by the Group is recognised as a contract liability until the goods have been delivered to the customer.

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.

During the year of 2020, the Group had suspended its manufacturing activities following the Chinese New Year holidays pursuant to the notices issued by the People's Republic of China ("PRC") government and resumed its operation on 10 February 2020 due to mandatory government quarantine measures in an effort to contain the spread of COVID-19, which resulted in postponement of certain customers' orders. The directors of the Company considered the suspension of manufacturing activities due to COVID-19 had no material impact to the Group's revenue and operation.

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and assessment of performance, focuses specifically on the revenue analysis the Group's core business of printing books products and novelty and packaging products. No further discrete financial information is provided. Accordingly, no segment information is presented other than entity wide disclosures. The Group's operations are located in Hong Kong and the PRC.

The disaggregated information of revenue is as follows:

Revenue from major products

The followings is an analysis of the Group's revenue from its major products which is recognised at a point in time:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Books products	105,690	109,298
Novelty and packaging products	21,523	22,896
	127,213	132,194

Geographical information

Information about the Group's revenue from external customers are presented based on the geographical location of the customers is as follows:

	Revenue from external customers 2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	48,796	52,876
United States	29,788	31,324
United Kingdom	11,242	15,618
Netherlands	13,375	13,761
Australia	8,330	6,898
The PRC	7,278	5,097
Others	8,404	6,620
	127,213	132,194

	Non-current assets	
	2020	2019
	HK\$'000	HK\$'000
The PRC	42,664	36,675
Hong Kong	1,572	149
	<u>44,236</u>	<u>36,824</u>

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

	2020	2019
	HK\$'000	HK\$'000
Customer I	22,489	17,110
Customer II	19,868	N/A ¹
Customer III	13,077	N/A ¹
	<u>13,077</u>	<u>N/A¹</u>

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

4. OTHER INCOME

	2020	2019
	HK\$'000	HK\$'000
Government grants (<i>note</i>)	486	1,179
Bank and other interest income	191	154
Sundry income	18	309
	<u>695</u>	<u>1,642</u>

Note: Government grants represent export incentive and other incentive payments received by the Group from the relevant government department. There are no unfulfilled conditions attached to those grants.

5. OTHER GAINS AND LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Net exchange (loss) gain	(677)	277
Loss on disposal of property, plant and equipment	(9)	(31)
	<u>(686)</u>	<u>246</u>

6. TAXATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
Charge for the year	3,828	4,477
(Over) underprovision in prior year	(20)	42
	<u>3,808</u>	<u>4,519</u>
PRC Enterprise Income Tax		
Charge for the year	363	618
Underprovision in prior year	24	32
	<u>387</u>	<u>650</u>
	<u><u>4,195</u></u>	<u><u>5,169</u></u>

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%.

Accordingly, the Hong Kong Profits Tax of the qualifying group entity 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

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of HK0.5 cents (2019: final dividend in respect of the year ended 31 December 2019 of HK\$0.4 cents) per ordinary share, in an aggregate amount of HK\$5,000,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

During the year ended 31 December 2020, final dividend in respect of the year ended 31 December 2019 of HK0.4 cents per ordinary share, in an aggregate amount of HK\$4,000,000 (2019: nil), has been approved by the directors of the Company and the shareholders of the Company in the annual general meeting.

8. EARNINGS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year attributable to owners of the Company	<u>16,001</u>	<u>23,142</u>
	2020 '000	2019 '000
Number of ordinary shares for the purpose of basis earnings per share	<u>1,000,000</u>	<u>1,000,000</u>

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

9. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	42,490	47,666
Less: Allowance for credit losses	<u>(1,841)</u>	<u>(2,039)</u>
	40,649	45,627
Rental deposits	171	171
Prepayments, deposits and other receivables	<u>2,778</u>	<u>2,821</u>
Total trade and other receivables	<u><u>43,598</u></u>	<u><u>48,619</u></u>

As at 1 January 2019, trade receivables from contracts with customers amounted to HK\$21,261,000.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	11,675	10,507
31 to 60 days	10,790	10,498
61 to 90 days	6,053	5,720
Over 90 days	<u>12,131</u>	<u>18,902</u>
	<u><u>40,649</u></u>	<u><u>45,627</u></u>

10. TRADE AND OTHER PAYABLES/CONTRACT LIABILITIES

Trade and other payables

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	11,438	9,535
Accrued expenses	5,988	5,279
Other payables	2,225	1,257
	<hr/>	<hr/>
Total trade and other payables	19,651	16,071
	<hr/> <hr/>	<hr/> <hr/>

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	11,038	8,628
31 to 60 days	235	726
61 to 90 days	37	94
Over 90 days	128	87
	<hr/>	<hr/>
	11,438	9,535
	<hr/> <hr/>	<hr/> <hr/>

11. SHARE CAPITAL

The share capital as at 31 December 2020 and 31 December 2019 represents the issued share capital of the Company with details as follows:

	Number of shares	Share capital <i>HK\$'000</i>
Authorised:		
At 1 January 2019, 31 December 2019 and 31 December 2020		
— ordinary share of HK\$0.01 each	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 31 December 2020		
— ordinary share of HK\$0.01 each	<u>1,000,000,000</u>	<u>10,000</u>

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 2020 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, 23 March 2021

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.