



Smart Globe Holdings Limited

竣球控股有限公司

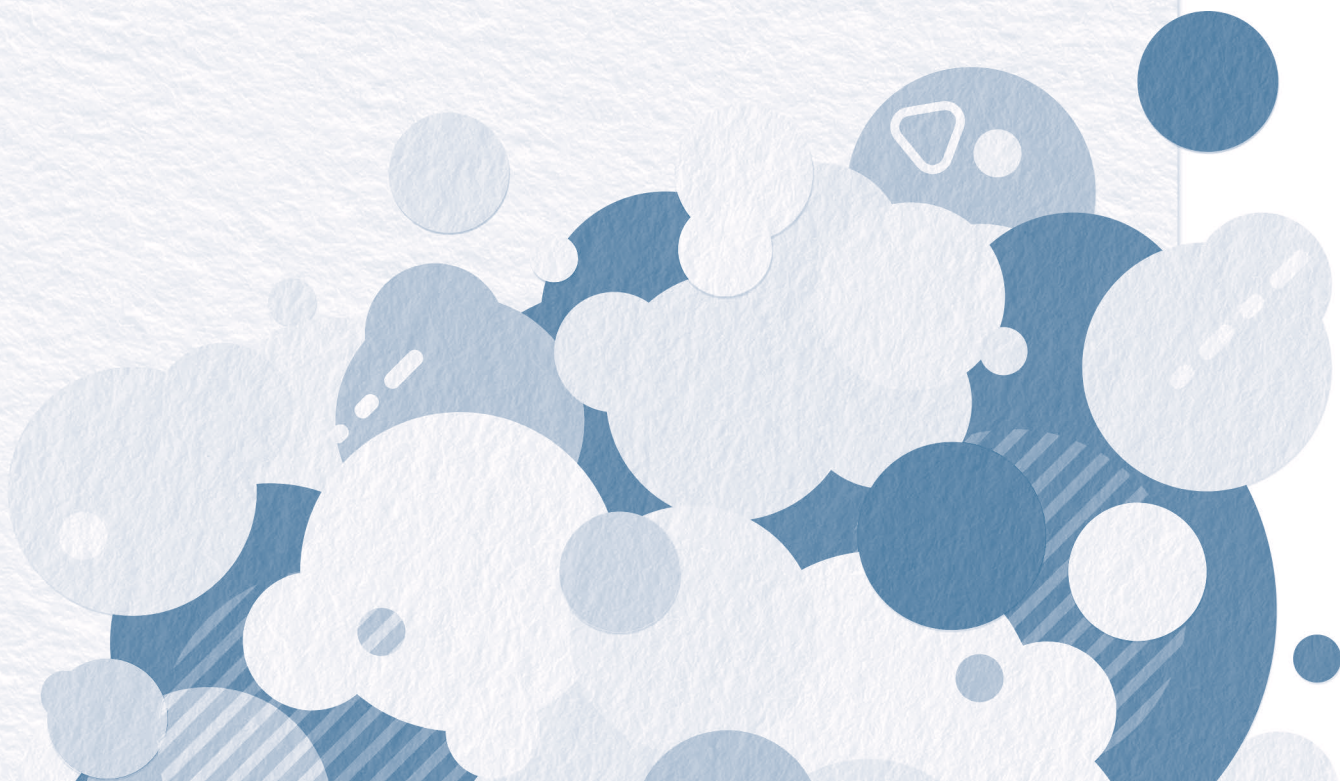
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1481

2022
INTERIM REPORT

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CORPORATE INFORMATION

Registered Office

Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Principal Place of Business in Hong Kong

Unit 8, 17th Floor, Kodak House II
39 Healthy Street East
North Point, Hong Kong

Principal Place of Business in the People's Republic of China ("PRC")

Heyuan Hi-Tech Development Zone
Heyuan, Guangdong Province
PRC

Company Secretary

Mr. Cheung Sum Chin

Authorised Representatives (for the purposes of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("Listing Rules"))

