



LUXKING GROUP HOLDINGS LIMITED

(Incorporated in Bermuda)

HALF YEAR FINANCIAL STATEMENT ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

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

	Group		
	6 months ended 31 December		
	2022	2021	+ / (-)
	RMB'000	RMB'000	%
Revenue	263,521	309,790	(14.9%)
Cost of sales	(232,660)	(278,442)	(16.4%)
Gross profit	30,861	31,348	(1.6%)
Other income	546	305	79.0%
Selling and distribution costs	(11,058)	(10,361)	6.7%
Administrative expenses	(19,154)	(16,095)	19.0%
Other operating expenses	(350)	(233)	50.2%
Finance costs	(1,661)	(2,494)	(33.4%)
(Loss)/profit before income tax	(816)	2,470	n/m
Income tax expense	(1,703)	(1,986)	(14.2%)
(Loss)/profit for the period	(2,519)	484	n/m
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of financial statements of foreign operations	3	(590)	n/m
Total comprehensive income attributable to the owners of the Company	(2,516)	(106)	n/m
(Loss)/earning per share for profit attributable to the owners of the Company during the period			
- Basic and diluted (RMB Cents)	(19.91)	3.83	n/m

n/m: not meaningful

B. Interim statements of financial position

	Group		Company	
	As at	As at	As at	As at
	31.12.2022	30.6.2022	31.12.2022	30.6.2022
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	55,199	56,272	-	-
Right-of-use assets	21,423	23,182	-	-
Interests in subsidiaries	-	-	89,114	88,702
Deposits for acquisition of property, plant and equipment	6,058	3,317	-	-
	82,680	82,771	89,114	88,702
Current assets				
Inventories	87,736	87,971	-	-
Trade receivables	81,866	77,973	-	-
Prepayments, deposits and other receivables	26,262	26,083	16	4
Cash and bank balances	17,769	29,554	-	-
	213,633	221,581	16	4
TOTAL ASSETS	296,313	304,352	89,130	88,706
EQUITY AND LIABILITIES				
Equity attributable to the owners of the Company				
Share capital	133,557	133,557	133,557	133,557
Reserves	(13,011)	(10,495)	(44,724)	(46,017)
Total equity	120,546	123,062	88,833	87,540
Current liabilities				
Trade and bills payables	52,684	44,138	-	-
Accrued expenses and other payables	15,531	13,301	297	1,166
Lease liabilities	2,800	3,108	-	-
Bank borrowings, secured	91,114	106,002	-	-
Income tax payables	1,495	994	-	-
	163,624	167,543	297	1,166
Non-current liabilities				
Lease liabilities	116	1,592	-	-
Deferred income	12,027	12,155	-	-
	12,143	13,747	-	-
Total liabilities	175,767	181,290	297	1,166
TOTAL EQUITY AND LIABILITIES	296,313	304,352	89,130	88,706

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 1.7.2021	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
At 1.7.2022	133,557	33,961	14,635	(16,564)	(42,527)	123,062
Loss for the period	-	-	-	-	(2,519)	(2,519)
Other comprehensive income, net of income tax						
- Exchange gain on translation of financial statements of foreign operations	-	-	-	3	-	3
Total comprehensive income for the period	-	-	-	3	(2,519)	(2,516)
At 31.12.2022	133,557	33,961	14,635	(16,561)	(45,046)	120,546

* These reserve accounts comprise the consolidated reserves of a deficit of approximately RMB13,011,000 (30 June 2022: RMB10,495,000) in the consolidated statement of the 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 1.7.2021	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
At 1.7.2022	133,557	33,961	(33,184)	(46,794)	87,540
Loss for the period	-	-	-	(2,596)	(2,596)
Other comprehensive income, net of income tax					
- Exchange gain on translation of the Company's financial statements to RMB	-	-	3,889	-	3,889
Total comprehensive income for the period	-	-	3,889	(2,596)	1,293
At 31.12.2022	133,557	33,961	(29,295)	(49,390)	88,833

* These reserve accounts comprise Company's reserves of a deficit of approximately RMB44,724,000 (30 June 2022: RMB46,017,000) in the Company's statement of financial position.

