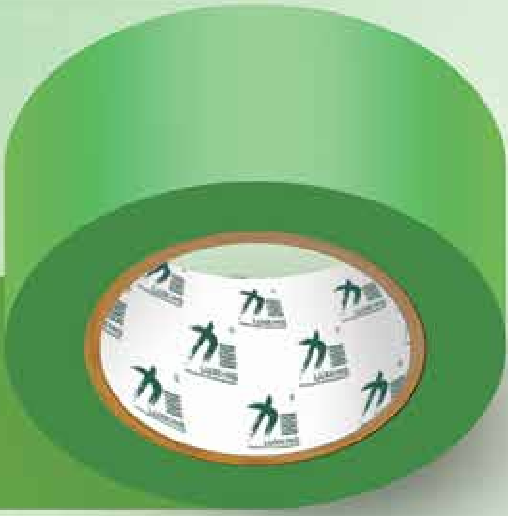
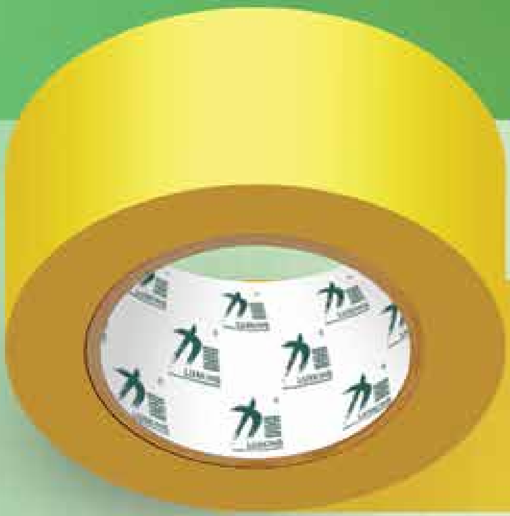
# BUILDING A
# STRONGER FOUNDATION

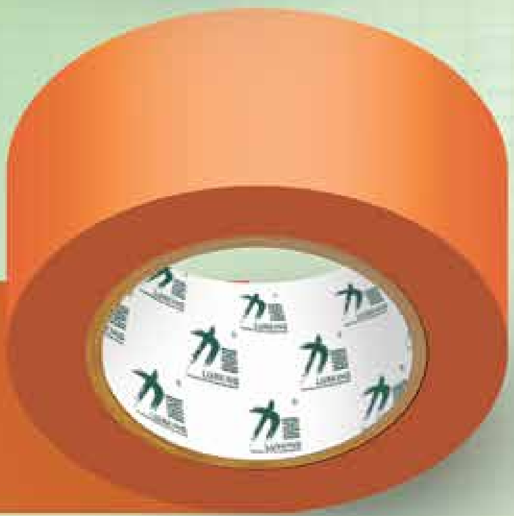
ANNUAL REPORT 2020

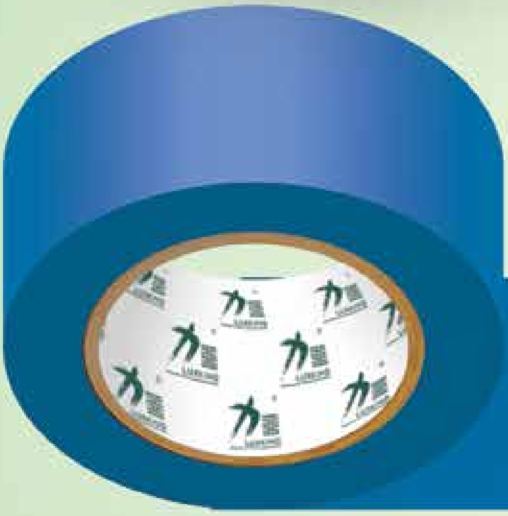




# CONTENTS







# CORPORATE PROFILE

Established in 1995, Luxking Group Holdings Limited ("Luxking") is a reputable manufacturer of pressure-sensitive adhesive ("PSA") tape products in the People's Republic of China, excluding Hong Kong and Macau (the "PRC").

Backed by strong research and development ("R&D") capabilities, Luxking has developed a broad range of industrial specialty tapes ("IS tapes") which are higher-grade products for use in the electronics and consumer electronics industries. The Group has established a sound reputation and track record for the supply of quality IS tapes, including PET spacers and optical clear adhesive tapes which are used in the production of consumer electronic devices. Luxking also manufactures general purpose adhesive tapes ("General tapes"), as well as biaxially oriented polypropylene ("BOPP") films, including higher-grade products that are used for paper laminations and specialty industrial packaging.

Luxking's products are used by more than 1,000 customers in the PRC and overseas markets from diverse industries spanning the printing, packaging, automotive and electronics sectors.

The Group's large-scale and vertically-integrated manufacturing capabilities enhance its competitive edge. Luxking produces PSA tape products based on its proprietary formulations and also manufactures BOPP films which are used in the production of adhesive tapes. To deliver high quality and innovative products to its customers, Luxking continually invests in R&D programs, technical training, as well as state-of-the-art equipment at its manufacturing facility in Zhongshan, the PRC.

Luxking was listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") since 2005.

# CORPORATE **STRUCTURE**

LUXKING

**LUXKING GROUP HOLDINGS LIMITED**
(Incorporated in Bermuda)

- 100% **EXCEL GLORY LIMITED** (Incorporated in the British Virgin Islands)
  - 100% **CHINA KING INTERNATIONAL TRADING LIMITED** (Incorporated in Hong Kong)
  - 100% **TIAN HOLDINGS LIMITED** (Incorporated in Hong Kong)
    - 100% **ZHONGSHAN NEW ASIA ADHESIVE PRODUCTS CO., LTD.** (Established in the PRC)
      - 100% **湖北力王新材料有限公司** (Established in the PRC)
  - 100% **LUXKING INVESTMENT LIMITED** (Incorporated in Hong Kong)
  - 100% **LUXKING INTERNATIONAL CHEMICALS LIMITED** (Incorporated in Hong Kong)

# OUR PRODUCTS

### #1 PET Spacer
**Characteristics:**
Excellent adhesion, temperature resistance and good punchability

**Applications:**
Acts as a spacer in membrane switches used in consumer electronics such as home appliances, mobile phones etc.

### #2 Aluminum Foil Tape
**Characteristics:**
Water-proof, moistureproof, flame retardant, provide physical insulation

**Applications:**
Protects gas, exhaust, water and oil pipes against corrosion and also for insulation

### #3 PVC Double-Sided Tape
**Characteristics:**
Excellent adhesion, good holding power, provide electrical insulation

**Applications:**
Used in demanding bonding applications

### #4 BOPP Films
**Characteristics:**
High clarity, transparent, flexible

**Applications:**
Can be used directly or coated with other materials for packaging purpose

### #5 Optical Clear Transfer Tape For LCDs
**Characteristics:**
Superior clarity and adhesion

**Applications:**
Used in bonding of film and glass laminates in touch screen displays, mounting of transparent graphic overlays and bonding of optical film/backlight module to LCD

### #6 High Performance Double-Sided Tape
**Characteristics:**
Excellent adhesion to various surfaces and materials, good punchability, temperature and repulsion resistance

**Applications:**
Used in mounting of metal or plastic name plates and in foam and films lamination

### #7 General Purpose Double-Sided Tape
**Characteristics:**
Good tensile strength, strong adhesion

**Applications:**
General applications in offices and homes

### #8 Light Shielding/Reflecting Double-Sided Tape
**Characteristics:**
Special black and white carrier, white side is light reflecting and black is light absorbing, strong peel adhesion and holding power to various substrates, good aging properties and is resistant to weather changes

**Applications:**
Used in mounting of LCD and backlight module of handheld devices

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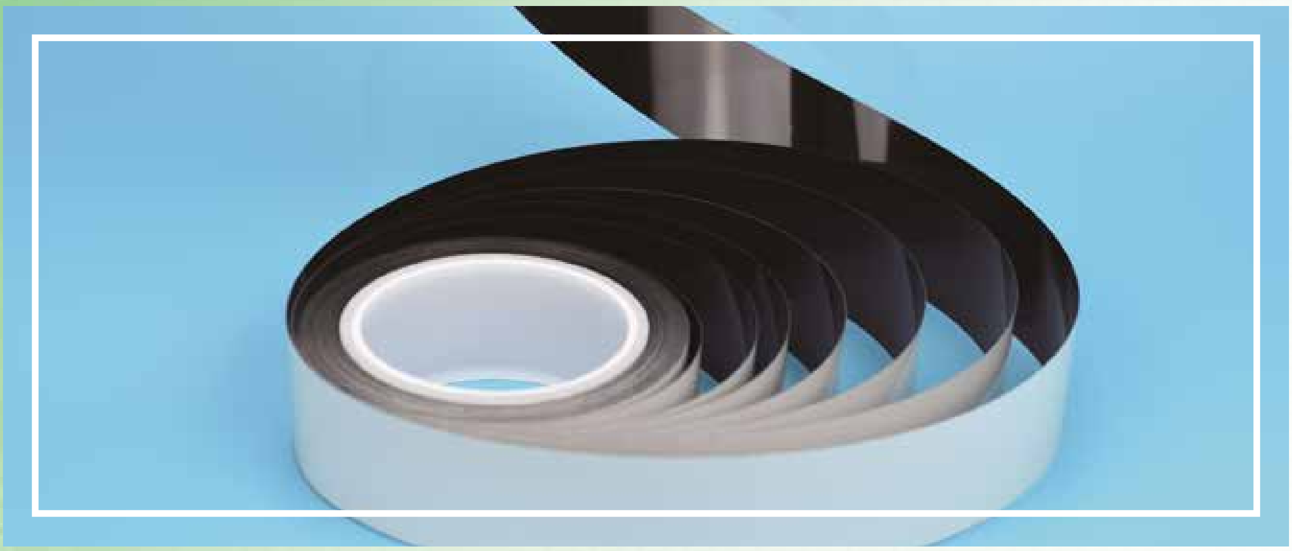
# MESSAGE TO SHAREHOLDERS



## Dear Shareholders,

I would like to present the annual report of Luxking Group Holdings Limited ("Luxking" or the "Group") for the financial year ended 30 June 2020 ("FY2020").

The business environment for companies worldwide proved to be extremely challenging during FY2020. This was due to heightened global trade tensions, slowing economies, and further exacerbated by the COVID-19 outbreak at the start of year 2020 which brought business activities in many countries to an abrupt halt.

The Group's factory in Zhongshan had to close for an extended period during the Chinese New Year holiday period this year in compliance with a directive issued by the local authorities to all enterprises in Guangdong Province. These government measures to contain the spread of COVID-19 resulted in business and supply chain disruptions. After receiving the requisite approvals, the Group's factory resumed partial operations on 10 February 2020 and attained normal operations from 24 February 2020.

Despite facing a variety of challenges during this unprecedented period, Luxking reported higher revenue and also reversed the loss incurred in FY2019 to break-even with a modest profit for FY2020. Amid the COVID-19 pandemic, the Group has also undertaken an internal assessment of its operations and implemented a series of measures to safeguard the health of its employees and manage potential risks to the Group's operations and financial position to ensure business continuity.

## Business Review

For FY2020, the Group's revenue increased 5.7% to RMB398.4 million in FY2020 lifted by higher sales across its three business segments - biaxally oriented polypropylene films ("BOPP films"), industrial specialty tapes ("IS tapes"), and general purpose tapes ("General tapes").

The BOPP films segment posted a 7.1% increase in sales to RMB166.0 million in FY2020, buoyed by higher sales in the domestic market. Sales of IS tapes increased 4.2% to RMB132.9 million in FY2020 as stronger sales during the first half of FY2020 helped to offset the adverse impact of weaker demand, particularly from overseas markets, in the second half of FY2020. Sales of General tapes gained 5.5% to RMB99.5 million in FY2020 on the back of higher demand in the domestic market.

In FY2020, revenue contributions of the Group's three business segments were relatively stable when compared to FY2019. The IS tapes segment contributed 33.3% to Group revenue while the BOPP films segment and General tapes segment accounted for 41.7% and 25.0% respectively of total sales in FY2020.

The Group was able to significantly improve its gross profit margin to 13.9% in FY2020 from 7.1% in FY2019. This can be attributed mainly to the Group's efforts to reduce the cost of raw materials, improve production efficiency and cost management, as well as a write-back of provision for inventories.

As a result of the higher revenue and gross profit, coupled with significant reductions in impairment loss of trade and bills receivables

# MESSAGE TO SHAREHOLDERS

in FY2020, the Group recorded a modest net profit of RMB64,000 which represents a reversal from the net loss of RMB64.8 million in FY2019. During FY2020, the Group also continued to pare down its borrowings and improved its gearing to 0.8 times as at 30 June 2020 from 1.1 times previously.

## Moving Ahead

Looking ahead, the Group expects the business environment to remain challenging in FY2021. The uncertain trajectory of the COVID-19 pandemic may continue to have major repercussions on the world economy. This precarious situation is further clouded by the possibility of lockdown measures being re-imposed in many countries to combat any resurgence of the virus. In addition, the ongoing trade tension between the USA and China is also dampening business sentiment and the outlook for the global economy. These factors may potentially have an impact on the market demand for the Group's products and lead to more intense competitive and price pressures.

Given the uncertainties and fluid nature of the current situation, Luxking will maintain a cautious stance as it is difficult to assess the full effect on the Group's business and financial performance for FY2021.

To mitigate higher risk associated with recoverability of trade receivables during this period of uncertainty, the Group has been taking a number of steps to strengthen its credit control system. The Group is continually assessing the impact of the COVID-19 pandemic on each of its clients' business and adjusting credit limits and terms where necessary.

In addition to these measures to safeguard its financial position, the Group has also taken all the necessary precautions to establish a safe and healthy working environment, which will protect its employees and the Group's operations against the potential impact of COVID-19.

Before the factory resumed full operations in late February 2020, a health and safety committee was formed to implement new health and safety measures. These measures include daily temperature checks, use of face-masks and COVID-19 prevention training for all employees as well as submission of daily reports of potential and confirmed COVID-19 cases by each department. The health and safety committee also keeps close tabs on the latest news on COVID-19 and information from the government so that prompt and appropriate actions can be taken. As at 30 June 2020, the Group has not reported any COVID-19 cases.

Notwithstanding the challenging operating conditions, Luxking intends to stay focused on its business strategy to build a resilient business model for the long-term.

For its BOPP films segment, the Group will continue to place emphasis on increasing sales of its higher-grade BOPP films. Luxking will also continue with its business development initiatives to expand the customer base of the IS tapes business and develop new products to remain relevant and drive future growth. The Group will continue to leverage on its in-house R&D competencies to offer its customers greater value-add by providing customised adhesive products and solutions to meet their changing requirements. For the GP tapes business, the Group has plans to expand its market share in Northern and Western China.

Indeed, plans are already afoot to expand the Group's presence to the Northern region of China. Last year, the Group kick-started its plans to set up a new manufacturing facility in Hubei province. As Luxking's present manufacturing facilities are located in Guangdong province which is in the Southern region of China, the new factory in Hubei province will extend the Group's market reach in the Northern region. This will enable the Group to improve local support to existing customers there and place it in a better position to gain new customers. The Group is targeting the first phase of the Hubei project to commence trial production in the second half of 2021, barring any unforeseen circumstances.