Mr. Lam Tak Ling Derek
Mr. Chan Yee Yeung

Compliance Officer

Ms. Tse Yuen Shan Ivy

Board of Directors Executive Directors

Mr. Lam Tak Ling Derek (*Chairman*)
Mr. Chan Yee Yeung
Ms. Tse Yuen Shan Ivy

Independent Non-Executive Directors

Mr. Li Chun Hung
Mr. Ong Chor Wei
Mr. Yam Kam Kwong, *JP*

Audit Committee

Mr. Li Chun Hung (*Chairperson*)
Mr. Ong Chor Wei
Mr. Yam Kam Kwong, *JP*

Remuneration Committee

Mr. Ong Chor Wei (*Chairperson*)
Ms. Tse Yuen Shan Ivy
Mr. Li Chun Hung
Mr. Yam Kam Kwong, *JP*

Nomination Committee

Mr. Lam Tak Ling Derek (*Chairperson*)
Mr. Li Chun Hung
Mr. Ong Chor Wei
Mr. Yam Kam Kwong, *JP*

Cayman Islands Share Registrar and Transfer Office

Ocorian Trust (Cayman) Limited

Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Hong Kong Share Registrar and Transfer Office

Tricor Investor Services Limited

17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Company's Websites

<http://www.smartglobehk.com>

Legal Advisers

Deacons

5th Floor
Alexandra House
18 Charter Road
Central, Hong Kong

Auditor

Baker Tilly Hong Kong Limited

2nd Floor, 625 King's Road,
North Point,
Hong Kong

Stock code

1481

FINANCIAL HIGHLIGHTS

- The revenue of Smart Globe Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) amounted to approximately HK\$71.1 million for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately HK\$77.8 million), representing a decrease of approximately 8.7% as compared to the six months ended 30 June 2021.
- The loss attributable to owners of the Company is approximately HK\$2.4 million for the six months ended 30 June 2022 (six months ended 30 June 2021: profit of approximately HK\$2.3 million). The loss is mainly due to the keen competition in the market and with an increase in production cost.
- Basic loss per share for the six months ended 30 June 2022 was approximately HK\$0.24 cents (six months ended 30 June 2021: basic earnings per share of approximately HK\$0.23 cents).
- The board (the “**Board**”) of directors of the Company (the “**Directors**”) does not recommend the payment of any interim dividend for the six months ended 30 June 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

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 2022, the Group recorded a decrease in its total revenue by 8.7% to approximately HK\$71.1 million from approximately HK\$77.8 million for the six months ended 30 June 2021. This was mainly due to decrease in sale in the book product segment in the United Kingdom (“**UK**”) and United States of America (“**USA**”). The loss attributable to owners of the Company for the six months ended 30 June 2022 was approximately HK\$2.4 million, compared to a profit of approximately HK\$2.3 million for the six months ended 30 June 2021. The loss was mainly due to the keen competition in the market with an increase in production cost.

For the six months ended 30 June 2022, approximately 96.8% of total revenue was contributed by the book products segment. Revenue contributed by the book products segment for the six months ended 30 June 2022 was approximately HK\$68.8 million, which remained relatively stable as compared to revenue contributed by the same segment for the six months ended 30 June 2021 of approximately HK\$69.4 million.

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

The revenue decreased by approximately 8.7% from approximately HK\$77.8 million for the six months ended 30 June 2021 to approximately HK\$71.1 million for the six months ended 30 June 2022. This was mainly due to less customer orders received from USA and UK in the book's products segment compared to the same period of last year.

Gross profit margin

The overall gross profit margin decreased from approximately 18.3% for the six months ended 30 June 2021 to approximately 13.5% for the six months ended 30 June 2022. The decrease in gross profit margin was mainly due to keen market competition and with an increase in production cost.

Other income

The other income remains constant of approximately HK\$0.2 million for both periods.

Other gains and losses

The other gains increased by more than 100.0% from approximately HK\$0.1 million for the six months ended 30 June 2021 to approximately HK\$0.3 million for the six months ended 30 June 2022. This was mainly due to increase in exchange gain incurred during the reporting period.