D. Consolidated Interim statement of cash flows

	Group	
	6 months ended 31 December 2022	2021
	RMB'000	RMB'000
Cash flows from operating activities		
(Loss)/profit before income tax	(816)	2,470
Adjustments for:		
Interest income	(18)	(9)
Government grants	(128)	(128)
Interest on bank borrowings	1,535	2,069
Interest paid on lease liabilities	126	425
Depreciation of property, plant and equipment	6,872	5,772
Depreciation of right-of-use assets	1,897	1,866
Impairment loss of trade receivables	350	230
Impairment loss of inventories	924	-
Loss on disposal of property, plant and equipment	-	3
Operating profit before working capital changes	10,742	12,698
(Increase)/decrease in inventories	(640)	2,654
Increase in trade receivables	(3,810)	(3,307)
Increase in prepayments, deposits and other receivables	(175)	(5,818)
Increase/(decrease) in trade and bills payables	8,547	(8,512)
Increase in accrued expenses and other payables	2,164	2,653
Cash generated from operations	16,828	368
Interest received	18	9
Income taxes paid	(1,202)	(1,446)
Net cash generated from/(used in) operating activities	15,644	(1,069)
Cash flows from investing activities		
Decrease in restricted bank deposits	-	1,452
Increase in deposits of acquisition of property, plant and equipment	(2,741)	(4,363)
Purchases of property, plant and equipment	(5,800)	(5,766)
Purchase of right-of-use assets	-	(448)
Net cash used in investing activities	(8,541)	(9,125)
Cash flows from financing activities		
Interest on bank borrowings	(1,535)	(2,069)
Net (repayments)/proceeds of bank borrowings	(14,888)	21,866
Repayments of principal portion of lease liabilities	(1,911)	(1,630)
Interest paid on lease liabilities	(126)	(425)
Net cash (used in)/generated from financing activities	(18,460)	17,742
Net (decrease)/increase in cash and cash equivalents	(11,357)	7,548
Cash and cash equivalents at beginning of period	29,554	18,850
Effect of foreign exchange rate changes, net	(428)	119
Cash and cash equivalents at end of the period	17,769	26,517
Analysis of balances of cash and cash equivalents		
Cash and bank balances	17,769	26,517

E. NOTES TO THE CONDENSED INTERIM AND INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

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 2022 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 2022.

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 2022 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 31.12.2022					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	52,505	76,944	101,971	32,101	-	263,521
Other income	-	-	-	-	-	-
Inter-segment sales	23,474	7,479	-	-	(30,953)	-
Reportable segment revenue	75,979	84,423	101,971	32,101	(30,953)	263,521
Reportable segment profit	953	1,059	1,542	821	-	4,375
Reportable segment assets	85,226	106,683	77,366	9,119	-	278,394
Corporate assets:						
Cash and bank balances						17,769
Other financial assets						150
Consolidated total assets						296,313
Additions to non-current segment assets						
Property, plant and equipment	1,680	1,866	2,254	-	-	5,800
Right-of-use assets	-	-	-	-	-	-
	1,680	1,866	2,254	-	-	5,800
Reportable segment liabilities	23,994	26,660	32,202	-	-	82,856
Corporate liabilities:						
Bank borrowings						91,114
Other financial liabilities						302
Income tax payables						1,495
Consolidated total liabilities						175,767

	6 months ended 31.12.2021					
	Manufacture General tapes RMB'000	Manufacture IS tapes RMB'000	Manufacture BOPP films RMB'000	Trading of tapes RMB'000	Eliminations RMB'000	Group 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 (loss)/profit	(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

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	
	2022	2021
	RMB'000	RMB'000
Reportable segment profit	4,375	8,462
Interest income	18	9
Unallocated corporate income	-	247
Unallocated corporate expenses	(3,548)	(3,754)
Finance costs	(1,661)	(2,494)
<u>(Loss)/profit before income tax</u>	<u>(816)</u>	<u>2,470</u>

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	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
The PRC	231,420	267,827	79,491	79,134
Hong Kong	1,302	770	3,189	3,015
Other countries	30,799	41,193	-	-
	<u>263,521</u>	<u>309,790</u>	<u>82,680</u>	<u>82,149</u>

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	
	2022	2021
	RMB'000	RMB'000
<u>Customer A (Manufacture of BOPP films)</u>	<u>26,607</u>	<u>35,972</u>

A breakdown of sales:

	Group	Group	Increase/ (decrease) %
	6 months ended 31 December		
	2022	2021	
	RMB'000	RMB'000	
Sales reported for the 1st half year	263,521	309,790	(14.9%)
<u>Operating (loss)/profit after tax for the 1st half year</u>	<u>(2,519)</u>	<u>484</u>	<u>n/m</u>