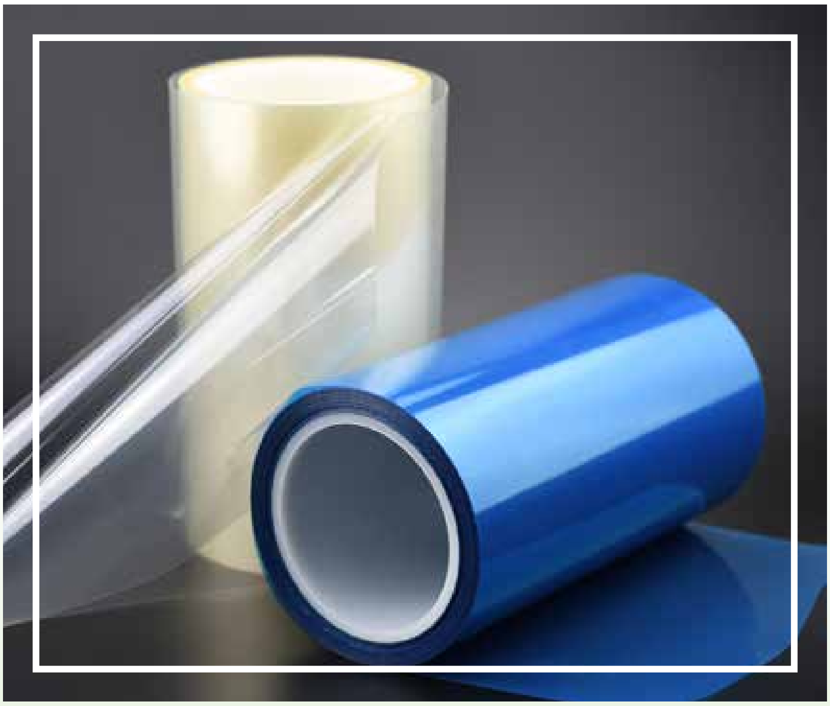
In parallel with the above strategies and plans, the Group has also been implementing various initiatives at its manufacturing facility in Zhongshan which are aimed at improving production efficiency, maximizing production yields and minimising operating costs. The Group believes these ongoing efforts will help to mitigate the impact of potential price and cost pressures, and enable Luxking to maintain its market competitiveness.

## Appreciation

I shall like to thank my fellow Directors for their counsel and contributions to Luxking. On behalf of the Board, I wish to extend our deepest appreciation to our management and staff for their dedicated service, commitment and hard work during this unprecedented and challenging period. Our Board would also like to express its gratitude to our valued shareholders, customers, suppliers and business partners for their continued trust and support of Luxking.

**Leung Chee Kwong**
Executive Chairman and
Chief Executive Officer
23 September 2020

# FINANCIAL **REVIEW**



## GROUP REVENUE

For the financial year ended 30 June 2020 ("FY2020"), the Group's revenue increased 5.7% from RMB376.9 million in FY2019 to RMB398.4 million in FY2020 in spite of the challenging operating environment due to global trade tensions and the COVID-19 pandemic.

Despite the disruptions due to the COVID-19, the Group registered higher sales across its three business segments - biaxally oriented polypropylene films ("BOPP films"), industrial specialty tapes ("IS tapes"), and general purpose tapes ("General tapes") in FY2020.

The BOPP films segment posted a 7.1% increase in sales from RMB155.0 million to RMB166.0 million in FY2020 due mainly to better sales in the domestic market. Sales of IS tapes increased 4.2% from RMB127.6 million to RMB132.9 million in FY2020. This was attributed mainly to stronger sales performance in the first half of FY2020, which offset the adverse impact of weaker demand, particularly from overseas markets, in the second half of FY2020. Sales of General tapes increased 5.5% from RMB94.3 million to RMB99.5 million in FY2020, driven mainly by higher demand in the domestic market.

As a result, the IS tapes segment's contribution to Group revenue in FY2020 was 33.3% compared to 33.9% in FY2019. The BOPP films segment accounted for 41.7% of total

# FINANCIAL REVIEW

sales compared to 41.1% in FY2019, while the General tapes segment's contribution to Group revenue in FY2020 remained unchanged at 25.0%.

In terms of revenue by geographical markets, sales to the domestic market increased 8.7% from RMB292.4 million in FY2019 to RMB317.8 million in FY2020. This was driven by higher sales of BOPP films, IS tapes and General tapes. Sales to overseas markets decreased 4.6% from RMB84.5 million in FY2019 to RMB80.6 million in FY2020 due mainly to lower export sales of IS tapes in the second half of FY2020. As a result, the domestic market accounted for 79.8% of Group revenue in FY2020 compared to 77.6% in FY2019. The remaining 20.2% was derived from overseas markets, down from 22.4% in FY2019.

## PROFITABILITY

The Group's gross profit more than doubled from RMB26.9 million to RMB55.3 million in FY2020. Gross profit margin increased to 13.9% in FY2020 from 7.1% in FY2019. The increase in gross profit margin was attributed mainly to lower cost of raw materials, continual efforts to improve production efficiency and cost management, as well as a write-back of provision for inventories. In accordance with the Group's stock aging policies, impairment is carried out for inventories which are more than one year old. In FY2020, there was a write-back of provision for inventories amounting to RMB6.7 million, of which RMB1.1 million was sold and RMB5.6 million was consumed in production.

Other income increased from RMB0.9 million in FY2019 to RMB5.1 million in FY2020, of which around RMB4.7 million was related to recovery of trade receivables that were previously impaired.

Selling and distribution costs were relatively stable at RMB16.6 million in FY2020 compared to RMB16.8 million in FY2019. Administrative expenses increased 7.2% from RMB29.3 million to RMB31.4 million in FY2020, due mainly to higher staff salaries, directors' fees, staff welfare expenses, as well as administrative expenses incurred for the set-up of a new manufacturing facility in Hubei.

Impairment loss of trade and bills receivables declined substantially to RMB3.6 million in FY2020 compared to RMB29.2 million in FY2019. Other operating expenses also fell to RMB0.2 million in FY2020 from RMB8.9 million previously which was due mainly to compensation paid to customers in FY2019. There was no such expense in FY2020.

Finance costs declined 14.3% from RMB6.4 million in FY2019 to RMB5.5 million in FY2020 due mainly to a decrease in total borrowings.

The Group incurred income tax expense of RMB3.0 million for FY2020 which included the payment of certain taxes allocated by the local provincial government.

As a result of the aforesaid factors, the Group achieved break-even in FY2020 with a net profit of RMB64,000 which represents a reversal from the net loss of RMB64.8 million reported in FY2019.

## FINANCIAL POSITION

Non-current assets decreased from RMB82.2 million as at 30 June 2019 to RMB76.1 million as at 30 June 2020. This was due mainly to the net effect of depreciation of property, plant and equipment, and the recognition of right-of-use assets which also included the acquisition of land use rights in Hubei, PRC.

Deposits amounting to RMB4.1 million as at 30 June 2019 for the acquisition of land use rights in Hubei were reclassified to right-of-use assets as at 30 June 2020 upon completion of land registration. Following the adoption of the IFRS 16 Leases, the Group's operating leases are recognised on the balance sheet as right-of-use assets and lease liabilities. Leasehold land and buildings in Hong Kong were also reclassified as right-of-use assets. As at 30 June 2020, the right-of-use assets stood at RMB19.5 million.

Inventories decreased slightly from RMB53.9 million as at 30 June 2019 to RMB52.6 million as at 30 June 2020 in tandem with business requirements. Trade and bills receivables decreased from RMB117.8 million as at 30 June 2019 to RMB91.4 million as at 30 June 2020 as the Group stepped up its credit control and management to better manage risk of customer defaults that could arise from the challenges precipitated by the COVID-19 situation. The decline was also partly attributed to an increase in provision for Expected Credit Losses (ECL) on trade receivables. Debtor turnover days in FY2020 shortened to around 84 days from 114 days in FY2019.

# FINANCIAL **REVIEW**

Prepayments, deposits and other receivables increased from RMB12.4 million as at 30 June 2019 to RMB16.1 million as at 30 June 2020. This was due mainly to certain prepayments and deposits paid to suppliers to secure supply of raw materials, and payments for the Group's project to set up a new manufacturing facility in Hubei, the PRC.

Cash and bank balances increased from RMB19.2 million as at 30 June 2019 to RMB20.3 million as at 30 June 2020. This was due mainly to net cash generated from operating activities of RMB41.0 million, offset by net cash used in investing activities, interest payment, repayment of lease liabilities and repayment of bank and other borrowings.

Total borrowings declined from RMB124.5 million as at 30 June 2019 to RMB91.2 million as at 30 June 2020, due mainly to repayment of other borrowings of RMB12.5 million.

Trade payables decreased from RMB34.1 million as at 30 June 2019 to RMB27.8 million as at 30 June 2020 as there was comparatively higher proportion of transactions settled on cash terms. Accrued expenses and other payables decreased from RMB14.2 million as at 30 June 2019 to RMB13.5 million as at 30 June 2020 due to settlement of outstanding expenses and payables. The Group recognised lease liabilities of RMB2.1 million as at 30 June 2020.

Income tax payables increased from RMB1.0 million as at 30 June 2019 to RMB1.7 million as at 30 June 2020. The Group recorded an increase in deferred income from RMB4.1 million as at 30 June 2019 to RMB10.5 million, attributed to a local government grant for its new plant in Hubei, the PRC.

## CASH FLOW

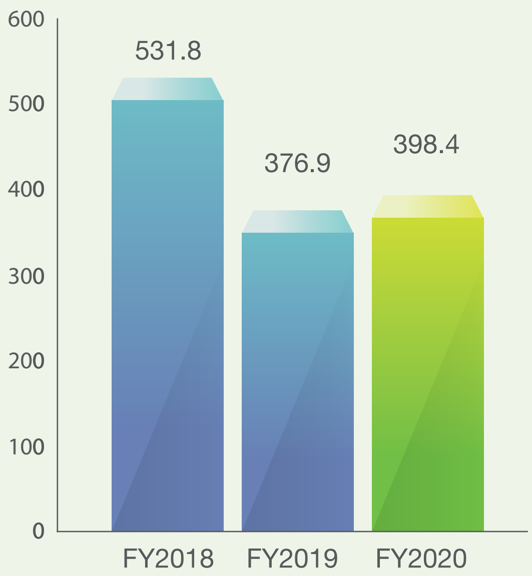
The Group generated net cash from operating activities of RMB41.0 million in FY2020. This was derived primarily from operating profit before working capital changes of RMB17.4 million and net working capital inflows of around RMB25.8 million, offset partially by payment of income taxes.

Net cash used in investing activities during FY2020 was RMB5.0 million, attributed mainly to the purchases of plant and equipment and right-of-use assets.

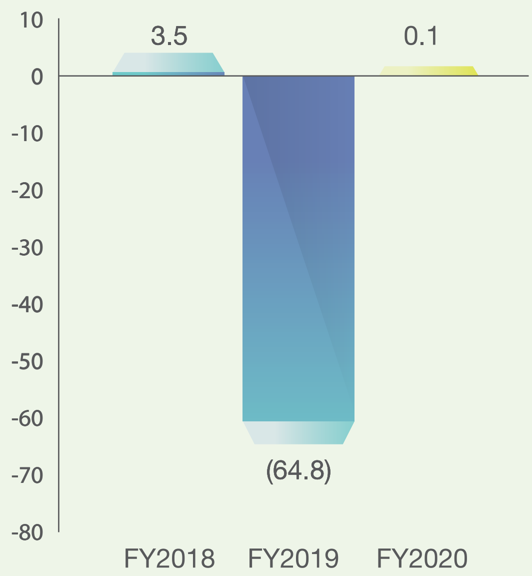
Net cash used in financing activities amounted to RMB35.2 million, due mainly to interest payments on borrowings, repayments of bank and other borrowings, as well as repayment of lease liabilities.

# FINANCIAL HIGHLIGHTS

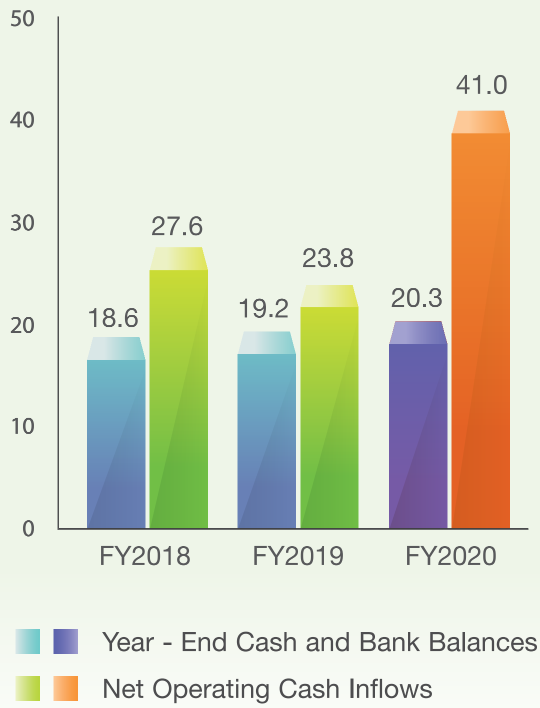
**Revenue** (RMB million)



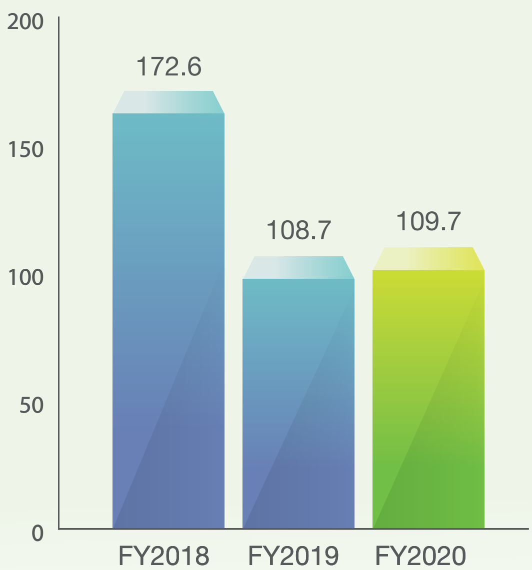

**Net Profit/(Loss)** (RMB million)




**Year-End Cash And Bank Balances And Net Operating Cash Inflows** (RMB million)




**Shareholders' Equity** (RMB million)



# BOARD OF **DIRECTORS**

## Mr Leung Chee Kwong

Executive Chairman and
Chief Executive Officer

Mr Leung Chee Kwong is our Executive Chairman and Chief Executive Officer. He was appointed to the Board on 29 December 2004 and was last re-elected on 22 October 2018.

Mr Leung is a founder of our Group and is responsible for the formulation and execution of overall business strategies and policies as well as the overall management of our Group. He has more than 30 years of experience in the adhesive tape business since 1984. Mr Leung was previously the Vice-Manager of Wingtai Adhesive Product Factory Co. Ltd. from 1984 and was subsequently promoted to General Manager in 1989. He also worked as a salesperson and an operations worker in several companies and factories in Zhongshan Yongning.

## Ms Leung Hi Man

Executive Director

Ms Leung joined the Group in 2005 and was appointed as an Executive Director of the Company on 1 September 2017. She was last re-elected a Director of the Company on 23 October 2017 and will be seeking re-appointment at the forthcoming Annual General Meeting of the Company.

Ms Leung oversees the finance department, and assists the Executive Chairman in the formulation and execution of overall business strategies and policies of the Group. She is also Assistant Sales Manager of the Group and is responsible for managing business relationships, overseeing sales operations, formulating marketing strategies and assisting product development of the Group's Hong Kong subsidiaries, Luxking International Chemicals Limited and China King International Trading Limited. She obtained her Master in Science (Honours) in Chemistry from Imperial College London, United Kingdom in 2005.