Selling and distribution costs

The distribution costs decreased by approximately 3.7% from approximately HK\$4.5 million for six months ended 30 June 2021 to approximately HK\$4.3 million for the six months ended 30 June 2022. This was mainly due to the decrease in transportation and freight charges which is in line with decrease in revenue during the reporting period.

Administrative expenses

The administrative expenses increased by approximately 12.2% from approximately HK\$7.1 million for the six months ended 30 June 2021 to approximately HK\$8.0 million for the six months ended 30 June 2022. This was mainly due to the increase in professional fee to general advisory and financial advisory for potential projects during the reporting period.

Finance costs

The finance costs decreased by more than 42.8% from approximately HK\$0.2 million for the six months ended 30 June 2021 to approximately HK\$0.1 million for the six months ended 30 June 2022. This was mainly due to less interest incurred on lease liabilities.

Income tax expense

The income tax expense decreased by 100.0% from approximately HK\$0.5 million for the six months ended 30 June 2021 to nil for the six months ended 30 June 2022. It was mainly due to the decrease in assessable profits that was subject to taxation during the reporting period.

(Loss) profit for the period

As a result of the above factors, net loss of approximately HK\$2.4 million was recorded for the reporting period (six months ended 30 June 2021: profit of approximately HK\$2.3 million).

The above financial data were chosen to be presented in this report as they represent a material financial impact on the financial statements of the Group for the six months ended 30 June 2021 and 2022. The Board believes that by presenting the changes of these financial data, they can effectively explain the financial performance of the Group for the six months ended 30 June 2022.

CAPITAL STRUCTURE

The shares of the Company were successfully listed on Main Board of the Stock Exchange on 11 December 2020. 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 2022, 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 balances and cash amounting to approximately HK\$36.1 million as at 30 June 2022 (as at 31 December 2021: approximately HK\$32.5 million), which increased by approximately 11.3% as compared with that as at 31 December 2021 mainly due to increase cash collected from trade and other receivable during the reporting period.

The Group's non-current assets decreased to approximately HK\$41.6 million as at 30 June 2022 (as at 31 December 2021: approximately HK\$45.9 million), the decrease is primarily due to the depreciation of plant and equipment during the reporting period.

As at 30 June 2022, the Group's current assets amounted to approximately HK\$114.4 million, which comprised inventories of approximately HK\$34.2 million (as at 31 December 2021: approximately HK\$36.2 million), trade and other receivables of approximately HK\$40.9 million (as at 31 December 2021: approximately HK\$42.4 million), tax recoverable of approximately HK\$3.3 million (as at 31 December 2021: approximately HK\$2.3 million), and cash and cash equivalents of approximately HK\$36.1 million (as at 31 December 2021: approximately HK\$32.5 million).

As at 30 June 2022, the Group's current liabilities amounted to approximately HK\$26.9 million, which comprised trade and other payables of approximately HK\$23.7 million (as at 31 December 2021: approximately HK\$20.8 million), contract liabilities of approximately HK\$0.5 million (as at 31 December 2021: approximately HK\$0.1 million), taxation payable of approximately HK\$0.2 million (as at 31 December 2021: approximately HK\$0.5 million), and lease liabilities of approximately HK\$2.4 million (as at 31 December 2021: approximately HK\$2.2 million).

As at 30 June 2022, the net current assets of the Group decreased by approximately HK\$2.3 million or approximately 2.5% to approximately HK\$87.5 million (as at 31 December 2021: approximately HK\$89.8 million).

The Group had total lease liabilities of approximately HK\$3.2 million as at 30 June 2022 (as at 31 December 2021: approximately HK\$4.0 million).

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 2.5% (as at 31 December 2021: approximately 3.0%). The Group's current ratio, which was calculated as current assets divided by current liabilities as at the relevant reporting date stood at approximately 4.3 as at 30 June 2022 (as at 31 December 2021: approximately 4.8).

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.