5. Other income

	Group	
	6 months ended 31 December 2022	2021
	RMB'000	RMB'000
Interest income	18	9
Government grants and subsidies	448	247
Net foreign exchange gain	-	49
Others	80	-
	<u>546</u>	<u>305</u>

6. Profit before income tax

	Group	
	6 months ended 31 December 2022	2021
	RMB'000	RMB'000
(Loss)/profit before income tax is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	6,872	5,772
Depreciation of right-of-use assets	1,897	1,866
Impairment loss of trade receivables	350	230
Impairment loss of inventories	924	-
Interest on bank borrowings	1,535	2,069
Interest paid on lease liabilities	126	425
Government grants and subsidies	(448)	(247)
Net foreign exchange gain	-	(49)

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 2022	2021
	RMB'000	RMB'000
The PRC		
Current Tax	1,694	1,950
Hong Kong		
Current Tax	9	36
	<u>1,703</u>	<u>1,986</u>

8. Dividends

The directors do not recommend the payment of a dividend for the periods ended 31 December 2022 and 31 December 2021.

9. Earnings per share

The calculation of basic earnings per share for the 6 months ended 31 December 2022 is based on the loss attributable to owners of the Company of approximately RMB2,519,000 (6 months ended 31 December 2021: RMB484,000 (profit)) divided by 12,650,000 (6 months ended 31 December 2021: 12,650,000) ordinary shares in issue during the period.

Diluted earnings per share for the 6 months ended 31 December 2022 and 2021 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 31.12.2022 RMB	As at 30.6.2022 RMB	As at 31.12.2022 RMB	As at 30.6.2022 RMB
Net assets value per ordinary share	9.53	9.73	7.02	6.92

Net assets value per ordinary share is calculated based on the issued ordinary shares of 12,650,000 ordinary shares as at 31 December 2022 and 2021.

11. Property, plant and equipment

During the 6 months ended 31 December 2022, the Group acquired asset amounting to RMB8,541,000 (6 months ended 31 December 2021: RMB6,214,000).

As at 31 December 2022, the Group has capital commitments of RMB8,618,000 (as at 30 June 2022: RMB748,000) 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 31.12.2022		As at 30.6.2022	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
91,114	-	106,002	-

Details of any collateral

The Group's bank borrowings of RMB91,114,000 represent: -

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

As at 31 December 2022, 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 and right-of-use assets, and the land use rights of the Company's substantial shareholder.

As at 31 December 2022, these bank borrowings bear fixed interest rates ranging from 3.15% to 3.5% per annum and floating interest rates at 4.2% per annum.

13. Share capital – Group and Company

	31.12.2022		30.6.2022	
	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 2022 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 2022 and certain explanatory notes have not been audited or reviewed.

Review of Performance of the Group - Turnover and Earnings

HY2023 vs HY2022

Group Revenue

The Group's revenue decreased 14.9% from RMB309.8 million in HY2022 to RMB263.5 million in HY2023, attributed mainly to softer demand from customers in domestic and overseas markets. Sales in the domestic market was undermined by the resurgence of COVID infections in China in HY2023 which triggered movement curbs that adversely affected supply chains and business demand. In addition, the prevailing geopolitical uncertainties in Europe, coupled with volatility in foreign currency exchange, have dampened demand from customers in overseas markets.

The biaxially oriented polypropylene films ("BOPP films") segment registered a decline of 18.4% in sales from RMB125.0 million in HY2022 to RMB102.0 million in HY2023. This was due to the slowdown in customer demand and a decrease in the selling prices of the Group's products as cost of raw materials declined.

Sales of industrial specialty tapes ("IS tapes") also decreased 11.3% from RMB95.6 million in HY2022 to RMB84.7 million in HY2023. While the Group recorded a moderate increase in sales volume of IS tapes in HY2023, this was offset by lower selling prices which declined in tandem with the fall in cost of raw materials.

Sales of general purpose tapes ("General tapes") were down 13.9% from RMB89.2 million in HY2022 to RMB76.8 million in HY2023, attributed mainly to weaker demand in domestic and overseas markets.

As a result, the BOPP segment's revenue contribution narrowed to 38.7% in HY2023 (40.4% in HY2022) while the IS tapes segment recorded a larger 32.2% of total sales in HY2023 (30.8% in HY2022). General tape segment's revenue contribution increased slightly to 29.1% in HY2023 (28.8% in HY2022).