## Mr Chng Hee Kok

Lead Independent and Non-Executive Director

Mr Chng was appointed as an Independent and Non-Executive Director of the Company on 17 June 2005 and was re-designated as Lead Independent Director of the Company on 31 October 2019. He was last re-elected a Director of the Company on 23 October 2017 and will be seeking re-appointment at the forthcoming Annual General Meeting of the Company.

Mr Chng is Chairman of Ellipsiz Ltd. He had served as the Chief Executive Officer of Scotts Holdings Limited, Yeo Hiap Seng Limited, Hartawan Holdings Ltd., HG Metals Manufacturing Ltd. and LH Group Ltd. He was a Member of Parliament of Singapore from 1984 to 2001. Mr Chng served on the boards of Sentosa Development Corporation and Singapore Institute of Directors. Currently he sits on the boards of a number of listed companies which include The Place Holdings Ltd, United Food Holdings Ltd, Full Apex (Holdings) Limited and Blackgold Natural Resources Ltd. Mr Chng was awarded a Merit Scholarship by the Singapore Government and graduated with a BEng (First Class Honours) from the University of Singapore in 1972. He also holds a MBA from the National University of Singapore.

# BOARD OF DIRECTORS

## Mr Er Kwong Wah

Independent and Non-Executive Director

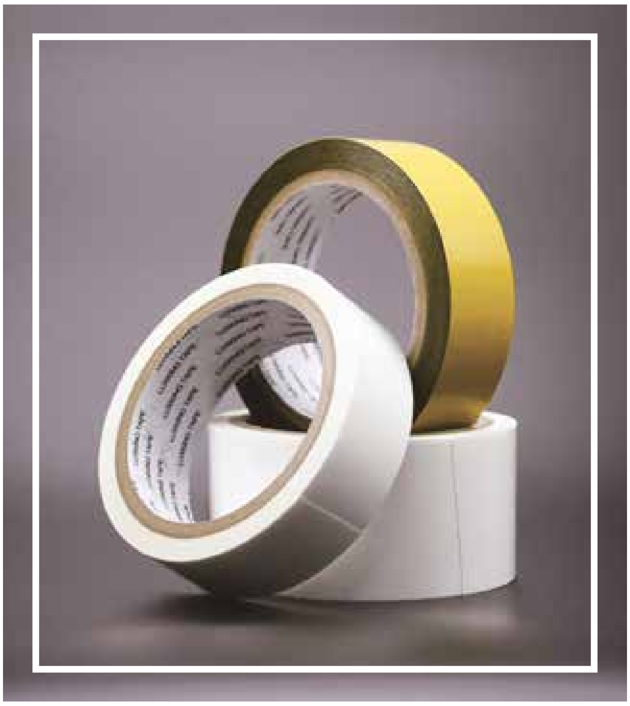
Mr Er was appointed as an Independent and Non-Executive Director of the Company on 9 September 2019 and was last re-elected on 21 October 2019.

Mr. Er spent 27 years in the service of the Singapore Government. Whilst in the civil service, he served in various ministries such as the Ministry of Defense, the Public Service Commission, Ministry of Finance, Ministry of Education and the Ministry of Community Development. He held Permanent Secretary Position first with the Ministry of Education from 1987-1994 and then with the Ministry of Community Development until his retirement in 1998. After his retirement from the civil service, he was appointed Executive Chairman of Sembawang Maritime and Logistic Ltd till 2001 when he left to take up the position of Executive Director of a leading private education institution in Singapore.

At present, he sits as an independent director on the Boards of several public companies listed in Singapore. The public companies include COSCO Shipping International (Singapore) Ltd, CFM Holdings Ltd, The Place Holdings Ltd, ecoWise Holdings Ltd and Chaswood Resources Ltd.

A Colombo Plan and Bank of Tokyo Scholar, Mr Er Kwong Wah obtained the Bachelor of Applied Science degree (BASc) with Honors in Electrical Engineering at the University of Toronto, Canada in 1970, and the Master in Business Administration (MBA) from the Manchester Business School, University of Manchester in 1978.

Whilst in the Civil Service, he was conferred the Public Administration Medal (Gold) in 1990. In 1991, he was conferred the Commandeur dans l'Ordre des Palmes Academiques by the Government of France. For his contributions in serving the community, he was conferred the Public Service Medal (2004) and the Public Service Star (2009) by the Government of Singapore.



## Mr Chan Wai Man

Independent and Non-Executive Director

Mr Chan was appointed as an Independent and Non-Executive Director of the Company on 8 November 2019 and will be seeking re-appointment at the forthcoming Annual General Meeting of the Company.

Mr Chan is a practising Certified Public Accountant in Hong Kong and a partner of Chee Chan & Co., a firm of Certified Public Accountants. Mr Chan is a member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr Chan had worked in an international accounting firm in Hong Kong and has experiences in auditing, taxation and finance. Currently, Mr Chan is an Independent and Non-Executive Director of Sun Entertainment Group Limited (HKEX stock code: 8082).

# KEY EXECUTIVES

### Mr Yuen Kwun Ki Anthony
Financial Controller

Mr Yuen joined our Group as Financial Controller in November 2006. He is responsible for all finance and accounts matters, statutory compliance and corporate governance of our Group. Mr Yuen is currently a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He also holds a Master of Finance degree from the Curtin University of Technology, Australia.

### Mr Yang Yongqiang
Vice General Manager

Mr Yang joined our Group in 2001 and was promoted to his current position in 2014. He is responsible for the production process of adhesive tapes, overseeing our Group's research and development activities including development of new adhesive tape products and improvement of existing products. Mr Yang graduated from the China Zhongshan Institute of Zhongshan University (中山大学孙文学院), specialising in Applied Chemistry.

### Mr Xiao Yichi
Vice General Manager

Mr Xiao joined our group in 2001. He is responsible for the production process, sales and marketing activities of our BOPP films. He was promoted to his current position in 2014. Mr Xiao graduated with a Bachelor in Chemical Machinery from the Wuhan Institute of Technology（武汉工程大学）in 2001.

### Mr Huang Zhilin
Purchasing Manager

Mr Huang is responsible for establishing and administering our Group's purchasing policies. He joined our Group in 1996 as a Manager of our Technical Department where he was responsible for quality control and technology development. Mr Huang was promoted to Research and Development Manager in 2003 and was subsequently transferred to his current position in 2006. Prior to joining our Group, he was the Production Head of Union Carbide (Guangdong Zhongshan) Co. Ltd. (联合碳化(广东中山)有限公司) from 1992 to 1995. Mr Huang graduated from the China Zhongshan Institute of Zhongshan University (中山大学孙文学院) in 1992, specialising in Applied Chemistry.

### Mr Zhang Hongxi
Finance Manager

Mr Zhang assists our Financial Controller in overseeing accounting and financial matters of Zhongshan New Asia Adhesive Products Co., Ltd. Before joining our Group in 2000, he was a Finance Manager at the Zhongshan Mingtian Group (中山明天集团) from 1986 to 1995 and an Accountant at Zhongshan Xiaolan Industrial Company〔中山市小榄镇工业总公司〕 from 1995 to 2000. Mr Zhang graduated from the Accounting Branch of the China Agricultural Broadcast and Television School (中央农业广播电视学校会计分校) in 1988 and was certified by the Committee of Science and Technology of Zhongshan City (中山市科学技术委员会) to be a qualified accountant in 1989.

# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS
**Leung Chee Kwong**
(Executive Chairman and Chief Executive Officer)
**Leung Hi Man**

## NON-EXECUTIVE DIRECTORS
**Chng Hee Kok** (Lead Independent)
**Er Kwong Wah** (Independent)
(Appointed with effect from 9 September 2019)
**Chan Wai Man** (Independent)
(Appointed with effect from 8 November 2019)

## AUDIT COMMITTEE
**Chng Hee Kok** (Chairman)
**Er Kwong Wah**
**Chan Wai Man**

## NOMINATING COMMITTEE
**Er Kwong Wah** (Chairman)
**Chng Hee Kok**
**Leung Hi Man**

## REMUNERATION COMMITEE
**Chan Wai Man** (Chairman)
**Chng Hee Kok**
**Er Kwong Wah**

## SECRETARIES
**Yoo Loo Ping**
**Conyers Corporate Services (Bermuda) Limited**
(Assistant Secretary)

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# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2020

The Board of Directors (the "**Board**") and Management of Luxking Group Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") are committed to maintaining high standards of corporate governance within the Company and the Group respectively and places importance on its corporate governance processes and systems so as to ensure greater transparency, accountability and maximisation of long-term shareholder value.

This report sets out the Company's corporate governance framework and practices for the financial year ended 30 June 2020 ("**FY2020**") with reference to the recommendations of the Code of Corporate Governance 2018 (the "**Code**"). The Board is pleased to report the compliance with the principles and provisions as set out in the Code except where otherwise stated and explained.

## BOARD MATTERS

### PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

***Roles and Duties of the Board***

The primary function of the Board is to provide effective leadership and direction to enhance the long-term value of the Group to the Company's shareholders and other stakeholders. The Board is entrusted to lead and oversee the Company, with the fundamental principle to act in the best interests of the Company and hold Management accountable for performance of the Company and the Group. Apart from its statutory duties and responsibilities, the Board is primarily responsible for:

- providing entrepreneurial leadership, and setting strategic objectives, including appropriate focus on value creation, innovation and sustainability;
- reviewing regularly the business plans of the Company and the Group and approving the Group's strategic decision;
- reviewing and monitoring financial performance of the Company and the Group;
- working with Management for the long-term success of the Company and the Group, reviewing Management's performance and holding Management accountable for performance;
- establishing and maintaining sound risk management framework and internal controls systems, to effectively monitoring and managing risks, and to achieve an appropriate balance between risks and the Group performance;
- reviewing the adequacy and improvement of internal control (including financial, operational, compliance and information technology controls) and risk management system annually;
- ensuring transparency and accountability to key stakeholder groups; and
- assuming responsibility of the Company's corporate governance and sustainability issues.

The Group has in place internal guidelines on matters which are specifically reserved for Board decision including (but not limited to) the following:

- the financial results and corporate strategies of the Group;
- the appointment of directors of the Company ("**Directors**") and key management personnel;
- material acquisitions and disposal of assets;

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2020

- corporate or financial restructuring;
- policies relating to financial matters such as risk management and internal control and compliance;
- interested person transactions of a material nature;
- shares issuance and declaration of dividends; and
- conflict of interest for a substantial shareholder or a Director

To facilitate the execution of the Board's responsibilities, the Board has established various board committees, such as Nominating Committee ("**NC**"), Remuneration Committee ("**RC**") and Audit Committee ("**AC**") (collectively as the "**Committees**"). These Committees function within clearly defined terms of reference, which are subject to review on a regular basis. The Chairman of the respective Committees reports to the Board on the outcome of the Committee meetings.

***Meetings of the Board and Board Committees***

The Board conducts regular scheduled meetings at least half-yearly basis to coincide with the announcement of the Group's half-year and full-year results and to keep the Board updated on the business activities and financial performance of the Group. Ad-hoc meetings are also convened, when required, to address any significant issues that may arise. The Company's Bye-laws provides for telephonic attendance and conference via audio-visual communication at Board meetings to facilitate Board participation.

In FY2020, the Board held two meetings to review the business of the Group and approve the Group's half-year and full-year financial statements. All Directors had attended all meetings held during their tenure of services with the Company. The attendance of Directors at meetings of the Board and Board Committees in FY2020 are summarised as follows:

| **Name of Director** | | **Board** | **AC** | **RC** | **NC** |
|---|---|---|---|---|---|
| **No. of meetings held in FY2020** | | 2 | 2 | 1 | 1 |
| Mr Leung Chee Kwong | Executive Chairman and Chief Executive Officer | 2 | N/A | N/A | N/A |
| Ms Leung Hi Man | Executive Director | 2 | N/A | N/A | 1 |
| Mr Chng Hee Kok | Lead Independent Director | 2 | 2 | 1 | 1 |
| Mr Er Kwong Wah *(Appointed with effect from 9 September 2019)* | Independent Director | 1 | 1 | N/A | N/A |
| Mr Chan Wai Man *(Appointed with effect from 8 November 2019)* | Independent Director | 1 | 1 | N/A | N/A |
| Mr Tan Tew Han *(Resigned with effect from 31 October 2019)* | Lead Independent Director | 1 | 1 | 1 | 1 |
| Mr Chan Kin Sang *(Retired with effect from 21 October 2019)* | Independent Director | 1 | 1 | 1 | 1 |

N/A: Not applicable

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2020

The Board is provided with financial statements and management reports of the Company and the Group on a regular basis. Management also provides updates on the Group's business, prospects and other developments impacting the Group, at scheduled meetings and, whenever circumstances warrant. Such reports enable the Board to be kept abreast of key issues and developments, as well as opportunities and challenges, to the Group and the industry.

Prior to each Board and Board Committees' meetings and when the need arises, Management provides the Board and the respective Committees with complete and adequate information on a timely basis, to allow them to deliberate on issues which require consideration and to make informed decisions.

Where a Director has a conflict or potential conflict of interest in relation to any matter, he/she will immediately declare his/her interest at the meeting of the Directors or send a written notice to the Company, setting out the details of his/her interest and the conflict and recuse himself/herself from any discussions on the matter and abstain from participating in any Board decision.

***Directors' Orientation and Training***

All newly appointed Directors will be provided with a letter of appointment or employment agreement setting out their duties, obligations and terms of appointment. They are also provided with information on the Group's business and are briefed on the business activities and the strategic direction of the Group. Directors also have the opportunity to meet with Management to gain a better understanding of the Group's business operations.

Newly appointed Directors who have no prior experience as a director of a listed company in Singapore (the "**First-time Director**") will be provided with relevant training in the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange (the "**Mandatory Training**"). Mr Er Kwong Wah and Mr Chan Wai Man who were appointed 9 September 2019 and 8 November 2019 respectively, were given letter of appointment setting out their duties, obligations and the terms of appointment, and were briefed on the Group's structure, business, operations and policies as well as arranging site visit for them. Mr Chan Wai Man, being a First-time Director, had completed his Mandatory Training.

As part of their continuing education and to keep themselves apprised and updated, the Company will arrange for the Board to be updated by the Company Secretary and other professional consultants on the continuing obligations and requirements of a public listed company, whenever necessary. Further, Directors are encouraged to attend courses/briefings to complement their core expertise and to keep abreast of the ongoing regulatory changes and compliance, and are provided with opportunities to develop and maintain their skills and knowledge at the Company's expense.

The updated sessions, seminars and training programmes attended by the Directors collectively for FY2020 include:

- the Company's external auditors updated the AC members on developments and/or changes on the accounting standards.
- Management updated on the business activities and strategic directions of the Group.
- The Directors are updated on changes to the listing rules, corporate governance and other regulatory requirements, on a regular basis.
- Relevant training courses organised by the Singapore Institute of Directors.

***Separate and Independent Access***

The Board has separate and independent access to the Group's Management, the Company Secretary and other external advisers at all times. The Directors may also, in appropriate circumstances, seek independent professional advice concerning the Company's affairs at the Company's expense.

The Company Secretary and/or her representative(s) attend all Board and Board Committee meetings and ensure that Board procedures and other applicable rules and regulations are compiled with. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

**PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE**

***Composition of the Board***

The Board currently comprises the following five members:

Executive Directors
Mr Leung Chee Kwong
Ms Leung Hi Man

Independent and Non-Executive Directors
Mr Chng Hee Kok (Lead Independent Director)
Mr Er Kwong Wah
Mr Chan Wai Man

The composition of the Board and Board Committees and the skills and core competencies of its members are reviewed by the Board, through the NC annually. The NC and the Board is of the view that the current size and composition of the Board and Board Committees are appropriate and effective, with appropriate balance and mix of skills, knowledge, experience, taking into account the nature and scope of the Group's operations. The Board comprises experienced and qualified members who provide core competencies, such as business and management experience, industry knowledge, finance and strategic planning experience that allow for the useful exchange of ideas and views which are necessary and critical to meet the Group's objectives.