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. Any appreciation of Renminbi (“**RMB**”) may lead to an increase of our cost of production. During the six months ended 30 June 2022, 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 2022, the Group had acquired property, plant and equipment of approximately HK\$1.1 million (six months ended 30 June 2021: HK\$7.0 million).

CAPITAL COMMITMENTS

As at 30 June 2022 and 31 December 2021, the Group had no significant capital commitments.

CONTINGENT LIABILITIES

As at 30 June 2022 and 31 December 2021, 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 2022 (six months ended 30 June 2021: nil).

MATERIAL INVESTMENTS

The Group had not made any significant investments during the six months ended 30 June 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have other plans for material investments or capital assets.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During six months ended 30 June 2022, 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 2022, there were 321 (as at 31 December 2021: 344) employees in the Group. The total staff costs, including directors' emoluments, amounted to approximately HK\$23.8 million during the six months ended 30 June 2022 (six months ended 30 June 2021: approximately HK\$22.2 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 He Yuan Factory are employed by the He Yuan Factory. As at 30 June 2022, there were 309 (as at 31 December 2021: 332) 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 2022.

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. Ong Chor Wei, an independent non-executive Director, was appointed as a non-executive director of GBA Holdings Limited (stock code: 261) on 3 January 2022.

Mr. Ong Chor Wei, an independent non-executive Director, was resigned as a non-executive director of Man Wah Holdings Limited (stock code: 1999) on 1 April 2022.

Mr. Ong Chor Wei, an independent non-executive Director, was resigned as a non-executive director of Nameson Holdings Limited (stock code: 1982) on 12 April 2022.

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

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 30 June 2022.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, 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 the 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) The Company is directly owned as to 67.5% by Master Sage Limited ("Master Sage"). Master Sage is directly owned as to 50% and 50% by Mr. Lam and Mr. Chan, respectively. By virtue of the SFO, each of Mr. Lam and Mr. Chan is deemed to be interested in the shares held by Master Sage.
- (2) The Company is directly owned as to 7.5% by Fortune Corner Holdings Limited ("Fortune Corner"). Fortune Corner is wholly owned by Ms. Tse. By virtue of the SFO, Ms. Tse is deemed to be interested in the shares held by Fortune Corner.

Other than as disclosed above, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2022.

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

As at 30 June 2022, the following shareholders and persons (not being a Director or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO:

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

Other than disclosed above, as at 30 June 2022, the Directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and recorded in the register required to be kept by the Company under section 336 of the SFO.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company, which were not a contract of service with any Director or any person engaged in full-time employment of the Company, were entered into or existed during the six months ended 30 June 2022.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

As far as the Directors are aware, at no time during the six months ended 30 June 2022 had the Company or any of its subsidiaries and the controlling shareholders (the "**Controlling Shareholders**") or any of their subsidiaries entered into any contract(s) of significance for the provision of services by the Controlling Shareholder or any of their 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 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 2022.

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 2022. 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 14 to Listing Rules (the "**CG Code**").

During the six months ended 30 June 2022, the Company has complied with the code provisions in the CG Code, except the following deviations:

Code Provision C.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 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.

CG Code provision C.1.6 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 13 May 2022.

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 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 the six months ended 30 June 2022.

AUDIT COMMITTEE

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. The Audit Committee has adopted terms of reference which are in line with the code provisions of the CG Code.

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

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 31 August 2022

As at the date of this report, 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, JP.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



To the board of directors of Smart Globe Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Smart Globe Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 16 to 27, which comprise the condensed consolidated statement of financial position as at 30 June 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34.

