



LUXKING GROUP HOLDINGS LIMITED

(Incorporated in Bermuda)

HALF YEAR FINANCIAL STATEMENT ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

A. Condensed interim consolidated statement of profit or loss and other comprehensive income.

	Group		
	6 months ended 31 December		
	2021	2020	+ / (-)
	RMB'000	RMB'000	%
Revenue	309,790	250,794	23.5%
Cost of sales	(278,442)	(221,120)	25.9%
Gross profit	31,348	29,674	5.6%
Other income	305	3,272	(90.7%)
Selling and distribution costs	(10,361)	(10,469)	(1.0%)
Administrative expenses	(16,095)	(14,522)	10.8%
Other operating expenses	(233)	(3)	n/m
Finance costs	(2,494)	(1,402)	77.9%
Profit before income tax	2,470	6,550	(62.3%)
Income tax expense	(1,986)	(3,248)	(38.9%)
Profit for the period	484	3,302	(85.3%)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of financial statements of foreign operations	(590)	(1,222)	(51.7%)
Total comprehensive income attributable to the owners of the Company	(106)	2,080	n/m
Earning per share for profit attributable to the owners of the Company during the period			
- Basic and diluted (RMB Cents)	3.83	26.10	(85.3%)

n/m: not meaningful

B. Interim statements of financial position

	Group		Company	
	As at	As at	As at	As at
	31.12.2021	30.6.2021	31.12.2021	30.6.2021
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	49,379	49,388	-	-
Right-of-use assets	24,939	26,410	-	-
Interests in subsidiaries	-	-	86,285	91,354
Deposits for acquisition of property, plant and equipment	7,831	3,468	-	-
	82,149	79,266	86,285	91,354
Current assets				
Inventories	79,288	81,952	-	-
Trade receivables	90,676	87,824	-	-
Prepayments, deposits and other receivables	23,872	18,055	47	4
Restricted bank deposits	-	1,452	-	-
Cash and bank balances	26,517	18,850	-	-
	220,353	208,133	47	4
TOTAL ASSETS	302,502	287,399	86,332	91,358
EQUITY AND LIABILITIES				
Equity attributable to the owners of the Company				
Share capital	133,557	133,557	133,557	133,557
Reserves	(13,153)	(13,047)	(48,042)	(43,988)
Total equity	120,404	120,510	85,515	89,569
Current liabilities				
Trade and bills payables	50,556	59,068	-	-
Accrued expenses and other payables	17,049	14,401	817	1,789
Lease liabilities	3,378	3,137	-	-
Bank borrowings, secured	94,022	72,156	-	-
Income tax payables	1,895	1,355	-	-
	166,900	150,117	817	1,789
Non-current liabilities				
Lease liabilities	2,915	4,361	-	-
Deferred income	12,283	12,411	-	-
	15,198	16,772	-	-
Total liabilities	182,098	166,889	817	1,789
TOTAL EQUITY AND LIABILITIES	302,502	287,399	86,332	91,358

C. Interim statements of changes in equity

Group

	Share capital RMB'000	Share premium* RMB'000	Other reserves* RMB'000	Exchange reserve* RMB'000	Accumulated losses* RMB'000	Total equity RMB'000
At 1.7.2020	133,557	33,961	12,435	(14,607)	(55,654)	109,692
Profit for the period	-	-	-	-	3,302	3,302
Other comprehensive income, net of income tax						
- Exchange gain on translation of financial statements of foreign operations	-	-	-	(1,222)	-	(1,222)
Total comprehensive income for the period	-	-	-	(1,222)	3,302	2,080
At 31.12.2020	133,557	33,961	12,435	(15,829)	(52,352)	111,772
At 1.7.2021	133,557	33,961	13,868	(16,923)	(43,953)	120,510
Profit for the period	-	-	-	-	484	484
Other comprehensive income, net of income tax						
- Exchange loss on translation of financial statements of foreign operations	-	-	-	(590)	-	(590)
Total comprehensive income for the period	-	-	-	(590)	484	(106)
At 31.12.2021	133,557	33,961	13,868	(17,513)	(43,469)	120,404

* These reserve accounts comprise the consolidated reserves of a deficit of approximately RMB13,153,000 (30 June 2021: RMB13,047,000) in the consolidated statement of financial position.