In terms of revenue by geographical markets, sales in the domestic market moderated 13.6% from RMB267.8 million in HY2022 to RMB231.4 million in HY2023 due to a broad-based decline in sales across the Group's business segments. Sales to overseas markets fell 23.5% from RMB42.0 million in HY2022 to RMB32.1 million in HY2023, owing to lower sales of IS tapes and General tapes. As a result, the domestic market accounted for 87.8% of Group revenue in HY2023 (86.5% in HY2022) and the remaining 12.2% of revenue was derived from overseas markets (13.5% in HY2022).

Group Gross Profit and Gross Profit Margin

The Group registered gross profit of RMB30.9 million in HY2023, which was a decrease of 1.6% from RMB31.3 million in HY2022. Correspondingly, gross profit margin expanded to 11.7% in HY2023 from 10.1% in HY2022. This was attributed mainly to a shift in product mix, lower cost of raw materials, energy cost savings from the installation of solar panels, and offset by an impairment for inventories of RMB0.9 million in HY2023. Although these inventories which comprised mainly raw materials, are still in good condition and retained for future production, the Group made a provision in accordance with its policy to provide impairment for inventories with age of more than a year.

Other Income

Other income increased from RMB0.3 million in HY2022 to RMB0.5 million in HY2023, attributed mainly to higher government grants and subsidies.

Selling and Distribution Costs, Administrative and Other Operating Expenses

Selling and distribution costs increased 6.7% from RMB10.4 million in HY2022 to RMB11.1 million in HY2023 due mainly to higher transportation cost for export of products to overseas markets. Administrative expenses were up 19.0% from RMB16.1 million in HY2022 to RMB19.2 million in HY2023. This increase was attributed to salary increments, expansion of staff strength for the plant in Hubei (“Hubei plant”) and factory in Zhongshan, Guangdong Province (“Zhongshan factory”), as well as additional expenses for the Hubei plant. The Group incurred higher other operating expenses of RMB0.4 million in HY2023 compared to RMB0.2 million in HY2022, owing to higher impairment for expected credit loss of trade receivables.

Finance Costs

Finance costs decreased 33.4% from RMB2.5 million in HY2022 to RMB1.7 million in HY2023 due mainly to lower bank borrowings during HY2023.

Income Tax

Income tax expense declined 14.2% from RMB2.0 million in HY2022 to RMB1.7 million in HY2023 in tandem with the decrease in the Group’s taxable income.

Group Net Profit / Loss

As a result of the above, the Group recorded a net loss of RMB2.5 million in HY2023 as compared to a net profit of RMB0.5 million in HY2022.

Review of Financial Position as at 31 December 2022

Non-current assets decreased slightly from RMB82.8 million as at 30 June 2022 to RMB82.7 million as at 31 December 2022. This was due mainly to depreciation expenses and reduction in right-of-use assets, offset by an increase in deposits for acquisition of property, plant and equipment for the Hubei plant and Zhongshan factory.

Inventories was largely unchanged at RMB87.7 million as at 31 December 2022 compared to RMB88.0 million as at 30 June 2022.

Trade receivables increased from RMB78.0 million as at 30 June 2022 to RMB81.9 million as at 31 December 2022 as the settlement of invoices by customers was hampered by the pandemic situation in China. As a result, debtor turnover lengthened to 56 days for HY2023 compared to 49 days for FY2022.

Prepayments, deposits and other receivables were relatively stable at RMB26.3 million as at 31 December 2022 compared to RMB26.1 million as at 30 June 2022.

Cash and bank balances decreased from RMB29.6 million as at 30 June 2022 to RMB17.8 million, due mainly to purchases of property, plant and equipment and net repayment of bank borrowings. Total borrowings decreased from RMB106.0 million as at 30 June 2022 to RMB91.1 million as at 31 December 2022 due to repayments of borrowings and banks’ invoice financing facilities that were utilised in FY2022 for certain purchases of raw materials.

Trade and bills payables increased from RMB44.1 million as at 30 June 2022 to RMB52.7 million as at 31 December 2022 as the Group utilised less bank invoice financing facilities for purchases of raw materials.

Accrued expenses and other payables increased from RMB13.3 million as at 30 June 2022 to RMB15.5 million as at 31 December 2022 due mainly to higher accruals for salaries in line with the increase in headcount at the Hubei plant and Zhongshan factory.

The Group recognised lease liabilities of RMB2.9 million as at 31 December 2022 compared to RMB4.7 million as at 30 June 2022 due to a reduction in right-of-use assets and repayment of lease liabilities.