Our responsibility is to form a conclusion, based on our review, on these condensed consolidated financial statements and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 31 August 2022

Chan Kwan Ho, Edmond

Practising certificate number P02092

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	3	71,057	77,821
Cost of sales		(61,458)	(63,570)
Gross profit		9,599	14,251
Other income	4	147	165
Reversal of allowance for credit losses on trade receivables, net		—	16
Other gains	5	293	109
Selling and distribution costs		(4,317)	(4,483)
Administrative expenses		(7,985)	(7,114)
Interest on lease liabilities		(107)	(187)
(Loss) profit before taxation		(2,370)	2,757
Taxation	6	—	(480)
(Loss) profit for the period		(2,370)	2,277
Other comprehensive (expense) income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
— Exchange differences arising from translation of a foreign operation, net of nil tax		(3,159)	1,021
Total comprehensive (expense) income for the period		(5,529)	3,298
(Loss) earnings per share			
— Basic (HK cents)	8	(0.24)	0.23

The notes on pages 20 to 27 form part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Note</i>	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	<u>41,552</u>	45,933
Current assets			
Inventories		34,182	36,230
Trade and other receivables	10	40,860	42,350
Taxation recoverable		3,266	2,309
Bank balances and cash		36,133	32,466
		<u>114,441</u>	113,355
Current liabilities			
Trade and other payables	11	23,740	20,792
Contract liabilities		546	121
Taxation payable		200	451
Lease liabilities		2,409	2,200
		<u>26,895</u>	23,564
Net current assets		<u>87,546</u>	89,791
Total assets less current liabilities		<u>129,098</u>	135,724
Non-current liabilities			
Lease liabilities		<u>746</u>	1,843
NET ASSETS		<u>128,352</u>	133,881
Capital and reserves			
Share capital	12	10,000	10,000
Reserves		118,352	123,881
TOTAL EQUITY		<u>128,352</u>	133,881

The notes on pages 20 to 27 form part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Share capital HK\$'000	Share premium HK\$'000	PRC statutory reserves HK\$'000 (note (a))	Special reserve HK\$'000 (note (b))	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2021 (audited)	10,000	39,645	287	12,290	(231)	72,757	134,748
Profit for the period	—	—	—	—	—	2,277	2,277
Other comprehensive income for the period:							
— Exchange differences arising on translation of a foreign operation, net of nil tax	—	—	—	—	1,021	—	1,021
Total comprehensive income for the period	—	—	—	—	1,021	2,277	3,298
Final dividend paid for the year ended 31 December 2020 (Note 7)	—	(5,000)	—	—	—	—	(5,000)
At 30 June 2021 (unaudited)	10,000	34,645	287	12,290	790	75,034	133,046
At 1 January 2022 (audited)	10,000	34,645	287	12,290	2,253	74,406	133,881
Loss for the period	—	—	—	—	—	(2,370)	(2,370)
Other comprehensive expense for the period:							
— Exchange differences arising on translation of a foreign operation, net of nil tax	—	—	—	—	(3,159)	—	(3,159)
Total comprehensive expense for the period	—	—	—	—	(3,159)	(2,370)	(5,529)
At 30 June 2022 (unaudited)	10,000	34,645	287	12,290	(906)	72,036	128,352

Notes:

- The People's Republic of China ("PRC") statutory reserve is non-distributable and transfer to this reserve is determined according to the relevant laws in the PRC and by the board of directors of the PRC subsidiary in accordance with the Articles of Association of the subsidiary.
- 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, a wholly-owned subsidiary of the Company, pursuant to a group reorganisation in preparation for listing of the Company's shares.

The notes on pages 20 to 27 form part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Operating activities		
(Loss) profit before taxation	(2,370)	2,757
Adjustments for:		
— Depreciation of property, plant and equipment	4,102	3,668
— Other non-cash items	89	116
Operating cash flows before movements in working capital	1,821	6,541
Decrease (increase) in inventories	455	(21,109)
Decrease (increase) in trade and other receivables	1,275	(16,252)
Increase in trade and other payables	3,827	16,030
Increase in contract liabilities	425	9
Cash generated from (used in) operations	7,803	(14,781)
Income tax paid	(1,199)	(1,456)
Net cash generated from (used in) operating activities	6,604	(16,237)
Investing activities		
Purchase of property, plant and equipment	(1,138)	(7,036)
Other investing cash flows, net	22	77
Net cash used in investing activities	(1,116)	(6,959)
Financing activities		
Repayment of lease liabilities	(1,244)	(1,200)
Dividend paid	—	(5,000)
Other financing cash flows, net	(107)	(169)
Net cash used in financing activities	(1,351)	(6,369)
Net increase (decrease) in cash and cash equivalents	4,137	(29,565)
Cash and cash equivalents at beginning of the period	32,466	50,837
Effect of foreign exchange rate changes	(470)	234
Cash and cash equivalents at the end of the period represented by bank balances and cash	36,133	21,506