C. Interim statements of changes in equity

Company	Share capital RMB'000	Share premium* RMB'000	Exchange reserve* RMB'000	Accumulated losses* RMB'000	Total equity RMB'000
At 1.7.2020	133,557	33,961	(26,428)	(37,671)	103,419
Loss for the period	-	-	-	(2,347)	(2,347)
Other comprehensive income, net of income tax					
- Exchange gain on translation of the Company's financial statements to RMB	-	-	(8,023)	-	(8,023)
Total comprehensive income for the period	-	-	(8,023)	(2,347)	(10,370)
At 31.12.2020	133,557	33,961	(34,451)	(40,018)	93,049
At 1.7.2021	133,557	33,961	(35,508)	(42,441)	89,569
Loss for the period	-	-	-	(2,526)	(2,526)
Other comprehensive income, net of income tax					
- Exchange loss on translation of the Company's financial statements to RMB	-	-	(1,528)	-	(1,528)
Total comprehensive income for the period	-	-	(1,528)	(2,526)	(4,054)
At 31.12.2021	133,557	33,961	(37,036)	(44,967)	85,515

* These reserve accounts comprise Company's reserves of a deficit of approximately RMB48,042,000 (30 June 2021: RMB43,988,000) in the Company's statement of financial position.

D. Consolidated Interim statement of cash flows

	Group	
	6 months ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cash flows from operating activities		
Profit before income tax	2,470	6,550
Adjustments for:		
Interest income	(9)	(16)
Government grants	(128)	-
Interest on bank borrowings	2,069	1,224
Interest paid on lease liabilities	425	178
Depreciation of property, plant and equipment	5,772	6,087
Depreciation of right-of-use assets	1,866	1,444
Impairment loss of trade receivables/(reversed)	230	(2,101)
(Gain)/loss on disposal of property, plant and equipment	3	(220)
Operating profit before working capital changes	12,698	13,146
Decrease in inventories	2,654	249
(Increase)/decrease in trade receivables	(3,307)	2,214
Increase in prepayments, deposits and other receivables	(5,818)	(6,229)
(Decrease)/increase in trade payables	(8,512)	21,569
Increase in accrued expenses and other payables	2,653	2,448
Cash generated from operations	368	33,397
Interest received	9	16
Income taxes paid	(1,446)	(1,616)
Net cash (used in)/generated from operating activities	(1,069)	31,797
Cash flows from investing activities		
Decrease in restricted bank deposits	1,452	-
Increase in deposits of acquisition of property, plant and equipment	(4,363)	-
Purchases of property, plant and equipment	(5,766)	(1,866)
Purchase of right-of-use assets	(448)	(2,320)
Proceeds from disposal of property, plant and equipment	-	235
Net cash used in investing activities	(9,125)	(3,951)
Cash flows from financing activities		
Interest on bank borrowings	(2,069)	(1,224)
Increase in deferred income	-	2,320
Net proceeds/(repayments) of bank borrowings	21,866	(30,623)
Repayments of principal portion of lease liabilities	(1,630)	(1,251)
Interest paid on lease liabilities	(425)	(178)
Net cash used in financing activities	17,742	(30,956)
Net increase/(decrease) in cash and cash equivalents	7,548	(3,110)
Cash and cash equivalents at beginning of period	18,850	20,307
Effect of foreign exchange rate changes, net	119	(289)
Cash and cash equivalents at end of the period	26,517	16,908
Analysis of balances of cash and cash equivalents		
Cash and bank balances	26,517	16,908

E. NOTES TO THE CONDENSED INTERIM AND INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

1. Corporate Information

Luxking Group Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. The principal place of business of the Company is located at Unit 6, 12/F, Tower A, New Mandarin Plaza, 14 Science Museum Road, Kowloon, Hong Kong. The Company’s shares are listed on the Main Board of the Singapore Exchange Securities Trading Limited (the “SGX-ST”).