Income tax payables increased from RMB1.0 million as at 30 June 2022 to RMB1.5 million as at 31 December 2022. Deferred income as at 31 December 2022 stood at RMB12.0 million, which arose from a local government grant for the Group's manufacturing plant in Hubei.

Group Cash Flows

Net cash generated from operating activities during HY2023 amounted to RMB15.6 million. This was derived primarily from operating profit before working capital changes of RMB10.7 million and net working capital inflows of around RMB6.1 million, offset partially by income taxes paid of RMB1.2 million. Net cash used in investing activities amounted to RMB8.5 million in HY2023, attributed mainly to purchases of property, plant and equipment for the Hubei plant and Zhongshan factory. Net cash used in financing activities in HY2023 was RMB18.5 million, due mainly to the interest payments, net repayment of bank borrowings and repayment of lease liabilities.

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

The Group's financial results for HY2023 are in line with the profit guidance announcement released on 30 January 2023.

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.

While the recent reopening of China has lifted confidence in the global economy, the overall economic outlook for 2023 presently remains uncertain due to prevailing concerns stemming from geopolitical tensions, inflationary cost pressures, rising interest rates and the fluid pandemic situation.

The Group expects the operating landscape to remain challenging because of increased operating cost pressures, intense competition and volatile USD/RMB currency exchange rates which may affect its export sales and profit margins. In addition, the ongoing Russian-Ukraine conflict may continue to affect the supply chains and undermine demand from the European market.

On a more positive note, the reopening of China's economy could drive the prospects of improving demand in the domestic market. To be prepared for opportunities and challenges in its business environment, the Group intends to focus on its key strategies – maintain competitiveness of its products through R&D and customisation; retain good relationships with existing customers; expand its customer base through stronger sales teams and channels, and continually raise production efficiency and optimise operational costs through appropriate equipment investments and upgrades.

For its BOPP films segment, the Group plans to focus on the high-end BOPP films market while staying abreast of market trends and producing customised BOPP films according to customers' requirements to stay ahead of competition. With respect to the IS tapes business, the Group intends to build on its reputation and competitive advantages in the smartphone and home appliances industries which are its major customer segments, by developing and tailoring new products to customers' requirements. In addition, the Group will also continue with its R&D work in the development of new IS tapes to penetrate the automotive industry. To tap demand opportunities for its General tapes business, the Group is working to improve its cost efficiency to raise the competitiveness of its products while pursuing more customers to increase its market share.

The Group plans to continue upgrading existing machinery and installing new equipment at its Zhongshan factory to enhance production flow, efficiency, output and quality. The Group will also continue with its development plans for the Hubei plant to expand capabilities and capacity while raising its vertical integration capabilities.

At the Hubei plant, the Group completed installation of the Polyethylene (“PE”) extrusion coating line which has commenced initial operations during HY2023. Certain proportion of the output of PE-coated paper will be used by the Zhongshan factory for further processing into release liners for the manufacture of double-sided tapes. The remaining output of PE-coated paper will be sold to third parties.

In HY2023, the Group also invested in a silicone coating line costing about RMB3.3 million at the Hubei plant to process PE-coated paper into release liners. This investment will enable the Group to attain more efficient production of release liners which can be used by the Zhongshan factory and sold to third parties. Moreover, with the addition of PE-coated paper and release liners to its product mix, the Group will be able to extend its reach to a wider customer spectrum. The silicone coating line is expected to commence trial operations during FY2023.

Construction of a second production unit/space (“Production Unit II”) is also underway and scheduled to be completed in FY2023. This new production space is being built in advance to provide the Group with the ability to respond quickly if and when new projects commence. The Group has spent around RMB3.0 million in HY2023 on construction of Production Unit II and other ancillary facilities.

For the calendar year 2023, the Group intends to complete interior construction of Production Unit II, commence development of a multi-use complex that is planned for completion in FY2024 and installation of other supporting facilities at its Hubei plant. It will also purchase equipment and machineries that are necessary to support the production operations of its Hubei plant. For its Zhongshan factory, the Group will upgrade existing equipment and machineries as and when required.

The Group will continue to build the Hubei plant in phases according to the market situation. Besides the aforesaid upgrading and investment plans for its Zhongshan factory and Hubei plant, the Group will closely monitor the market situation and adopt a cautious approach for capital expenditures.

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 2022 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 2022.

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 2022 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

**Yoo Loo Ping
Company Secretary**

10 February 2023