The notes on pages 20 to 27 form part of these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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 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 2022 are the same as those presented in the annual consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current interim 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3 REVENUE AND SEGMENT INFORMATION

Revenue represents amounts received or receivable from production and printing of books, novelty and packaging products. 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 30 to 90 days upon delivery.

For certain customers, deposit received by the Group on their initial purchases of books, novelty and packaging products 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 "Revenue from Contracts with Customers", the transaction price allocated to these unsatisfied contracts is not disclosed.

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Books products	68,764	69,419
Novelty and packaging products	2,293	8,402
	71,057	77,821

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3 REVENUE AND SEGMENT INFORMATION (continued)

Geographical information

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

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Hong Kong	34,034	30,170
United States	15,342	26,870
Netherlands	4,673	2,067
United Kingdom	3,973	7,691
Canada	3,212	388
France	2,752	1,726
Australia	2,360	2,672
The PRC	2,060	3,765
Others	2,651	2,472
	<u>71,057</u>	<u>77,821</u>

4 OTHER INCOME

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Bank interest income	7	20
Government grants (<i>note</i>)	129	140
Sundry income	11	5
	<u>147</u>	<u>165</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 attach to those grants.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

5 OTHER GAINS

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net exchange gain	282	92
Gain on disposal of property, plant and equipment	11	17
	293	109

6 TAXATION

The charge comprises:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong Profits Tax		
— Charge for the period	—	209
PRC Enterprise Income Tax		
— Charge for the period	—	268
— Under-provision in prior period	—	3
	—	271
	—	480

No provision for Hong Kong Profits Tax has been made as the relevant group entity has no assessable profits in the current period. For the six months ended 30 June 2021, Hong Kong Profits Tax was calculated at 8.25% on the first HK\$2 million of the estimated assessable profit and at 16.5% on the remaining estimated assessable profit.

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. No provision for PRC Enterprise Income Tax has been made as the relevant group entity incurred loss in the current period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

7 DIVIDENDS

No dividend was paid, declared or proposed during the six months ended 30 June 2022. The directors of the Company do not recommend the payment of an interim dividend in respect of the current interim period.

During the six months ended 30 June 2021, a final dividend of HK0.5 cent per share for the year ended 31 December 2020 was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in prior interim period amounted to HK\$5,000,000.

8 (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) profit for the period attributable to owners of the Company	(2,370)	2,277
	Six months ended 30 June	2021
	2022	2021
	'000	'000
Number of ordinary shares for the purpose of basic (loss) earnings per share	1,000,000	1,000,000

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

9 PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment, excluding right-of-use assets, amounting to HK\$1,138,000 (six months ended 30 June 2021: HK\$7,036,000).

During the current interim period, the Group renewed a lease agreement for an office. On date of lease modification, the Group recognised right-of-use assets of HK\$492,000 (six months ended 30 June 2021: nil) and lease liabilities of HK\$492,000 (six months ended 30 June 2021: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

10 TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Trade receivables	38,452	40,279
Less: Allowance for credit losses	(955)	(955)
	37,497	39,324
Rental deposits	171	171
Prepayments, deposits and other receivables	3,192	2,855
Total trade and other receivables	40,860	42,350

The Group allows credit period ranging from 30 to 90 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:

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Within 30 days	12,357	10,852
31 to 60 days	10,322	12,879
61 to 90 days	8,085	6,318
Over 90 days	6,733	9,275
	37,497	39,324

Included in trade receivables as at 30 June 2022 are debtors with aggregate carrying amount of HK\$10,105,000 (31 December 2021: HK\$15,731,000), which are past due at the end of the reporting period. Out of the past due balances, HK\$4,313,000 (31 December 2021: HK\$3,962,000) has been past due over 90 days or more and is not considered as in default, as the Group considered such balances could be recovered based on long term/on-going relationship and good repayment record from these customers. The Group does not hold any collateral over these balances.