The principal activity of the Company is investment holding. Principal activities of the Company’s subsidiaries are production and trading of adhesive tapes and BOPP films, trading of polypropylene resin and investment holding.

The operations of the Company and its subsidiaries (the “Group”) are principally conducted in the People’s Republic of China, excluding Hong Kong and Macau (the “PRC”), and Hong Kong.

2. Basis of preparation

The condensed interim financial statements for the six months ended 31 December 2021 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting issued by the International Accounting Standard Board. The condensed financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last audited financial statements for the financial year ended 30 June 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with IFRSs, except for the adoption of new and amended standards as set out in note 2.1.

The condensed interim financial statements are presented in Renminbi (“RMB”), being the presentation currency of the Group. The functional currency of the Company is Hong Kong dollar (“HK\$”). In order to be consistent with the consolidated financial statements, the presentation currency of the Company is also RMB. Amounts are rounded to the nearest thousand, unless otherwise stated.

2.1 New and amended standards adopted by the Group

During the year, the Group has adopted all the new and amended IFRSs which are effective for the reporting year and relevant to the Group. The new or amended IFRSs that are effective from 1 July 2021 did not have any significant impact on the Group’s accounting policies.

2.2 Use of judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- Net realisable value of inventories
- Provision for expected credit losses of trade receivables

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period

4. Segmental reporting

The Group has identified the following reportable segments:

Manufacture of general purpose adhesive tapes ("General tapes") – manufacture and distribution of adhesive tapes such as stationary tapes, masking tapes and double-sided tapes for industrial, commercial and customer uses.

Manufacture of industrial specialty tapes ("IS tapes") – manufacture and distribution of adhesive tapes designed for more sophisticated industrial application such as manufacturing and/or assembly processes, especially used for mobile and electronic appliance.

Manufacture of biaxially oriented polypropylene films ("BOPP films") – manufacture and distribution of BOPP films for packaging in industries, such as food, pharmaceutical, medical and electrical industries.

Trading of tapes – distribution of General tapes and IS tapes in Hong Kong and overseas markets.

Each of these operating segments is managed separately as each of these product lines requires different resources as well as marketing approaches. The executive directors regularly review revenue, gross profit margin and operating results of each operating segment.

Information regarding the Group's reportable segments as provided to the Group's executive directors is set out below:

	6 months ended 31.12.2021					Group RMB'000
	Manufacture General tapes RMB'000	Manufacture IS tapes RMB'000	Manufacture BOPP films RMB'000	Trading of tapes RMB'000	Eliminations RMB'000	
Revenue from external customers	57,104	85,719	125,004	41,963	-	309,790
Other income	-	-	-	-	-	-
Inter-segment sales	30,900	9,546	-	-	(40,446)	-
Reportable segment revenue	88,004	95,265	125,004	41,963	(40,446)	309,790
Reportable segment profit/(loss)	(526)	1,470	6,220	1,298	-	8,462
Reportable segment assets	66,418	90,930	95,660	13,789	-	266,797
Corporate assets:						
Cash and bank balances						26,517
Other financial assets						5,732
Property, plant and equipment						3,456
Consolidated total assets						302,502
Additions to non-current segment assets						
Property, plant and equipment	1,695	1,797	2,274	-	-	5,766
Right-of-use assets	132	140	176	-	-	448
	1,827	1,937	2,450	-	-	6,214
Reportable segment liabilities	25,088	26,609	33,662	-	-	85,359
Corporate liabilities:						
Bank borrowings						94,022
Other financial liabilities						822
Income tax payables						1,895
Consolidated total liabilities						182,098