As majority of the Board comprises Independent Directors, the Board is able to exercise independent judgement on corporate affairs and issues and avoid domination by any individual or small group of individuals in the Board's decision-making process.

Details of each Director's academic and professional qualifications, directorships in listed companies and other major appointments are presented on pages 10 to 11 and 21 of this Annual Report.

The Company has adopted a Board Diversity Policy in FY2020. The Company understands and believes that a diverse Board will help improve the overall performance and operation capability of the Company, as well as avoid groupthink and foster constructive debate. It enhances decision-making capability and a diverse Board is more effective in dealing with organisational changes as well as giving diversified views thus enhancing Board discussion and ensuring that the decision made by the Board have been considered from all points of view. The Board will, from time to time review the succession planning, gender and age diversity, recompositing and refreshment of the Board.

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2020

***Independence of Directors***

Independent and non-executive directors ("**Independent Directors**") have make up a majority of the Board, where the requirement under the Code is satisfied. The Independent Directors contribute to the Board process by monitoring and reviewing Management's performance. Their views and opinions provide alternative perspectives to the Group's business and they bring independent judgement to bear on business activities and transactions which may involve conflicts of interest and other complexities.

The Board, through the NC, has reviewed and assessed the independence of each of the Independent Directors for FY2020. Based on the confirmation of independence provided by each of the Independent Directors, and based on the requirements set out in the Code and Listing Rules, the Board is satisfied that Mr Chng Hee Kok, Mr Er Kwong Wah and Mr Chan Wai Man to be independent for FY2020.

The Board noted that the Lead Independent Director, Mr Chng Hee Kok, has served on the Board for more than 9 years. The rigorous review and the factors taken into consideration by the NC and Board to assess and determine the independence of Mr Chng include:

- His contribution in terms of professionalism, integrity, objectively and ability to exercise independence of judgement in his deliberation in the interest of the Company/Group;
- He has no relationship with the Company's related corporations, substantial shareholders, officers and Management that could impair his fair judgement;
- He, through his years of involvement with the Company, has gained valuable insight and understanding of the Group's business and together with his diverse experience and expertise, has contributed effectively as Independent Director by providing impartial and autonomous views at all times;
- He has constructively engaged and challenged Management in the best interest of the Company/Group; and
- His declaration on his continuation to express his viewpoints, debate issues, scrutinise objectively and challenge Management's proposals on business activities as well as active participation on transactions involving conflicts of interests and other complexities.

The Board, through the NC, having deliberated the above, is of the view that his length of service has not compromised the objectivity of Mr Chng and his commitment and ability to discharge his duties as the Lead Independent Director of the Company, and is satisfied that Mr Chng is considered independent and has the ability to continue exercising independent judgement in the best interest of the Company in discharging his duties as Director, despite his extended tenure in office.

Each member of the NC has abstained from deliberations in respect of assessment of his own independence.

Independent Directors, led by the Lead Independent Director, meet without the presence of Management as and when necessary, and provides feedback to the Board and/or the Chairman as appropriate. The Independent Directors of the Company have met once in the absence of Management in FY2020.

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2020

**PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

Mr Leung Chee Kwong is the Executive Chairman and Chief Executive Officer (“CEO”) of the Company. As one of the co-founders of the Group, Mr Leung has in-depth knowledge of the adhesive tape industry. He is also experienced in managing the business.

As the Board Chairman, Mr Leung ensures the integrity and effectiveness of the governance process of the Board, representing the Board to shareholders, ensuring that Board meetings are held when necessary, setting the Board meeting agenda, acting as facilitator at Board meetings and maintaining regular dialogue with Management on all operational matters. He also ensures that Board members are provided with complete, adequate and timely information.

As CEO, Mr Leung manages and oversees the Group’s day-to-day operations and implementation of the Group’s strategic, plans and policies to achieve the planned corporate performance and financial goals.

Although the Company deviates from the requirement under the Code for the Chairman and CEO to be in principle separate persons, the Board believes that vesting the roles of both Chairman and CEO on the same person who is knowledgeable in the business of the Group provides the Group with a strong and consistent leadership and allows for more effective planning and execution of long term business strategies. Mr Leung’s dual role as Executive Chairman and CEO will enable the Group to conduct its business more efficiently and to ensure that the decision-making process of the Group will not be unnecessarily hindered.

The Board believes that there are adequate safeguards and checks in place to ensure that the process of decision making by the Board is independent with a majority of the Board make up by Independent Directors. All major decisions relating to operations and management of the Group are jointly and collectively made by the Board after taking into account the views of all Directors without Mr Leung exercising any undue influence on any decision made by the Board. As such, there is a balance of power and authority and no individual dominates the decision-making process of the Group.

The NC will, from time to time, review the need to separate the roles of Chairman and CEO and will make its recommendations, as appropriate.

Mr Chng Hee Kok, the Lead Independent Director of the Company, is available to shareholders where they have concerns, and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate and ensures the Company has no unfettered powers of decision.

**PRINCIPLE 4: BOARD MEMBERSHIP**

***Composition of the Nominating Committee***

The NC comprises three members, the majority of whom, including the NC Chairman, are Independent Directors. The Lead Independent Director is also a member of the NC. The Chairman of the NC is not related to any substantial shareholder of the Company.

The NC members are as follows:

Mr Er Kwong Wah (Chairman)
Mr Chng Hee Kok
Ms Leung Hi Man

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2020

### *Roles and Duties of Nominating Committee*

The NC is guided by its terms of reference, including but not limited to the key responsibilities as follows:

- To review regularly the Board structure, size, composition, diversity and skills of the Board and make recommendations to the Board with regards to any adjustments that are deemed necessary;
- To review and assess candidates for appointment or re-appointment to the Board (including alternate director), and determining whether or not such candidate has the requisite qualifications and whether or not he/she is independent, and make recommendations to the Board;
- To review succession plans for Directors, in particular for the Chairman and CEO, executive directors and key management personnel;
- To review on an annual basis, if a Director is independent in accordance with the guidelines of the Code and the Listing Rules;
- To review training and professional development programmes for the Board and Directors;
- To review each Director's adequately carrying out his duties as a Director of the Company, particularly when he/she has multiple board representations;
- To review and decide the process and criteria for evaluation of the performance of the Board, its Committees and Directors; and
- To assess the effectiveness of the Board and Board Committees as a whole and the contribution of each individual Director to the effectiveness of the Board.

### *Process for the Selection, Appointment and Re-appointment of Directors*

The Board, through the NC, will assess and evaluate whether new Director(s) and/or retiring Directors will be appointed or re-appointed, taking into consideration their skills, experience and contribution. The NC, in consultation with the Board, would identify the current needs of the Board in terms of skills, experience and knowledge, to complement and strengthen the Board. Potential candidates are sourced from the network of contacts of the Board and Management, including engaging professional search firms and recruitment consultants if the appointment requires a specific skill set or industry specialisation. The NC, after having assessed each candidate based on the essential and desirable competencies for a particular appointment, will then nominate the most suitable candidate for the appointment to the Board.

In considering the nomination of Director(s) for re-appointment, the NC took into account the composition of the Board and the competency, performance and contribution of the Directors with reference to their attendance and participation in the Board and Board Committees as well as the contributions, time and effort accorded to the Group's business and affairs. Following the NC's satisfactory assessment, they would then recommend to the Board for consideration and approval. No director is involved in the discussion made in respect of his/her own re-appointment.

Under the Company's Bye-laws, all Directors are subject to retirement at least once every three years by rotation and all newly-appointed Directors are required to retire at the next annual general meeting ("**AGM**") following their appointment. The retiring Directors may offer themselves for re-election.

The Board, having reviewed the recommendation from the NC, has nominated Mr Chng Hee Kok, Mr Chan Wai Man and Ms Leung Hi Man who are retiring at the forthcoming AGM for re-appointment as Directors of the Company subject to shareholders' approval. All of them have given their consent to continue in office.

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2020

Information pursuant to Listing Rule 720(6) of the SGX-ST on Mr Chng, Mr Chan and Ms Leung can be found on pages 105 to 116 of this Annual Report.

***Directors' Adequacy of Commitments***

The NC has reviewed at least annually, and from time to time, the competing commitments of Directors who serve on multiple boards and have other principal commitments, and is satisfied that all Directors have devoted sufficient time and attention to the affairs of the Group to adequately discharge their duties as Directors of the Company. Although there is no cap on the maximum number of multiple board representations which may be held by a Director, the NC will consider imposing a cap in future if they view that time commitment is lacking from any particular Director.

The details on the Directors' directorships in listed companies and principal commitments are set out in the table below:

| Name of Directors | Present Directorships in listed companies | Present Principal Commitments |
|---|---|---|
| Leung Chee Kwong | • Luxking Group Holdings Limited (Chairman and CEO) | Nil |
| Leung Hi Man | • Luxking Group Holdings Limited | Nil |
| Chng Hee Kok | • Luxking Group Holdings Limited<br>• Full Apex Holdings Ltd<br>• Ellipsiz Ltd<br>• United Food Holdings Limited<br>• Blackgold Natural Resources Ltd<br>• Metech International Limited<br>• KTL Global Limited<br>• The Place Holdings Ltd | Nil |
| Er Kwong Wah | • Luxking Group Holdings Limited<br>• CFM Holdings Limited<br>• Chaswood Resources Holdings Ltd<br>• Cosco Shipping International (Singapore) Co., Ltd<br>• Ecowise Holdings Limited<br>• The Place Holdings Limited | Nil |
| Chan Wai Man | • Luxking Group Holdings Limited<br>• Sun Entertainment Group Limited | • Chee Chan & Co., Certified Public Accountants (Practising)<br>• Chan Wai Man, Certified Public Accountant (Practising) |

As at the date of this report, none of the Directors have appointed alternate director.

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2020

### PRINCIPLE 5: BOARD PERFORMANCE

The NC has adopted a formal process to assess the performance and contributions of the Directors and the effectiveness of the Board as a whole, its Board Committees and Directors. The performance evaluation would be conducted for the Board as a whole and each of the Board Committees (namely the AC, NC and RC) and Directors annually. These evaluation exercise provides an opportunity to obtain feedback from each Director on whether the Board's and Board Committees' procedures and processes have allowed him/her to discharge his/her duties effectively and to propose changes to enhance the effectiveness of the Board and Board Committees.

The assessment criteria focus on the effectiveness and efficiency on the Board's and Board Committees' access to information, evaluation of the size and composition of the Board and each Committee, processes, procedures and compliance, accountability, performance in connection to discharging its responsibilities and duties, and Directors' standards of conduct including his/her interactive skills, participation level at the Board and Committees' meetings, insight knowledge and preparedness as well as availability to attend meetings. In addition, the qualitative measures include the effectiveness of the Board in its monitoring role and the attainment of the strategic objectives set by the Board.

The review process involves:

- All Directors completing the evaluation questionnaires on the effectiveness of the Board, each Board Committee based on the aforementioned performance criteria;

- The Company Secretary will collate and present the questionnaire results to the NC Chairman in the form of a report; and

- The NC will deliberate the report and opine on the performance results during the NC meeting.

The NC would review the criteria on a periodic basis to ensure that the criteria is able to provide an accurate and effective performance assessment with the objective to enhance long term shareholders value, thereafter propose amendments if any, to the Board for approval.

The performance evaluations for FY2020 was conducted by having all Directors complete questionnaires. The NC is of the view that the performance of the Board and Board Committees were satisfactory and had met their performance objectives during FY2020. No external facilitator had been engaged by the Board for this purpose.

Given the current size of the Board, the NC is of the view that individual performance evaluation is not necessary at this juncture. The NC has reviewed from time to time commitments and efforts contributed by each of the Directors to the affairs of the Company through their participation and contributions at Board and Board Committee meetings.

## REMUNERATION MATTERS

### PRINCIPLE 6: PROCEDURES FOR DEVELOPMENT REMUNERATION POLICIES

***Composition of the Remuneration Committee***

The RC comprises three members, all are Independent Directors. The RC members are as follows:

Mr Chan Wai Man (Chairman)
Mr Chng Hee Kok
Mr Er Kwong Wah

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2020

***Roles and Duties of Remuneration Committee***

The RC is guided by its terms of reference, including but not limited to the key responsibilities as follows:

- Review and recommend the remuneration framework for the Board and key management personnel, and determines specific remuneration packages for each Executive Director;
- Consider all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, benefits-in-kind as well as the termination terms to ensure they are fair; and
- Review the level of remuneration that is appropriate to attract, retain and motivate the Directors and key management personnel.

The recommendations of the RC are submitted for consideration by the Board.

No member of the RC or of the Board participates in the deliberation of his own remuneration package.

**PRINCIPLE 7: LEVEL AND MIX OF REMUNERATION**

The remuneration packages of the Executive Directors and key management personnel are set to attract, retain and motivate them to run the Group successfully. As part of its review, the RC ensures that the Executive Directors and key management personnel are adequately but not excessive remunerated as compared with industry's benchmarks and other comparable industries. Elements of the Group's relative performance and the performance of the individual Directors and key management personnel form part of the remuneration packages so as to align their interests with those of shareholders and risk policies of the Company as well as to promote long-term success of the Group. The Executive Directors and key management personnel are paid a basic salary and are entitled to management bonus. The management bonus for the Executive Directors and key management personnel varies according to the performance of the Group/Company and the allocation would be based on the individual performance and their contributions towards the Group's performance.

The RC reviews the Company's obligations arising in the event of termination of Executive Directors' and key management personnel's service agreements, to ensure that such agreement contains fair and reasonable termination clauses which are not overly generous. The Company aims to be fair and avoid rewarding poor performance. The Board is of the view that as the Group pays management bonus based on the performance of the Group/Company (and not on possible future results) and the results that have actually delivered by its Executive Directors and key management personnel, "claw back" provisions in the service agreements may not be relevant or appropriate.

For FY2020, there was no management bonus recommended and paid to the Executive Directors and key management personnel as the Group has only managed to achieve break-even performance.

Independent Directors are paid Directors' fees based on their level of contribution, taking into account factors such as efforts and time spent, and responsibilities on the Board and Board Committees. The RC ensures that Independent Directors should not be over-compensated to the extent that their independence may be compromised. The Board supported the RC's recommendation for Independent Directors' fees of S$151,415 (FY2020: S$154,551) for the financial year ending 30 June 2021 to be paid quarterly in arrears, and the proposed additional payment of S$5,000 to Mr Chng Hee Kok due to his additional role and responsibility as a Lead Independent Director of the Company for FY2020. These recommendations will be tabled for shareholders' approval at the forthcoming AGM.

Notwithstanding that the Company currently does not have any long-term incentive scheme or share option scheme in place, the RC and the Board would consider incentive scheme for the Company in future.

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2020

The RC has reviewed and is satisfied that for FY2020, the remuneration received by the Independent Directors, Executive Chairman/CEO, the Executive Director and key management personnel are commensurate with their efforts and achievements. The RC has also reviewed and is satisfied that the overall performance conditions were met for FY2020.

No external facilitator had been engaged by the Board for advice and remuneration matters for FY2020. The RC may seek professional advice on remuneration matters, if required.

**PRINCIPLE 8: DISCLOSURE ON REMUNERATION**

The remuneration of each Director has been disclosed in the respective remuneration bands.