Included in trade receivables as at 30 June 2022 is a balance of HK\$48,000 (31 December 2021: HK\$94,000) due from a related company, which is owned by Ms. Tse Yuen Shan Ivy (“**Ms. Tse**”), a director of the Company and key management personnel of the Group, and her family. The amount is repayable within three months from the goods delivery dates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

11 TRADE AND OTHER PAYABLES

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Trade payables	15,579	11,568
Accrued expenses	6,390	7,205
Other payables	1,771	2,019
Total trade and other payables	23,740	20,792

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

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

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Within 30 days	13,224	10,098
31 to 60 days	1,325	1,360
61 to 90 days	940	11
Over 90 days	90	99
	15,579	11,568

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

12 SHARE CAPITAL

	Number of shares <i>'000</i>	Share capital <i>HK\$'000</i>
Authorised: At 1 January 2021, 31 December 2021 and 30 June 2022 — Ordinary share of HK\$0.01 each	2,000,000	20,000
Issued and fully paid: At 1 January 2021, 31 December 2021 and 30 June 2022 — Ordinary share of HK\$0.01 each	1,000,000	10,000

13 RELATED PARTY DISCLOSURES

In addition to 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\$1,011,000 (for the six months ended 30 June 2021: HK\$1,088,000).
- (b) The Group received income for sales of novelty and packaging products totalling HK\$48,000 (six months ended 30 June 2021: HK\$276,000), from Tse Wing Hang Limited (trading as Richmond Company), a company of which Ms. Tse, a director of the Company and key management personnel of the Group, and her family, hold 100% equity interest.

14 FAIR VALUE OF MEASUREMENTS OF FINANCIAL INSTRUMENTS

The directors of the Company consider that the carrying amounts of the Group's financial assets and liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

For the six months ended 30 June 2022

15 EVENTS AFTER THE END OF THE REPORTING PERIOD

- (a) On 15 July 2022, the Company entered into a subscription agreement (the “**Subscription Agreement**”) with Hubei Kang Shi Zhen Yi Yao Technology Co., Ltd. (“**Hubei Kang Shi Zhen**”), pursuant to which the Company has conditionally agreed to subscribe 30% of the enlarged registered capital of Hubei Kang Shi Zhen upon completion, at the subscription price of HK\$30,000,000 (the “**Subscription**”). Hubei Kang Shi Zhen is a company established in the PRC with limited liability and principally engaged in pharmaceutical research and development, and manufacturing and sales of drugs. On 15 August 2022, the Company entered into a supplemental deed with Hubei Kang Shi Zhen, pursuant to which the Company agreed to advance a Renminbi equivalent to HK\$7,000,000 (“**Advancement**”) at interest rate of 5% per annum. Upon satisfaction or waiving of the conditions precedent as stated in the Subscription Agreement, the Advancement will form part of the Subscription amount for the Company to subscribe 30% enlarged registered capital in Hubei Kang Shi Zhen. Details of the Subscription and the Advancement are set out in the Company’s announcements dated 15 July 2022 and 15 August 2022 respectively. Up to the date of this report, the above transactions were not yet completed.
- (b) On 5 August 2022, the Company placed an aggregate of 20,000,000 new shares, representing approximately 1.96% of the issued share capital of the Company immediately following the completion of the placing at the placing price of HK\$1.05 per placing share. The gross proceeds of the placing are approximately HK\$21,000,000. The net proceeds of the placing are approximately HK\$20,485,000 after deducting the relevant expenses for the placing. The Company will use the net proceeds for possible development of pharmaceutical related projects. Details of this share placing are set out in the Company’s announcements dated 29 June 2022, 14 July 2022 and 5 August 2022.