	6 months ended 31.12.2020					Group RMB'000
	Manufacture General tapes RMB'000	Manufacture IS tapes RMB'000	Manufacture BOPP films RMB'000	Trading of tapes RMB'000	Eliminations RMB'000	
Revenue from external customers	42,714	75,750	102,441	29,889	-	250,794
Other income	-	-	-	-	-	-
Inter-segment sales	19,655	8,809	-	-	(28,464)	-
Reportable segment revenue	62,369	84,559	102,441	29,889	(28,464)	250,794
Reportable segment profit/(loss)	730	7,302	1,832	1,303	-	11,167
Reportable segment assets	57,109	66,127	102,414	9,777	-	235,427
Corporate assets:						
Cash and bank balances						16,908
Other financial assets						552
Property, plant and equipment						2,047
Consolidated total assets						254,934
Additions to non-current segment assets						
Property, plant and equipment	477	598	791	-	-	1,866
Right-of-use assets	593	745	982	-	-	2,320
	1,070	1,343	1,773	-	-	4,186
Reportable segment liabilities	19,911	24,955	32,968	-	-	77,834
Corporate liabilities:						
Bank borrowings						60,548
Other financial liabilities						1,442
Income tax payables						3,338
Consolidated total liabilities						143,162

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	6 months ended 31 December	
	2021 RMB'000	2020 RMB'000
Reportable segment profit	8,462	11,167
Interest income	9	16
Unallocated corporate income	247	272
Unallocated corporate expenses	(3,754)	(3,503)
Finance costs	(2,494)	(1,402)
Profit before income tax	2,470	6,550

The Group's revenue from external customers and non-current assets are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	6 months ended 31 December		6 months ended 31 December	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
The PRC	267,827	220,905	79,134	69,619
Hong Kong	770	300	3,015	3,201
Other countries	41,193	29,589	-	-
	309,790	250,794	82,149	72,820

Geographical location of customers is based on the location at which the goods are delivered whilst that of non-current assets is based on the physical location of the asset.

Revenue from the major customers with whom transactions have exceeded 10% of the Group's revenue is as follows:

	6 months ended 31 December	
	2021	2020
	RMB'000	RMB'000
Customer A (Manufacture of BOPP films)	35,972	39,400

A breakdown of sales:

	Group		Increase/ (decrease) %
	6 months ended 31 December		
	2021	2020	
	RMB'000	RMB'000	
Sales reported for the 1st half year	309,790	250,794	23.5%
Operating profit after tax for the 1st half year	484	3,302	(85.3%)

5. Other income

	Group	
	6 months ended 31 December	
	2021	2020
	RMB'000	RMB'000
Interest income	9	16
Net gain on disposal of property, plant and equipment	-	220
Write-back of impairment of trade receivables	-	2,101
Government grants and subsidies	247	41
Net foreign exchange gain	49	882
Others	-	12
	305	3,272

6. Profit before income tax

	Group	
	6 months ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit before income tax is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	5,772	6,087
Depreciation of right-of-use assets	1,866	1,444
Impairment loss of trade receivables	230	-
Interest on bank borrowings	2,069	1,224
Interest paid on lease liabilities	425	178
Government grants and subsidies	(247)	-
Net foreign exchange gain	(217)	(882)

7. Taxation

The Group calculates the period income tax expenses using the tax rate that would be applicable to the external total annual earnings. The major components of income tax expense in the condensed interim and Interim consolidated statement of the profit or loss are:

	Group	
	6 months ended 31 December	
	2021	2020
	RMB'000	RMB'000
The PRC		
Current Tax	1,950	3,248
Hong Kong		
Current Tax	36	-
	1,986	3,248

8. Dividends

The directors do not recommend the payment of a dividend for the periods ended 31 December 2021 and 31 December 2020.

9. Earnings per share

The calculation of basic earnings per share for the 6 months ended 31 December 2021 is based on the profit attributable to owners of the Company of approximately RMB484,000 (6 months ended 31 December 2020: RMB3,302,000) divided by 12,650,000 (6 months ended 31 December 2020: 12,650,000) ordinary shares in issue during the period.

Diluted earnings per share for the 6 months ended 31 December 2021 and 2020 is the same as basic earnings per share, as the Group has no dilutive potential shares during the current and prior period.

10. Net asset value

	Group		Company	
	As at 31.12.2021 RMB	As at 30.6.2021 RMB	As at 31.12.2021 RMB	As at 30.6.2021 RMB
Net assets value per ordinary share	9.52	9.53	6.76	7.08

Net assets value per ordinary share is calculated based on the issued ordinary shares of 12,650,000 ordinary shares as at 31 December 2021 and 2020.