Details of the remuneration of the Directors for FY2020 are set out in the following table:

| Remuneration Band and Name of Director | Salary | Pension | Fee | One-time ex-gratia payment | Total |
|---|---|---|---|---|---|
| **Above S$250,000 but below S$500,000** | | | | | |
| Mr Leung Chee Kwong * | 100.00% | – | – | – | 100.00% |
| **Below S$250,000** | | | | | |
| Ms Leung Hi Man * | 97.13% | 2.87% | – | – | 100.00% |
| Mr Chng Hee Kok | – | – | 100.00% | – | 100.00% |
| Mr Er Kwong Wah *(Appointed with effect from 9 September 2019)* | – | – | 100.00% | – | 100.00% |
| Mr Chan Wai Man *(Appointed with effect from 8 November 2019)* | – | – | 100.00% | – | 100.00% |
| Mr Tan Tew Han *(Resigned with effect from 31 October 2019)* | – | – | 66.67% | 33.33% | 100.00% |
| Mr Chan Kin Sang *(Retired with effect from 21 October 2019)* | – | – | 66.67% | 33.33% | 100.00% |

* *In accordance with service agreements with the Company.*

Details of the remuneration of the key management personnel of the Group who are not Directors for FY2020 are set out in the following table:

| Remuneration Band and Name of Key Management Personnel | Salary | * Bonus | Pension | Total |
|---|---|---|---|---|
| **Below S$250,000** | | | | |
| Mr Yuen Kwun Ki Anthony | 98.07% | – | 1.93% | 100.00% |
| Mr Yang Yongqiang | 80.01% | 17.30% | 2.69% | 100.00% |
| Mr Xiao Yichi | 80.01% | 17.30% | 2.69% | 100.00% |
| Mr Huang Zhilin | 73.78% | 22.70% | 3.52% | 100.00% |
| Mr Zhang Hongxi | 73.78% | 22.70% | 3.52% | 100.00% |

* *Under the service agreements of the key management personnel (who are based in PRC), this forms part of their remuneration package and is not tied to the performance of the Group and/or the individual key management personnel.*

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2020

The Board, taking into consideration the competitive business environment and the confidentiality and sensitivity of the remuneration matters, decided to deviate from complying with the recommendation for not disclosing the exact details of the remuneration of each individual Director, Executive Chairman/CEO and key management personnel. The Company is of the view that providing full details of the remuneration of each Director, Executive Chairman/CEO and key management personnel is not in the best interests of the Company and may adversely affect talent attraction and retention and may seriously affect the competitive edge of the Group. The Company has, however, disclosed the remuneration of the Directors and key management personnel in bands of S$250,000.

The annual aggregate remuneration paid to key management personnel of the Group, who are not Directors or the CEO, for FY2020 is equivalent to S$357,392 (exchange rate: S$1 = RMB5.0813 on 30 June 2020 quoted by State Administration of Foreign Exchange, PRC).

Ms Leung Hi Man, daughter of the Company's Executive Chairman and CEO and controlling shareholder, is in the employment of the Group whose annual remuneration exceeded S$100,000 but below S$250,000 for FY2020.

There is currently no share option scheme in place for employees of the Group.

An one-time ex-gratia payment of S$16,268 totally for FY2020 (which had been approved at the AGM held on 21 October 2019) was given to the retired and resigned Independent Directors, namely Mr Chan Kin Sang and Mr Tan Tew Han respectively, as a token of appreciation and recognition of their contribution in the past years rendered to the Group. Other than this payment, there is no termination, retirement and post-employment benefits that may be granted to the Directors, CEO or the key management personnel.

## ACCOUNTABILITY AND AUDIT

### PRINCIPLE 9: RISK MANAGEMENT AND INTERNAL CONTROLS

The Board recognises the importance of maintaining a sound system of risk management and internal control processes to safeguard shareholders' investments and the Group's business and assets and determines the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board acknowledges that no cost effective risk management and internal control system will preclude all errors and irregularities. All system of internal controls is designed to mitigate rather than eliminate risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss, occurrence of errors, poor judgement in decision making, fraud or other irregularities. The Board reviews all significant control policies and procedures and highlights all significant matters to Management.

The AC and the Board regularly reviews the adequacy and effectiveness of the Company's internal controls addressing financial, operational, compliance and information technology risks, relying on reports from the External and Internal Auditors. Any significant internal control weaknesses and non-compliances that are highlighted during the audit together with recommendations by the External Auditors and Internal Auditors are reported to the AC. The AC will follow up on the actions taken by Management in response to the recommendations made.

The Group's External Auditors, BDO Limited, Certified Public Accountants, Hong Kong ("**BDO HK**") and BDO LLP, Public Accountants and Chartered Accountants, Singapore ("**BDO LLP**") carried out a review on key internal controls relevant to the Company's preparation of its financial statements in the course of the audit.

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2020

Based on the internal controls established and maintained by the Group, and the reviews performed by Management and the Board Committees, the work performed by the Internal Auditors and External Auditors and taking into consideration the internal control procedures which were recommended by the Internal Auditors and External Auditors to be further strengthened as well as the action plans which have been put in place by Management, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management and internal control systems in place are adequate and effective in addressing the Group's financial, operational, compliance and information technology risks.

For FY2020, the Board has received:

- written assurance from the CEO and the Financial Controller (equivalent to CFO) that the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

- written assurance from the CEO and key management personnel that the Group's risk management and internal control systems in place are adequate and effective in addressing the financial, operational, compliance and information technology risks in the context of the current scope of the Group's business operations.

**PRINCIPLE 10: AUDIT COMMITTEE**

***Composition of the Audit Committee***

The AC comprises three members, all of whom are Independent Directors.

The AC members are as follows:

Mr Chng Hee Kok (Chairman)
Mr Er Kwong Wah
Mr Chan Wai Man

All AC members have many years' experience in senior management positions in commercial, financial and industrial sectors. The Board is of the view that the AC members, having accounting and related financial management expertise or experience, are appropriately qualified to discharge their responsibilities. None of the AC members was a former partner or director of the Company's existing auditing firm or auditing corporation: (a) within a period of 2 years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

***Roles and Duties of Audit Committee***

The AC is guided by its term of reference, including but not limited to the following functions:

- To review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

- To review the half-year and annual financial statements before submission to the Board for approval;

- To review the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function;

- To review the audit plan of the external auditors and their evaluation of the system of internal controls and monitor Management's response and actions to correct any noted deficiencies;

- To review the internal audit plan and findings by the internal auditors;

- To review at least annually the adequacy and effectiveness of the Company's internal controls and risk management systems;

- To review the assurance from the CEO and Financial Controller on the financial records and financial statements;

- To investigate any matter within its terms of reference, with full access to Management and full discretion to invite any Director or key management personnel to attend its meetings, and to be provided reasonable resources to enable it to discharge its functions;

- To review the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on;

- To review interested person transactions falling within the scope of the Listing Manual of the SGX-ST, including transactions that fall within the scope of Rule 912;

- To recommend to the Board on (i) the proposals to the shareholders on the appointment and removal of the external auditor; and (ii) the remuneration and terms of engagement of the external auditor;

- To review the Company's Whistle-Blowing Policy and to ensure that arrangements are in place for concerns about possible improprieties in financial reporting or other matters to be safely raised and independently investigated, and for appropriate follow-up action to be taken; and

- To undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.

In performing its functions, the AC:

- meets at least once every financial year with the external auditor and internal auditor, without the presence of Management, and reviews the overall scope of the audit and the assistance given by Management to the external auditor and internal auditor;

- has explicit authority to investigate any matter relating to the Group's accounting, auditing, internal controls and financial practices brought to its attention with full access to records, resources and personnel to enable it to discharge its function;

- generally undertakes such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time; and

- has full access to and cooperation of Management and full discretion to invite any Director or Executive Officer to attend its meetings.

During FY2020, the AC reviewed the half-yearly and annual financial statements prior to approving or recommending their release to the Board, as applicable; the annual audit plan of the External Auditors and Internal Auditors and the results of the audits performed by them; interested person transactions (if any); effectiveness and adequacy of the Group's risk management and internal controls systems; audit and non-audit services rendered by the external auditors and the re-appointment of external auditors and their remuneration.

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2020

The AC also updated by the External Auditors on the changes to accounting standards and issues which may have a direct impact on financial statements. The AC has met with External Auditors and Internal Auditors without the presence of Management in respect of the Group's FY2020 audit.

In the review of financial statements for FY2020, the AC discussed with Management, Financial Controller and the External Auditors the significant accounting policies, judgements and estimates applied by Management in preparing the annual financial statements. The AC focused particularly on:

- adjustments resulting from the audit;
- The appropriateness of the going concern assumption in the preparation of the financial statements; and
- Significant deficiencies in internal controls over financial reporting matters that came to the external auditors' attention during their audit together with their recommendations.

In addition, significant matters that were discussed with Management and the External Auditors have been included as Key Audit Matters ("**KAMs**") in the joint auditors' report for FY2020 in pages 39 to 40 of this Annual Report.

In assessing each KAM, the AC took into consideration the approach and methodology applied in the impairment assessment of trade and bills receivables and net realisable value of inventories, as well as the reasonableness of the estimates and key assumptions used. The AC concluded that Management's accounting treatment and estimates in each of the KAMs were appropriate.

Following the review and discussions, the AC then recommended to the Board for approval of the audited annual financial statements.

***External Audit***

BDO Limited ("**BDO HK**") and BDO LLP are acting as joint auditors of the Company. All subsidiaries incorporated in Hong Kong are audited by BDO HK for statutory and/or consolidation purpose. Zhongshan New Asia Adhesive Products Co., Ltd., a subsidiary incorporated in the PRC, is audited by Flower Town Accountant Firm Ltd. of Zhongshan City, Certified Public Accountants for statutory purpose and is audited by BDO HK for consolidation purpose.

The Board and the AC had reviewed the audit arrangements with Messrs BDO LLP, BDO HK and Flower Town Accountant Firm Ltd. of Zhongshan City, and were satisfied that the current arrangement had not compromised the standard and effectiveness of the audit for the Group and that the auditors had no objection on the current arrangement. The Company has complied with Rules 712 and 715 of the Listing Rules.

The aggregate amount of audit fees paid/ payable to BDO HK and BDO LLP for FY2020 is HK$1,150,000. BDO HK had also rendered tax representative services to two subsidiaries of the Company and their fees were HK$36,500. The AC has undertaken a review of all the non-audit services provided by BDO HK for FY2020 and is satisfied that such services would not, in the AC's opinion, affect the independence of BDO HK as the external auditors.

The AC has reviewed the independence and objectivity of the external auditors in FY2020 and is satisfied that the external auditors remain independent and objective. The AC recommends to the Board the re-appointment of BDO HK and BDO LLP as joint auditors of the Company at the forthcoming AGM.

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2020

***Internal Audit***

Weide Certified Public Accountants Zhongshan, the PRC, who is independent of the Group's business activities, has been appointed as the Company's Internal Auditors ("**IA**") to undertake the internal audit function.

The IA's primary line of reporting is to the AC, who also decides on the appointment, termination, and remuneration of the IA. However, IA also has an administrative reporting function to Management where planning, coordinating, managing and implementing internal audit work cycle are concerned. The IA has unfettered access to all the Group's documents, records, properties and personnel, including the AC, and has the appropriate standing within the Company to discharge its duties effectively.

The IA has adopted a risk-based auditing approach in their internal audit review carried out in the financial year. Upon completion of the audit review, the IA reports the findings and recommendations to Management who would respond on the actions to be taken. A finalised report incorporating Management's response is submitted to the AC for review and discussion at meetings on a half-yearly basis.

The AC is satisfied that the Internal Auditors are staffed with suitably qualified and experienced professionals with the relevant experience and have carried out their function properly.

The AC assesses the adequacy and effectiveness of the internal audit function annually.

***Whistle-Blowing Policy***

The Company has in place a whistle-blowing policy to provide a channel for staff as well as other persons to report and raise, in good faith and in confidence, their concerns about possible improprieties. The Company has set up a dedicated email address for such reporting purposes to which access is restricted to the Chairman of the AC and his designate. There was no complaints received under the whistle-blowing policy for FY2020.

## SHAREHOLDER RIGHTS AND ENGAGEMENT

### PRINCIPLE 11: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

### PRINCIPLE 12: ENGAGEMENT WITH SHAREHOLDERS

### PRINCIPLE 13: ENGAGEMENT WITH STAKEHOLDERS

***Shareholder Rights and Conduct of General Meetings***

Shareholders are encouraged to attend and participate at the general meetings to ensure a greater level of shareholders' participation.

At general meetings, shareholders are given the opportunity to communicate their views and to direct questions regarding the Group to Management and/or the Directors, including the Chairmen of the AC, the NC and the RC. All Directors, and the external auditors are also present at the AGM to address any relevant queries from the shareholders before voting each of the resolution. All Directors attended the last AGM of the Company held for FY2019. The Company conducted poll voting for all resolutions tabled at the general meetings. The rules, including the voting process, were clearly explained to the shareholders at such general meetings. The detailed of results of the general meeting (including the number of votes cast for and against each resolution at the meeting) will be announced via SGXNET after the conclusion of the meeting. Minutes of general meetings (including key comments and queries from shareholders relating

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2020

to the agenda of the meetings, and responses from the Board and Management) will be published on the Company's website as soon as practicable. The Company ensures that there are separate resolutions at the general meetings on each distinct issue. The Company's Bye-Laws allow shareholders to appoint proxies to attend and vote on their behalf at general meetings. As the authentication of shareholder identity information and other related security issues remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, email or fax.

***Dividend policy***

The Company does not have a formal dividend policy. The Board will consider various factors, such as Company's earnings, general financial position, capital expenditure requirements, cash flow, repayment of borrowings, general business environment, development plans and other factors may deem appropriate, to determine whether dividends are paid for the financial year.

The Company has not declared or recommended any dividend for FY2020 as the Company wants to conserve fund for working capital purpose during this challenging business conditions.

***Engagement with shareholders***

The Board believes in timely communication of information to shareholders and the investing public. It is the Board's policy that all shareholders and the investing public should be equally and timely informed of all major developments that impact the Group and the Company.

Information is communicated to shareholders and the investing public on a timely basis through the following channels:

- Details of all general meetings via SGXNET, notices published in newspapers and circulars/reports;

- Annual reports that are issued to all shareholders. The Board makes every effort to ensure that the Annual Report include all relevant information on the Group, including current developments, strategic plans and disclosures required; and

- Announcements of half-year and full-year results released via SGXNET; announcements relating to major developments of the Group made via SGXNET; press and analysts' briefings as may be appropriate.

The Group does not practise selective disclosure and ensures that price-sensitive information is publicly released on a timely basis.

To encourage communication with investors, the Company's website and annual reports provide Investor Relations contact information as channels to address inquiries from shareholders and investors on a regular basis.

***Engagement with Stakeholders***

The Company's engagement with the key stakeholders, including engagement methods will be disclosed in the Company's Sustainability Report FY2020 which would be announced to the SGXNet no later than 30 November 2020.

Stakeholders can know more about the Group's business and governance practices through the Company's website http://www.newasiatapes.com/ and to communicate with the Company through Investor Relations whose contact details mentioned in the Company's annual report.

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2020

## RISK MANAGEMENT POLICIES AND PROCEDURES

As part of standard management procedures, Management monitors various risks which the Group is subject to and such risks extend to risks affecting the Group's business and industry. While not an exhaustive list, the following is a summary of key risks which the Group would like to highlight and which are monitored by Management during the course of the financial year.

### Credit Management of Customers

The Group's financial position and profitability are dependent on the credit worthiness of its customers. Generally, no prior approval from Management is required should the credit periods extended to the customers fall within 30 to 90 days. For an extension of larger credit limits or longer credit periods, approval has to be sought from our Executive Chairman and CEO, Mr Leung Chee Kwong. In determining whether an extension of credit should be granted, Management generally takes into account factors such as the working relationship, payment history, creditworthiness and financial position of the customers. The Group's Finance Department, Credit Risk Management Department and Sales and Marketing Department review outstanding debtor balances on a monthly basis and follow up with customers when payments are due. The Group does not impose interest charges on overdue balances.

### Inventory Management

The Group's warehousing facilities are located at its headquarters at Lianfeng Road, Jiu Zhouji, Xiaolan Town, Zhongshan City, Guangdong Province, the PRC and its Hangzhou branch office at Jiang Jiabang Village, Kangqiao Town, Gongshu District, Hangzhou City, Zhejiang Province, the PRC. The total warehousing area is approximately 13,000 square meters. The warehouses are under surveillance by security personnel and inventories are insured.

Inventories comprise raw materials, work in progress and finished goods. To ensure accurate inventory records and monitoring of ageing of inventory, representatives from the Group's Finance Department, Production Department and Sales and Marketing Department conduct monthly stock counts.

### Research and Development

The Group advocates the use of technology to enhance operations and improve competitiveness. Since the commencement of operations in 1995, the Group has placed great importance on research and development efforts. To this end, the Company set up a Research and Development Centre in 1999. It was recognised as a "Technology Centre of City-level Enterprise" by the Zhongshan Municipal Government in October 2002.

### Intellectual Property Rights

The Group's trademarks are significant to the branding of its products. To protect its trademarks, the Company registered its logo as a trademark in the PRC and Hong Kong. The trademarks "LUXKING" and "力王" have also been successfully registered with the Trademark Bureau of the State Administration of Industry and Commerce of the PRC.

### Government Regulations

The Group's business operations are not subject to any special legislation or regulatory controls other than those generally applicable to companies and businesses operating in the PRC and Hong Kong. It has all the necessary licenses and permits to operate in the PRC and Hong Kong.

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2020

## DEALINGS IN SECURITIES

The Company had adopted a policy governing dealing in the securities of the Company for Directors and Executive Officers of the Group. Directors and Executive Officers of the Group, who have access to price-sensitive and confidential information are not permitted to deal in the securities of the Company for the periods commencing one month before the release of half-year and full-year results and ending on the date of the announcement of the results, or when they are in possession of unpublished price-sensitive information. In addition, the Directors and Executive Officers of the Group are discouraged from dealings in the Company's securities on short-term considerations.

## MATERIAL CONTRACTS

Save for the service agreements entered with the Executive Directors, there are no material contracts of the Company and its subsidiaries involving the interest of any Director or controlling shareholders either still subsisting at the end of the financial year or if then not subsisting, entered into since the end of the previous financial year.

## INTERESTED PARTY TRANSACTIONS ("IPT")

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interest of the Company and its shareholders. There were no interested person transactions of S$100,000 and above entered into for FY2020.

## SUSTAINABILITY REPORT SUMMARY

The Group believes that the management of environmental, social and governance (ESG) factors is crucial in ensuring the sustainability and growth of the business in the long run.

The Group intends to publish its standalone FY2020 Sustainability Report in November 2020. The Sustainability Report comprises information relating to the Group's sustainability approach and governance, the material ESG factors that are relevant to our business and stakeholders, the policies and processes in place to monitor these factors as well as the performance against targets set for each factor.

The Sustainability Report is prepared in line with SGX-ST's Listing Rules – Sustainability Reporting Guide and will be publicly accessible on SGXNet as well as the Group's website.

# FINANCIAL CONTENTS

# DIRECTORS' REPORT

For the year ended 30 June 2020

The Directors of the Company (the "Directors") present their report together with the audited financial statements of Luxking Group Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 30 June 2020.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 17 to the financial statements.

## RESULTS AND DIVIDENDS

The results of the Group for the financial year ended 30 June 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 43.

The Directors did not recommend any dividend in respect of the financial year ended 30 June 2020.

## SHARE CAPITAL AND SHARE OPTIONS

The Company did not issue any shares during the year.

There is currently no share option scheme relating to the unissued shares of the Company.

## RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the statements of changes in equity on pages 45 and 46 respectively.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 13 to the financial statements.

## DIRECTORS

The Directors during the year and up to the date of this report are as follows:

Mr Leung Chee Kwong
Ms Leung Hi Man
Mr Chng Hee Kok
Mr Er Kwong Wah (Appointed with effect from 9 September 2019)
Mr Chan Wai Man (Appointed with effect from 8 November 2019)
Mr Chan Kin Sang (Retired with effect from 21 October 2019)
Mr Tan Tew Han (Resigned with effect from 31 October 2019)

In accordance with Bye-Law 86(1) of the Company's Bye-Laws, Mr Chng Hee Kok and Ms Leung Hi Man will retire by rotation and being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting.

# DIRECTORS' REPORT

For the year ended 30 June 2020

## DIRECTORS (Continued)

In accordance with Bye-Law 85(6) of the Company's Bye-Laws, Mr Chan Wai Man will retire and being eligible, will offer himself for re-election at the forthcoming Annual General Meeting.

## DIRECTORS' SERVICE CONTRACTS

The Company had entered into separate service agreements with Mr Leung Chee Kwong and Ms Leung Hi Man, the Executive Directors for an initial period of three years commencing 19 August 2005 and 1 September 2017 respectively. The service agreements will be subsequently renewable automatically for successive terms of one year each unless terminated by not less than three months' notice in writing served by either party expiring at the end of the initial period or at any time thereafter.

## DIRECTORS' INTEREST IN CONTRACTS

Except for the service agreements detailed above, no contracts of significant to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' INTEREST IN SHARES AND DEBENTURES

According to the Register of Directors' shareholdings, none of the Directors who held office at the end of the financial year had an interest in shares and debentures of the Company and related corporations, except as follows:

| | **Shareholdings registered in name of Director** | | **Other shareholdings in which the Director is deemed to have interest** | |
|---|---|---|---|---|
| | **1 July 2019** | **30 June 2020 and 21 July 2020** | **1 July 2019** | **30 June 2020 and 21 July 2020** |
| Mr Leung Chee Kwong (Note i) | Nil | Nil | 5,422,500 | 2,382,500 |
| Mr Chng Hee Kok | 7,500 | 7,500 | Nil | Nil |

*Notes:*

*(i) Mr Leung Chee Kwong is deemed to be interested in all the shares registered in the name of Fullwealth Trading Limited by virtue of his 100% shareholding in Fullwealth Trading Limited.*

Except as disclosed above, no Director who held office at the end of the financial year had an interest in any shares or debentures of the Company or related corporation either at the beginning or the end of the financial year ended 30 June 2020 and on 21 July 2020.

## ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

# DIRECTORS' REPORT

For the year ended 30 June 2020

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## AUDITORS

The joint auditors, BDO Limited, Certified Public Accountants, Hong Kong and BDO LLP, Public Accountants and Chartered Accountants, Singapore have expressed their willingness to accept re-appointment as the Company's auditors at the Company's forthcoming AGM.

For and on behalf of the Board of Directors

**Mr Leung Chee Kwong**
Chairman

**Ms Leung Hi Man**
Executive Director

23 September 2020

# STATEMENT BY THE DIRECTORS

For the year ended 30 June 2020

In the opinion of the Directors,

i) the accompanying Consolidated Statement of Profit or Loss and Other Comprehensive Income, Statements of Financial Position, Statements of Changes in Equity, Consolidated Statement of Cash Flows, and notes thereto, as set out on pages 43 to 97, are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 30 June 2020 and the financial performance of the business and cash flows of the Group and changes in equity of the Company and of the Group for the year then ended; and

ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors authorised these financial statements for issue on 23 September 2020.

For and on behalf of the Board of Directors

**Mr Leung Chee Kwong**
Chairman

**Ms Leung Hi Man**
Executive Director

23 September 2020

# INDEPENDENT JOINT AUDITORS' REPORT

For the year ended 30 June 2020

**To the shareholders of Luxking Group Holdings Limited**
**(incorporated in Bermuda with limited liability)**

## Opinion

We have audited the financial statements of Luxking Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 43 to 97, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2020;
- the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group;
- the statement of changes in equity of the Company for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company give a true and fair view of the consolidated financial position of the Group and of the financial position of the Company as at 30 June 2020 and of the consolidated financial performance and consolidated cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore and the Hong Kong Institute of Certified Public Accountants ("HKICPA") Code of Ethics for Professional Accountants ("HKICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements, the ACRA Code and the HKICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# INDEPENDENT JOINT AUDITORS' REPORT

For the year ended 30 June 2020

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### 1. Impairment assessment of trade receivables

As at 30 June 2020, the carrying amount of trade and bills receivables amounted to RMB91,423,000 which represented 51% of the Group's current assets. There is loss allowance of RMB3,581,000 recognised in profit or loss during the financial year.

The Group's operations are located in the People's Republic of China (the "PRC") with the Group's revenue mainly derived from individual customers located in the PRC. Taking into account the challenging market conditions in the PRC and the financial pressures faced by the Group's customers, credit risk poses a significant risk to the Group. In addition, the Group is exposed to a major concentration of credit risk as the Group's top five customers contribute approximately 54% of the trade receivables as at 30 June 2020.

Loss allowances for trade receivables are based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement. We identified assessing the impairment assessment of trade receivables as a key audit matter because the impairment assessment of trade receivables and recognition of loss allowance are inherently subjective and requires significant management judgement, which increases the risk of error or potential management bias.

**Related Disclosures**

Refer to note 5(b), note 19 and note 34(c) to the accompanying financial statements

**Audit Response**

Our audit procedures included the following:

- Testing the trade receivables aging report which is used by management in its recoverability assessment;
- Discussing with management to obtain an understanding of the basis of management's recoverability assessment;
- Checking selected outstanding trade receivables to subsequent settlements with relevant supporting documents;
- Checking, on a sample basis, the historical payment and sales records of significant debtors with overdue trade receivables after subsequent settlements; and
- Assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information.

# INDEPENDENT JOINT AUDITORS' REPORT

For the year ended 30 June 2020

## Key Audit Matters (Continued)

### 2. Net realisable value of inventories

As at 30 June 2020, the carrying amount of inventories amounted to RMB52,579,000 which represents 29% of the current assets of the Group.

Inventories of the Group comprising raw materials of RMB30,781,000, work-in-progress of RMB10,438,000 and finished goods of RMB11,360,000, are carried at lower of cost and net realisable value. Inventories may be written down to net realisable value if they are slow-moving, become obsolete due to no market demand, or if their selling prices have declined.

Taking into account the challenging market conditions in the PRC and the financial pressures faced by the Group's customers, there is a risk that the Group's inventories may not be stated at lower of cost and net realisable value.

The determination of the net realisable value of inventories is based on current market conditions and historical sales experience. This requires significant management judgement in assessing the market positioning of the Group's products which are dependent on factors such as customer specification requirements, demand levels and price competition in response to the industry cycles. As such, we determined that this is a key audit matter.

**Related Disclosures**

Refer to note 5(a) and note 18 to the accompanying financial statements.

**Audit Response**

Our audit procedures included the following:

- Testing the inventory aging report which is used by management to identify slow moving, excess and obsolete inventories on a sampling basis;
- Discussing with management to obtain an understanding of the basis of the management's inventory obsolescence assessment;
- Assessing the appropriateness of management's estimation of the net realisable value of the inventories by checking, on a sample basis, to actual sales subsequent to the financial year;
- Assessing the reasonableness of management's write-down for aged inventories by comparing against inventory of a similar nature and specification under other aging categories; and
- Evaluating the reasonableness of management's basis where no write-down was made for aged inventories with no recent sales activity or purchase activity.

# INDEPENDENT JOINT AUDITORS' REPORT

For the year ended 30 June 2020

## Other Information

The directors are responsible for the other information. The other information comprises all the information included in the Company's 2020 annual report, but does not include the financial statements and our joint auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a joint auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

# INDEPENDENT JOINT AUDITORS' REPORT

For the year ended 30 June 2020

### Auditors' responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our joint auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our joint auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our joint auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent joint auditors' report are Koh Yen Ling and Cheung Or Ping.

BDO LLP
Public Accountants and
Chartered Accountants
600 North Bridge Road
#23-01 Parkview Square Singapore 188778
23 September 2020

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong
23 September 2020

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

| | Notes | **2020** | 2019 |
|---|---|---|---|
| | | **RMB'000** | RMB'000 |
| **Revenue** | 7 | **398,437** | 376,873 |
| Cost of sales | | **(343,160)** | (350,014) |
| **Gross profit** | | **55,277** | 26,859 |
| Other income | 7 | **5,065** | 860 |
| Selling and distribution costs | | **(16,594)** | (16,797) |
| Administrative expenses | | **(31,383)** | (29,280) |
| Impairment loss of trade and bills receivables | | **(3,581)** | (29,207) |
| Other operating expenses | | **(243)** | (8,876) |
| Finance costs | 8 | **(5,509)** | (6,426) |
| **Profit/ (Loss) before income tax** | 9 | **3,032** | (62,867) |
| Income tax expense | 10 | **(2,968)** | (1,957) |
| **Profit/ (Loss) for the year** | | **64** | (64,824) |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on translation of financial statements of foreign operations, net of tax amounting to RMB NIL (2019: RMB NIL) | | **951** | 1,273 |
| **Total comprehensive income for the year** | | **1,015** | (63,551) |
| **Profit/ (Loss) for the year attributable to:** | | | |
| Owners of the Company | | **64** | (64,824) |
| **Total comprehensive income for the year attributable to:** | | | |
| Owners of the Company | | **1,015** | (63,551) |
| **Earnings/ (loss) per share for profit/ (loss) attributable to the owners of the Company during the year** | | | |
| - Basic and diluted (RMB) | 12 | **0.0051** | (5.1244) |

# STATEMENTS OF FINANCIAL POSITION

As at 30 June 2020

| | Notes | Group 2020 RMB'000 | Group 2019 RMB'000 | Company 2020 RMB'000 | Company 2019 RMB'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 13 | **56,571** | 70,243 | **–** | – |
| Investment property | 14 | **–** | 435 | **–** | – |
| Land use rights | 15 | **–** | 7,388 | **–** | – |
| Right-of-use assets | 16 | **19,479** | – | **–** | – |
| Deposits for acquisition of land use rights | | **–** | 4,100 | **–** | – |
| Interests in subsidiaries | 17 | **–** | – | **104,835** | 105,448 |
| | | **76,050** | 82,166 | **104,835** | 105,448 |
| **Current assets** | | | | | |
| Inventories | 18 | **52,579** | 53,855 | **–** | – |
| Trade and bills receivables | 19 | **91,423** | 117,815 | **–** | – |
| Prepayments, deposits and other receivables | 20 | **16,087** | 12,378 | **6** | 12 |
| Restricted bank deposits | 21 | **–** | 1,109 | **–** | – |
| Cash and bank balances | 21 | **20,307** | 19,248 | **–** | – |
| | | **180,396** | 204,405 | **6** | 12 |
| **TOTAL ASSETS** | | **256,446** | 286,571 | **104,841** | 105,460 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to the owners of the Company** | | | | | |
| Share capital | 22 | **133,557** | 133,557 | **133,557** | 133,557 |
| Reserves | 23 | **(23,865)** | (24,880) | **(30,138)** | (29,503) |
| **Total equity** | | **109,692** | 108,677 | **103,419** | 104,054 |
| **Current liabilities** | | | | | |
| Trade payables | 24 | **27,745** | 34,073 | **–** | – |
| Accrued expenses and other payables | 25 | **13,545** | 14,221 | **1,422** | 1,406 |
| Lease liabilities | 16 | **1,306** | – | **–** | – |
| Bank borrowings, secured | 26 | **91,171** | 111,998 | **–** | – |
| Other borrowings | 27 | **–** | 12,525 | **–** | – |
| Income tax payables | | **1,724** | 977 | **–** | – |
| | | **135,491** | 173,794 | **1,422** | 1,406 |
| **Non-current liabilities** | | | | | |
| Lease liabilities | 16 | **763** | – | **–** | – |
| Deferred income | 28 | **10,500** | 4,100 | **–** | – |
| | | **11,263** | 4,100 | **–** | – |
| **Total liabilities** | | **146,754** | 177,894 | **1,422** | 1,406 |
| **TOTAL EQUITY AND LIABILITIES** | | **256,446** | 286,571 | **104,841** | 105,460 |

# STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2020

## GROUP

| | Share capital RMB'000 | Share premium* RMB'000 (note 23(a)) | Other reserve* RMB'000 (note 23(b)) | Exchange reserve* RMB'000 (note 23(c)) | Retained profit/ (Accumulated losses)* RMB'000 | Total equity RMB'000 |
|---|---|---|---|---|---|---|
| At 1 July 2018 | 133,557 | 33,961 | 11,599 | (16,831) | 9,942 | 172,228 |
| Loss for the year | – | – | – | – | (64,824) | (64,824) |
| Other comprehensive income, net of income tax | | | | | | |
| - Exchange gain on translation of financial statements of foreign operations | – | – | – | 1,273 | – | 1,273 |
| Total comprehensive income for the year | – | – | – | 1,273 | (64,824) | (63,551) |
| At 30 June 2019 and 1 July 2019 | 133,557 | 33,961 | 11,599 | (15,558) | (54,882) | 108,677 |
| Profit for the year | – | – | – | – | 64 | 64 |
| Other comprehensive income, net of income tax | | | | | | |
| - Exchange gain on translation of financial statements of foreign operations | – | – | – | 951 | – | 951 |
| Total comprehensive income for the year | – | – | – | 951 | 64 | 1,015 |
| Appropriation to other reserves | – | – | 836 | – | (836) | – |
| **At 30 June 2020** | **133,557** | **33,961** | **12,435** | **(14,607)** | **(55,654)** | **109,692** |

* These reserve accounts comprise the consolidated reserves of a deficit of approximately RMB23,865,000 (2019: RMB 24,880,000) in the consolidated statement of financial position.

# STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2020

**COMPANY**

| | Share capital RMB'000 | Share premium* RMB'000 (note 23(a)) | Exchange reserve* RMB'000 (note 23(c)) | Accumulated losses* RMB'000 | Total equity RMB'000 |
|---|---|---|---|---|---|
| At 1 July 2018 | 133,557 | 33,961 | (34,747) | (29,112) | 103,659 |
| Loss for the year | – | – | – | (4,012) | (4,012) |
| Other comprehensive income, net of income tax | | | | | |
| - Exchange gain on translation of the Company's financial statements to RMB | – | – | 4,407 | – | 4,407 |
| Total comprehensive income for the year | – | – | 4,407 | (4,012) | 395 |
| At 30 June 2019 and 1 July 2019 | 133,557 | 33,961 | (30,340) | (33,124) | 104,054 |
| Loss for the year | – | – | – | (4,547) | (4,547) |
| Other comprehensive income, net of income tax | | | | | |
| - Exchange gain on translation of the Company's financial statements to RMB | – | – | 3,912 | – | 3,912 |
| Total comprehensive income for the year | – | – | 3,912 | (4,547) | (635) |
| **At 30 June 2020** | **133,557** | **33,961** | **(26,428)** | **(37,671)** | **103,419** |

* These reserve accounts comprise the Company's reserves of a deficit of approximately RMB30,138,000 (2019: RMB29,503,000) in the Company's statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

| | Note | **2020 RMB'000** | 2019 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/ (Loss) before income tax | | **3,032** | (62,867) |
| Adjustments for: | | | |
| Fair value loss/(gain) on investment property | 14 | **155** | (7) |
| Interest income | 7 | **(32)** | (62) |
| Interest expenses | 8 | **5,509** | 6,426 |
| Amortisation of land use rights | 15 | **–** | 111 |
| Depreciation of property, plant and equipment | 13 | **14,184** | 14,651 |
| Depreciation of right-of-use assets | 16 | **2,371** | – |
| Impairment of trade receivables | 19 | **3,581** | 29,207 |
| Inventories (write-back)/ write-down | 18 | **(6,740)** | 1,070 |
| Property, plant and equipment written-off | 9 | **–** | 4 |
| Loss on disposal of property, plant and equipment | 9 | **42** | – |
| Write-back of impairment of trade receivables | 19 | **(4,736)** | – |
| Operating profit/(loss) before working capital changes | | **17,366** | (11,467) |
| Decrease in inventories | | **8,032** | 4,290 |
| Decrease in trade and bills receivables | | **27,945** | 33,286 |
| (Increase)/ Decrease in prepayments, deposits and other receivables | | **(3,206)** | 807 |
| Decrease in trade payables | | **(6,330)** | (831) |
| Decrease in accrued expenses and other payables | | **(567)** | (318) |
| Cash generated from operations | | **43,240** | 25,767 |
| Bank interest received | | **32** | 62 |
| Income taxes paid | | **(2,241)** | (2,026) |
| *Net cash generated from operating activities* | | **41,031** | 23,803 |
| **Cash flows from investing activities** | | | |
| Increase in deposit for acquisition of land use rights | | **–** | (4,100) |
| Decrease/ (Increase) in restricted bank deposits | | **1,109** | (67) |
| Purchases of property, plant and equipment | | **(4,061)** | (2,779) |
| Purchase of right-of-use assets | 32a | **(2,300)** | – |
| Purchase of land use rights | | **–** | (4,100) |
| Proceeds from disposal of property, plant and equipment | | **8** | – |
| Proceeds from disposal of investment property | | **280** | – |
| *Net cash used in investing activities* | | **(4,964)** | (11,046) |
| **Cash flows from financing activities** | 32b | | |
| Interest on bank borrowings and other borrowings | | **(5,576)** | (6,611) |
| Increase in deferred income | | **6,400** | 4,100 |
| Proceeds from bank borrowings | | **127,900** | 158,718 |
| Proceeds from other borrowings | | **–** | 3,000 |
| Repayments of bank borrowings | | **(148,898)** | (153,499) |
| Repayments of other borrowings | | **(11,400)** | (17,975) |
| Repayment of principal portion of lease liabilities | | **(3,486)** | – |
| Interest paid on lease liabilities | | **(97)** | – |
| *Net cash used in financing activities* | | **(35,157)** | (12,267) |
| **Net increase in cash and cash equivalents** | | **910** | 490 |
| **Cash and cash equivalents at beginning of year** | | **19,248** | 18,638 |
| **Effect of foreign exchange rate changes, net** | | **149** | 120 |
| **Cash and cash equivalents at end of year** | | **20,307** | 19,248 |
| **Analysis of balances of cash and cash equivalents** | | | |
| Cash and bank balances | 21 | **20,307** | 19,248 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 1. GENERAL 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 set out in note 17 to the financial statements.

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. The consolidated financial statements have been 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.

The consolidated financial statements of the Group, the statement of financial position and statement of changes in equity of the Company for the year ended 30 June 2020 were approved for issue by the Board of Directors on 23 September 2020.

## 2. BASIS OF PREPARATION

The financial statements on pages 43 to 97 have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which collective terms includes all applicable individual International Financial Reporting Standards and Interpretations approved by the International Accounting Standard Board (the "IASB"), and all applicable individual International Accounting Standards ("IASs") and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB. The financial statements also include the applicable disclosure requirements of the Listing Manual of the SGX-ST (the "Listing Manual").

The significant accounting policies that have been used in the preparation of these financial statements are summarised in note 4. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended IFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3.

The financial statements have been prepared under historical cost convention except for investment property which are stated at fair values. The measurement bases are fully described in the accounting policies in note 4.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

## 3. ADOPTION OF NEW OR AMENDED IFRSs

(a) Adoption of new or amended IFRSs

During the year, the Group has adopted all the new and amended IFRSs which are first effective for the reporting year and relevant to the Group as follows:

| | |
|---|---|
| IFRS 16 | Leases |
| IFRIC 23 | Uncertainty over Income Tax Treatments |
| Amendments to IFRS 9 | Prepayment Features and Negative Compensation |
| Amendments to IAS 19 | Plan Amendment, Curtailment or Settlement |
| Annual Improvements to IFRSs 2015-2018 Cycle | Amendments to IFRS 3, Business Combinations; IFRS 12, Income Taxes and IFRS 23, Borrowing costs |

The impact of the adoption of IFRS 16 Leases have been summarised in below. The other new or amended IFRSs that are effective from 1 July 2019 did not have any significant impact on the Group's accounting policies.

(i) Impact of the adoption of IFRS 16

IFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces IAS 17 "*Leases*" ("IAS 17"), IFRIC-4 "*Determining whether an Arrangement contains a Lease*" ("IFRIC-4"), SIC-15 "*Operating Leases-Incentives*" and SIC-27 "*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*". From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from IAS 17. For details of IFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under IFRS 16, please refer to section (ii) to (v) of this note.

The Group has applied IFRS 16 using the cumulative effect approach. The comparative information presented in 2019 has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

The following tables summarised the impact of transition to IFRS 16 on the consolidated statement of financial position as of 30 June 2019 to that of 1 July 2019 as follows (increase/(decrease)):

| | **RMB'000** |
|---|---|
| **Assets:** | |
| Right-of-use assets | 13,897 |
| Property, plant and equipment – leasehold land and buildings | (3,499) |
| Land use rights | (7,388) |
| | 3,010 |
| **Liabilities:** | |
| Lease liabilities | 4,135 |
| Other borrowings – finance lease liabilities | (1,125) |
| | 3,010 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 3. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

(a) Adoption of new or amended IFRSs (Continued)

(i) Impact of the adoption of IFRS 16 (Continued)

The following reconciliation explains how the operating lease commitments disclosed applying IAS 17 at the end of 30 June 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 July 2019:

| | **RMB'000** |
|---|---|
| Operating lease commitment as of 30 June 2019 | 3,435 |
| Less: Effect of short term leases for which lease terms end within 30 June 2020 | (389) |
| Less: Effect of discounting using the incremental borrowing rate as at 1 July 2019 | (36) |
| Add: Finance lease liabilities as of 30 June 2019 | 1,125 |
| Total lease liabilities as of 1 July 2019 | 4,135 |

The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.75%.

(ii) The new definition of a lease

Under IFRS 16, a lease is defined as a contract, or part of a contract, that conveys a right to control the use of an identified asset for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

(iii) Accounting as a lessee

Under IAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

## 3. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

(a) Adoption of new or amended IFRSs (Continued)

(iii) Accounting as a lessee (Continued)

Under IFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but IFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

**Right-of-use asset**

The right-of-use asset is recognised at cost and comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group's land use rights and leasehold land and buildings in Hong Kong, which contain a lease, are recognised as a right-of-use asset upon the adoption of IFRS16. For the Group, certain leasehold buildings which is held for own use would continue to be accounted for under IAS 16 and would be carried at cost model. The adoption of IFRS 16 therefore does not have any significant impact on these assets. Other than the above right-of-use assets, the Group has also leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of assets apart from the leasehold buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

**Lease liability**

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 3. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

(a) Adoption of new or amended IFRSs (Continued)

(iii) Accounting as a lessee (Continued)

**Lease liability (Continued)**

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

The Group does not lease out any properties. The adoption of IFRS 16 does not have significant impact on these financial statements.

(v) Transition

As mentioned above, the Group has applied IFRS 16 using the cumulative effect approach. The comparative information presented in 2019 has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

The Group has recognised the lease liabilities at the date of 1 July 2019 for leases previously classified as operating leases applying IFRS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 July 2019.

The Group has elected to recognise the right-of-use assets at 1 July 2019 for leases previously classified as operating leases under IAS 17 as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied IAS 36 "*Impairment of Assets*" on 1 July 2019 to assess if there was any impairment as on that date.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 3. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

(a) Adoption of new or amended IFRSs (Continued)

(v) Transition (Continued)

The Group has also applied the following practical expedients:

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date from 1 July 2019 and accounted for those leases as short-term leases; and
- exclude the initial direct costs from the measurement of the right-of-use asset at 1 July 2019.

In addition, the Group has also applied the practical expedients such that: (i) IFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying IAS 17 and IFRIC 4 and (ii) not to apply IFRS 16 to contracts that were not previously identified as containing a lease under IAS 17 and IFRIC 4.

The Group has also leased certain equipment which previously were classified as finance lease under IAS 17. As the Group has elected to adopt the cumulative effect method over the adoption of IFRS 16, for those finance leases under IAS 17, the leased equipment and the corresponding lease liabilities at 1 July 2019 were the carrying amount of the lease asset and lease liabilities under IAS 17 immediately before that date. For those leases, the Group has accounted for property, plant and equipment and the lease liabilities applying IFRS 16 from 1 July 2019.

(b) New or amended IFRSs that have been issued but are not yet effective

At the date of this report, the following new or amended IFRSs have been published but are not yet effective, and have not been early adopted by the Group.

| | |
|---|---|
| Amendments to IFRS 3 | Definition of a business[1] |
| Amendments to IAS 1 and IAS 8 | Definition of material[2] |
| Amendments to IFRS 9, IAS 39 and IFRS 7 | Interest Rate Benchmark Reform[2] |
| Amendments to IFRS 16 | COVID-19 – Related Rent Concessions[3] |

1 Effective for business combination and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 June 2020

The directors of the Company anticipate that these pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. New or amended IFRSs have been issued but are not expected to have a material impact on the Group's financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill, if any), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

### 4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control, directly or indirectly. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, interests in subsidiaries together with advances from the Company which are neither planned nor likely to be settled in the foreseeable future are carried at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre- or post-acquisition profits are recognised in the Company's profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.3 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in the other comprehensive income and accumulated separately in the exchange reserve in equity.

When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

### 4.4 Property, plant and equipment

Buildings held for own use which are situated on leasehold land, where the cost of the buildings could be measured separately from the cost of the leasehold land at the inception of the lease, and other items of plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is provided to write off the cost of property, plant and equipment less their estimated residual values over their estimated useful lives, using straight-line method, as follows:

| | |
|---|---|
| Leasehold land | Over the lease terms |
| Leasehold buildings | 10 to 20 years or over the lease terms |
| Equipment and machinery | 3 to 10 years |
| Motor vehicles | 4 to 7 years |
| Construction in progress | Nil |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.4 Property, plant and equipment (Continued)

The assets' estimated residual values, depreciation method and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalized during the periods of construction and installation. Capitalization of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

### 4.5 Land use rights

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any impairment losses. Amortisation is calculated on straight-line method over the term of the lease/right of use. The determination if an arrangement is or contains a lease and the lease is recognised as a right-of-use asset upon the adoption of IFRS 16 from 1 July 2019. The impact of transition is summarised in note 3(a).

### 4.6 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it was held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amount recognised in the reporting date reflect the prevailing market conditions at the reporting date.