11. Property, plant and equipment

During the 6 months ended 31 December 2021, the Group acquired asset amounting to RMB6,214,000 (6 months ended 31 December 2020: RMB4,186,000).

As at 31 December 2021, the Group has capital commitments of RMB7,616,000 (as at 30 June 2021: RMB4,938,000) which is contracted but not provided for in respect of property, plant and equipment.

12. Bank borrowings, secured

Amount repayable in one year or less, or on demand

As at 31.12.2021		As at 30.6.2021	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
94,022	-	72,156	-

Details of any collateral

The Group's bank borrowings of RMB94,022,000 represent: -

- (i) bank loans granted by China Construction Bank and Bank of Communications in the People's Republic of China (the "PRC");
- (ii) export and invoice finance granted by Industrial and Commercial Bank of China Limited, China Construction Bank and Bank of Communications in the PRC;

As at 31 December 2021, the Group's bank borrowings were secured by Mr Leung Chee Kwong, director of the Company, the pledge of certain of the Group's property, plant and equipment, the Group's certain right-of-use assets and the land use rights of the Company's substantial shareholder.

As at 31 December 2021, these bank borrowings bear fixed interest rates ranging from 3.5% to 5.9% per annum and floating interest rates at 3.9% per annum.

13. Share capital – Group and Company

	31.12.2021		30.6.2021	
	HK\$'000	RMB'000	HK\$'000	HK\$'000
Authorised:				
50,000,000 ordinary shares of HK\$10.00 each	500,000	530,000	500,000	530,000
Issued and full paid:				
12,650,000 ordinary shares of HK\$10.00 each	126,500	133,557	126,500	133,557

(There were no treasury shares)

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share at shareholders' meetings of the Company without restriction.

14. Subsequent events

There are no known subsequent events which have led to adjustments to this set of financial statements.

OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

1. Review

The Interim statement of financial position of Luxking Group Holdings Limited and its subsidiaries as at 31 December 2021 and the related condensed interim consolidated profit or loss and other comprehensive income for the six-month period then ended, the consolidated Interim statement of changes in equity and the consolidated Interim statement of cash flows for the six months ended 31 December 2021 and certain explanatory notes have not been audited or reviewed.

Review of Performance of the Group - Turnover and Earnings

HY2022 vs HY2021

Group Revenue

The Group's revenue increased 23.5% from RMB250.8 million in HY2021 to RMB309.8 million in HY2022. This was mainly driven by adjustments to selling price of the Group's products. The Group also recorded increase in sales volume of all business segments. However, profit margins were hampered by increase in prices of raw materials. Main raw material costs increased by 6.7% to 81.0% for various items in HY2022 compared with HY2021.

The biaxially oriented polypropylene films ("BOPP films") segment recorded 22.0% increase in sales from RMB102.4 million in HY2021 to RMB125.0 million in HY2022. This was attributed mainly to higher customer demand for higher-grade BOPP film in the domestic market, as well as an increase in the selling prices of the Group's products in tandem with higher cost of raw materials.

Sales of industrial specialty tapes ("IS tapes") also improved 12.6% from RMB84.9 million in HY2021 to RMB95.6 million in HY2022 on the back of a moderate increase in demand and adjustments to selling prices of the Group's products to partially compensate for the surge in cost of raw materials.

Sales of general purpose tapes ("General tapes") grew 40.8% from RMB63.4 million in HY2021 to RMB89.2 million in HY2022, driven largely by adjustments to selling prices of the Group's products as a result of higher raw material costs.

As a result, the General tapes segment's revenue contribution expanded to 28.8% in HY2022 (25.3% in HY2021). Revenue contribution of the BOPP films segment remained relatively stable at 40.4% in HY2022 (40.8% in HY2021), while the IS tapes segment accounted for a lower 30.8% of total sales in HY2022 (33.9% in HY2021).

In terms of revenue by geographical markets, sales to the domestic market climbed 21.2% from RMB220.9 million in HY2021 to RMB267.8 million in HY2022. This was attributed to higher sales of BOPP films, IS tapes and General tapes. Sales to overseas markets also gained 40.4% from RMB29.9 million in HY2021 to RMB42.0 million in HY2022 due to increased sales of General tapes and IS tapes. As a result, the domestic market accounted for 86.5% of Group revenue in HY2022 (88.1% in HY2021), with the remaining 13.5% of revenue derived from overseas markets (11.9% in HY2021).

Group Gross Profit and Gross Profit Margin

The Group's gross profit increased 5.6% from RMB29.7 million in HY2021 to RMB31.3 million in HY2022. Gross profit margin eased to 10.1% in HY2022 from 11.8% in HY2021, due mainly to the sharp and substantial increase in the cost of raw materials.

Other Income

Other income decreased from RMB3.3 million in HY2021 to RMB0.3 million in HY2022, due mainly to an absence of write-back of impairment of trade receivables and lower net foreign exchange gain.

Selling and Distribution Costs, Administrative and Other Operating Expenses

Selling and distribution costs remained steady at RMB10.4 million in HY2022 compared to RMB10.5 million in HY2021. Administrative expenses increased 10.8% from RMB14.5 million in HY2021 to RMB16.1 million in HY2022. During HY2021, there was an exemption of staff pension contribution which was granted by the PRC government to mitigate the adverse impact of the pandemic. This exemption ceased at the end of HY2021.

Other operating expenses increased from RMB3,000 in HY2021 to RMB0.2 million in HY2022 due mainly to an increase in expected credit loss of trade receivables.

Finance Costs

Finance costs increased 77.9% from RMB1.4 million in HY2021 to RMB2.5 million in HY2022 due mainly to an increase in bank borrowings and higher interest rate.

Income Tax

Income tax expense declined 38.9% from RMB3.2 million in HY2021 to RMB2.0 million in HY2022 in tandem with the decrease in the Group's taxable income.

Group Net Profit

As a result of the above, the Group's net profit declined 85.3% from RMB3.3 million in HY2021 to RMB0.5 million in HY2022.

Review of Financial Position as at 31 December 2021

Non-current assets increased from RMB79.3 million as at 30 June 2021 to RMB82.1 million as at 31 December 2021. This was due mainly to an increase in purchase and deposits paid for plant and equipment for the Group's factory at Zhongshan in Guangdong Province ("Zhongshan factory") and the new manufacturing plant in Hubei Province ("Hubei plant").

Inventories decreased from RMB82.0 million as at 30 June 2021 to RMB79.3 million as at 31 December 2021 as the Group endeavoured to accelerate its inventory turnover to mitigate the risk of raw material price volatility in HY2022.

Trade receivables increased from RMB87.8 million as at 30 June 2021 to RMB90.7 million as at 31 December 2021 in line with higher sales. Debtor turnover days on annualised basis shortened to 53 days for HY2022 compared to 63 days in FY2021.

Prepayments, deposits and other receivables increased from RMB18.1 million as at 30 June 2021 to RMB23.9 million as at 31 December 2021. There was an increase in value-added tax receivables of RMB3.7 million arising from the purchase of raw materials and the remaining was due mainly to the increase of deposits paid to suppliers.

Cash and bank balances increased from RMB18.9 million as at 30 June 2021 to RMB26.5 million as at 31 December 2021, due mainly to net proceeds from bank borrowings. Total borrowings increased from RMB72.2 million as at 30 June 2021 to RMB94.0 million as at 31 December 2021.

Trade and bills payables decreased from RMB59.1 million as at 30 June 2021 to RMB50.6 million as at 31 December 2021, due mainly to a decrease in inventories.

Accrued expenses and other payables increased from RMB14.4 million as at 30 June 2021 to RMB17.0 million as at 31 December 2021 was due mainly to an increase in deposits received from customers and

higher salaries payables. The Group recognised lease liabilities of RMB6.3 million as at 31 December 2021 compared to RMB7.5 million as at 30 June 2021 due to repayment of lease liabilities.

Income tax payables increased from RMB1.4 million as at 30 June 2021 to RMB1.9 million as at 31 December 2021. Deferred income as at 31 December 2021 stood at RMB12.3 million, which arose from a local government grant for the Group's new manufacturing plant in Hubei.

Group Cash Flows

Net cash used in operating activities during HY2022 amounted to RMB1.1 million. This was derived primarily from operating profit before working capital changes of RMB12.7 million, offset by net working capital outflows of around RMB12.3 million and payment of income taxes. Net cash used in investing activities amounted to RMB9.1 million in HY2022, attributed mainly to an increase in deposits and purchases related to property, plant and equipment. Net cash generated from financing activities in HY2022 was RMB17.7 million, due mainly to the net proceeds from bank borrowings.

2. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

3. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The rapid spread of the Omicron variant has raised concerns that the global economic recovery in 2022 will be hampered by fresh rounds of pandemic-induced government restrictions. Economic growth in 2022 may be uneven, and may be undermined by labour shortages and supply chain issues.

While the Group recorded higher revenue in HY2022 mainly due to price adjustments, it continues to face a challenging operating environment of sharp increases in raw materials and transportation costs due to disruption in freight schedules. The Group's profit margin continues to be adversely affected by volatility in USD/RMB exchange rates on its export sales and heightened competitive pressures.

Nevertheless, the Group continues to push forward its long term business strategy to build on its BOPP films, IS tapes and General tapes businesses. The Group has reaped success from its efforts to grow the sales of its high-end BOPP films and intends to focus on developing this business further by staying abreast of market needs. For its IS tapes and General tapes businesses, the Group plans to work closely with existing customers to expand its range of products while seeking to widen its market coverage in the domestic market. The Group is also looking to focus on the potential recovery in demand for General tapes and IS tapes from overseas markets.

The Group continues to upgrade its Zhongshan factory by making improvements to existing machinery and facilities to enhance production flow, efficiency, output and quality.

In HY2022, the Group invested in equipment and facility upgrades amounting to around RMB2.7 million and also installed a solar energy system costing around RMB6.3 million to generate power for Zhongshan factory. This solar energy system which is capable of generating at peak about 1.6MWp is in testing phase. This is in line with the Group's objective to move towards a green and sustainable future and also expected to contribute to the Group's performance. The Group will also consider the addition of a new production line at the Zhongshan factory should the need arise.

For its new Hubei plant, which is being constructed in phases according to market situation, the Group will be completing the installation of the Polyethylene ("PE") extrusion coating line in February 2022. It expects to commence a trial run of the new line in the following month. When operational, this PE coating line will increase the Group's vertically-integrated capabilities. This is expected to yield higher operational and cost efficiencies as approximately 60% of the monthly output will be used by the

Group's Zhongshan factory for the manufacture of double-sided tapes. The remaining 40% of monthly output will be sold to third parties.

Construction of a second production unit/space in the Hubei plant is also underway. The Group is building this new production space in advance in order to have the ability to respond quickly if and when new projects commence.

For the Hubei plant, the Group recorded capital expenditure of RMB5.7 million in FY2021 and estimates to incur RMB13.0 million in total in FY2022. Of this amount, around RMB6.5 million for the purchase and installation of machinery, equipment and facilities was deferred capital expenditure from FY2021. The remaining budget of RMB5.4 million is for the construction of the second production space and RMB1.1 million for the overall plant facilities.

4. Dividend information

- (a) Current financial period reported on
No dividend has been declared or recommended for the current financial period reported on.
- (b) Corresponding period of the immediate preceding financial year
No dividend has been declared or recommended for the corresponding period of the immediate preceding financial period.
- (c) Date payable
Not applicable
- (d) Book closure date
Not applicable
- (e) If no dividend has been declared (recommended), a statement to that effect and the reasons for the decision.
No dividend has been declared or recommended for the six months ended 31 December 2021 as the Group wants to conserve fund for working capital purpose during this challenging business conditions.

5. Interested person transactions

There was no IPT mandate has been obtained under Rule 920(1)(a)(ii) for the six months ended 31 December 2021.

6. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720 (1)

Pursuant to Rule 720(1) of the Listing Manual, the Company has procured undertakings from all its directors and executive officers.

7. Negative assurance confirmation on the interim financial results under Rule 705(5)

To the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited half year financial results of the Group as at 31 December 2021 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Yoo Loo Ping
Company Secretary

10 February 2022