Gain or loss arising from either change in the fair value or the sale of an investment property is included in the profit or loss for the period in which they arise.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.7 Leases

**Accounting policies applied from 1 July 2019**

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

**Right-of-use asset**

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

For the Group, certain leasehold buildings which is held for own use would continue to be accounted for under IAS 16 and would be carried at cost model. Other than the above right-of-use assets, the Group has also leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of assets apart from the leasehold buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

**Lease liability**

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.7 Leases (Continued)

**Accounting policies applied from 1 July 2019 (Continued)**

**Lease liability (Continued)**

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

**Accounting policies until 30 June 2019**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

<u>Classification of assets leased to the Group</u>

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

<u>Operating lease charges as the lessee</u>

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental is charged to profit or loss in the accounting period in which they are incurred.

<u>Assets of sale and leaseback arrangement under finance leases as the lessee</u>

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. When the leaseback is a finance lease, the transaction is a means whereby the lessor provides finance to the lessee, with the asset as security. No adjustment is necessary for the related asset. The Group received the proceeds for such arrangement and the corresponding liabilities, net of finance lease charges, are recorded as finance lease liabilities.

Subsequent accounting for assets held under finance leases corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance lease charges.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.8 Research and development costs

Costs associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to the development phase are recognised as intangible assets provided they meet the following recognition requirements:

(a) demonstration of technical feasibility of the prospective product for internal use or sale;

(b) there is intention to complete the intangible asset and use or sell it;

(c) the Group's ability to use or sell the intangible asset is demonstrated;

(d) the intangible asset will generate probable economic benefits through internal use or sale;

(e) sufficient technical, financial and other resources are available for completion; and

(f) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated product developments are recognised as intangible assets. These are subject to the same subsequent measurement method as externally acquired intangible assets.

All other development costs are expensed as incurred.

### 4.9 Financial instruments

#### (i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.9 Financial instruments

#### (i) Financial assets (Continued)

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Fair value through profit or loss ("FVTPL"): Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

#### (ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade and bills receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.9 Financial instruments (Continued)

#### (ii) Impairment loss on financial assets (Continued)

The Group has elected to measure loss allowances for trade and bills receivables and contract assets using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

#### (iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost including trade and other payables, lease liabilities and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.9 Financial instruments (Continued)

#### (iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

#### (v) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in note 4.9; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of IFRS 15.

#### (vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

### 4.10 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using weighted average basis, and in the case of work-in-progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling and distribution costs. Where necessary, allowance is made for obsolete, slow-moving and defective inventories to adjust the carrying value of these inventories to the lower of cost and net realisable value.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.11 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks (excluding restricted bank deposits) and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash and bank balances.

### 4.12 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. These are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

### 4.13 Share capital and share premium

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Share premium includes any premiums received on the issuance of shares over the par value. Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

### 4.14 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts and sales rebates.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.14 Revenue recognition (Continued)

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

Sales of goods are recognised at a point in time when the goods are transferred and the customer has received the goods, since only by the time the Group has a present right to payment for the goods delivered. In determining the transaction price, the Group measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

There is no significant financial components for the contracts and the consideration is not variable.

Interest income is recognised on time-proportion basis using effective interest method.

Contract assets and liabilities:

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

### 4.15 Impairment of non-financial assets

Property, plant and equipment and right-of-use assets of the Group and the Company's investments in subsidiaries are subject to impairment testing. These assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.15 Impairment of non-financial assets (Continued)

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit ("CGU")). As a result, some assets are tested individually for impairment and some are tested at CGU level.

Impairment losses recognised for cash-generating units are charged pro-rata to the assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value-in-use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 4.16 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through a defined contribution plan.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries.

Pursuant to the relevant regulations in the People's Republic of China ("PRC"), the Group has participated in a local municipal government retirement benefit scheme (the "Scheme"), whereby the Group is required to contribute a certain percentage of basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees in the PRC. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. The Group's contributions to the Scheme are expensed as incurred.

### 4.17 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.18 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of assets and liabilities in a transaction (other than a business combination) that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liabilities simultaneously.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.18 Accounting for income taxes (Continued)

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### 4.19 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product lines.

The measurement policies of the Group uses for reporting segment results under IFRS 8 are the same as those used in its financial statements prepared under IFRSs, except that bank interest income, fair value change on investment property, finance costs, income tax expense and corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

Segment assets exclude corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include current and deferred tax liabilities, bank borrowings and other borrowings.

No asymmetrical allocations have been applied to reportable segments.

### 4.20 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.20 Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

### 4.21 Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within equity, until they have been approved by the shareholders in a general meeting. When these dividends are approved and declared, they are recognised as a liability. Interim dividends are simultaneously proposed and declared and consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

### 4.22 Government grants

Grants from the government are recognised initially at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment and land use rights are included in non-current liabilities as deferred income and are recognised in profit or loss on straight line method over the expected lives of the related assets.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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:

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management reassessed the estimates at each reporting date. The carrying amount of the Group's inventories as at 30 June 2020 was RMB 52,579,000 (2019: RMB53,855,000).

(b) Loss allowances for expected credit losses of trade and bills receivables

The Group uses a provision of matrix to calculate ECLs for trade and bills receivables. The provision rates are based on days past due for groupings of various debtors that have similar loss patterns. The provision matrix is based on management's estimate of the lifetime ECL to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade and bills receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement.

The loss allowances of ECLs is sensitive to changes in circumstances and of forecast general economic conditions. The net carrying amount of the Group's trade receivables as at 30 June 2020 was RMB91,423,000 (2019: RMB117,815,000). The information about the ECLs and the Group's trade and bills receivables are disclosed in notes 19 and 34(c) respectively.

(c) Impairment of property, plant and equipment and right-of-use assets

Determining whether the property, plant and equipment and right-of-use assets are impaired and the amount of impairment losses require an estimation of the value-in-use or fair value less costs of disposal of the assets or CGU to which the assets has been allocated. The value-in-use calculation requires management to estimate future cash flows expected to arise from the assets or CGUs and a suitable discount rate in order to calculate the present value of those cash flows. The fair value less costs of disposal calculation requires management to take reference with the transaction prices of the similar assets in the market. The net carrying amounts of the Group's property, plant and equipment and right-of-use assets as at 30 June 2020 were RMB56,571,000 (2019: RMB70,243,000) and RMB19,479,000 (2019: Nil) respectively.

# NOTES TO THE
# FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) Measurement of lease liabilities

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term. The Group has determined the discount rate by reference to the respective lessee's incremental rate when the rate inherent in the lease is not readily determinable. The Group obtains the relevant market interest rate after considering the applicable geographical location where the lessee operates as well as the term of the lease. Management considers its own credit spread information from its recent borrowings, industry data available as well as any security available in order to adjust the market interest rate obtained from similar economic environment, term and value of the lease.

The weighted average increment borrowing rate applied to lease liabilities as at 30 June 2020 was 4.75%. The carrying amount of lease liabilities as at 30 June 2020 was RMB2,069,000. If the incremental borrowing rate had been 0.5% higher or lower than management's estimates, the Group's lease liabilities would have been lower or higher by RMB35,000.

## 6. SEGMENT INFORMATION

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 ("Industrial 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 Industrial 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.

During the financial years ended 30 June 2020 and 2019, all inter-segment sales were transacted with reference to the costs incurred by respective segments.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 6. SEGMENT INFORMATION (Continued)

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

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Manufacture of General Tapes RMB'000 | Manufacture of Industrial Tapes RMB'000 | Manufacture of BOPP films RMB'000 | Trading of tapes RMB'000 | Eliminations RMB'000 | Group RMB'000 |
| Revenue from external customers | 46,890 | 104,910 | 165,975 | 80,662 | – | 398,437 |
| Other income | 6 | 8 | 10 | – | – | 24 |
| Inter-segment sales | 50,595 | 26,900 | – | – | (77,495) | – |
| **Reportable segment revenue** | 97,491 | 131,818 | 165,985 | 80,662 | (77,495) | 398,461 |
| **Reportable segment profit/(loss)** | (1,305) | 7,961 | 3,917 | 2,750 | – | 13,323 |
| Depreciation and amortisation | (4,121) | (5,166) | (6,959) | (2) | – | (16,248) |
| Write-back of impairment of trade receivable | – | – | 4,736 | – | – | 4,736 |
| Impairment of trade receivable | (883) | (1,107) | (1,492) | (99) | – | (3,581) |
| Loss on disposal of PPE | (18) | (24) | – | – | – | (42) |
| Fair value loss on Investment property | (38) | (53) | (64) | – | – | (155) |
| Inventories write-back | 449 | 6,291 | – | – | – | 6,740 |
| Reportable segment assets | 37,238 | 70,900 | 115,358 | 11,049 | – | 234,545 |
| Corporate assets: | | | | | | |
| Cash and bank balances | | | | | | 20,307 |
| Other financial assets | | | | | | 191 |
| Property, plant and equipment | | | | | | 1,403 |
| **Consolidated total assets** | | | | | | 256,446 |
| Additions to non-current segment assets: | | | | | | |
| Property, plant and equipment | 1,030 | 1,291 | 1,740 | – | – | 4,061 |
| Right-of-use assets | 1,984 | 2,487 | 3,349 | – | – | 7,820 |
| | 3,014 | 3,778 | 5,089 | – | – | 11,881 |
| Reportable segment liabilities | 13,283 | 16,653 | 22,432 | – | – | 52,368 |
| Corporate liabilities: | | | | | | |
| Bank borrowings | | | | | | 91,171 |
| Other financial liabilities | | | | | | 1,491 |
| Income tax payables | | | | | | 1,724 |
| **Consolidated total liabilities** | | | | | | 146,754 |

# NOTES TO THE
# FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 6. SEGMENT INFORMATION (Continued)

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | **Manufacture of General Tapes RMB'000** | **Manufacture of Industrial Tapes RMB'000** | **Manufacture of BOPP films RMB'000** | **Trading of tapes RMB'000** | **Eliminations RMB'000** | **Group RMB'000** |
| Revenue from external customers | 41,306 | 96,142 | 154,976 | 84,449 | – | 376,873 |
| Other income | 76 | 86 | 127 | – | – | 289 |
| Inter-segment sales | 50,629 | 30,074 | – | – | (80,703) | – |
| **Reportable segment revenue** | **92,011** | **126,302** | **155,103** | **84,449** | **(80,703)** | **377,162** |
| **Reportable segment profit/(loss)** | **(17,428)** | **3,427** | **(42,098)** | **3,097** | **–** | **(53,002)** |
| Depreciation and amortisation | (4,176) | (4,858) | (5,620) | – | – | (14,654) |
| Impairment of trade receivables | (3,890) | (407) | (24,885) | (25) | – | (29,207) |
| Property, plant and equipment written-off | (4) | – | – | – | – | (4) |
| Inventories (write-down)/ write-back | (899) | (171) | – | – | – | (1,070) |
| Reportable segment assets | 39,829 | 64,778 | 143,364 | 13,678 | – | 261,649 |
| Corporate assets: | | | | | | |
| Restricted bank deposits | | | | | | 1,109 |
| Cash and bank balances | | | | | | 19,248 |
| Other financial assets | | | | | | 625 |
| Property, plant and equipment | | | | | | 3,505 |
| Investment property | | | | | | 435 |
| **Consolidated total assets** | | | | | | **286,571** |
| Additions to non-current segment assets: | | | | | | |
| Property, plant and equipment | 718 | 834 | 1,227 | – | – | 2,779 |
| Land use rights and deposits for acquisition of land use rights | 2,117 | 2,464 | 3,619 | – | – | 8,200 |
| | 2,835 | 3,298 | 4,846 | – | – | 10,979 |
| Reportable segment liabilities | 13,513 | 15,136 | 22,217 | 88 | – | 50,954 |
| Corporate liabilities: | | | | | | |
| Bank borrowings | | | | | | 111,998 |
| Other borrowing | | | | | | 12,525 |
| Other financial liabilities | | | | | | 1,440 |
| Income tax payables | | | | | | 977 |
| **Consolidated total liabilities** | | | | | | **177,894** |

## 6. SEGMENT INFORMATION (Continued)

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:

| | **2020** | 2019 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Reportable segment profit/(loss) | **13,323** | (53,002) |
| Fair value (loss)/gain on investment property | **(155)** | 7 |
| Interest income | **32** | 62 |
| Unallocated corporate income | **273** | 85 |
| Unallocated corporate expenses | **(4,932)** | (3,593) |
| Finance costs | **(5,509)** | (6,426) |
| Profit/(Loss) before income tax | **3,032** | (62,867) |

Unallocated corporate expenses mainly included directors' remuneration, staff costs and other expenses not directly attributable to the business activities of any operating segments.

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** | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| The PRC (domicile) | **317,775** | 292,424 | **72,519** | 78,656 |
| Hong Kong | **802** | 877 | **3,531** | 3,510 |
| Other countries | **79,860** | 83,572 | **–** | – |
| | **398,437** | 376,873 | **76,050** | 82,166 |

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:

| | **2020** | 2019 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Customer A (Manufacture of BOPP films) | **53,847** | 58,877 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 7. REVENUE AND OTHER INCOME

Revenue from the Group's principal activities and other income of the Group recognised during the year are as follows:

| | **2020** **RMB'000** | 2019 RMB'000 |
|---|---|---|
| **Revenue** | | |
| Sale of goods | **398,437** | 376,873 |
| **Other income** | | |
| Fair value gain on investment property | **–** | 7 |
| Interest income | **32** | 62 |
| Net gain on sale of raw materials | **24** | 289 |
| Write back of impairment of trade receivables | **4,736** | 417 |
| Others | **273** | 85 |
| | **5,065** | 860 |

## 8. FINANCE COSTS

| | **2020** **RMB'000** | 2019 RMB'000 |
|---|---|---|
| Interest charges on: | | |
| - Bank borrowings, wholly repayable within one year | **5,231** | 4,827 |
| - Bank borrowings, which contain a repayment on demand clause, wholly repayable within five years | **–** | 158 |
| - Other borrowings wholly repayable within five years | **181** | 1,247 |
| - Finance lease | **–** | 194 |
| - Interest expenses on lease liabilities | **97** | – |
| | **5,509** | 6,426 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 9. PROFIT/(LOSS) BEFORE INCOME TAX

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| Profit/(Loss) before income tax is arrived at after charging/(crediting): | | |
| Auditor's remuneration | | |
| - Audit services | **1,034** | 998 |
| - Non-audit services | **33** | 32 |
| Cost of inventories recognised as an expense | **302,836** | 313,169 |
| Amortisation of land use rights (note 15) | **–** | 111 |
| Depreciation of property, plant and equipment (note 13) | **14,184** | 14,651 |
| Depreciation of right-of-use assets (note 16) | **2,371** | – |
| Fair value loss on investment property | **155** | – |
| Loss on disposal of property, plant and equipment | **42** | – |
| Net foreign exchange loss | **100** | 1,893 |
| Total minimum lease payments for lease previously classified as operating leases under IAS17, in respect of buildings | **–** | 3,276 |
| Short-term lease expenses | **764** | – |
| Property, plant and equipment written-off | **–** | 4 |
| Research and development costs | **1,635** | 1,293 |
| Directors' remuneration: | | |
| - Fee | **874** | 733 |
| - Other emoluments | **2,481** | 2,390 |
| - Retirement scheme contributions | **16** | 16 |
| | **3,371** | 3,139 |
| Retirement scheme contributions | **1,925** | 2,835 |
| Other staff costs | **32,229** | 29,070 |
| Total staff costs | **37,525** | 35,044 |
| Cost of inventories recognised as an expense includes the following expenses which are also included in the respective total amounts separately disclosed above for each of these types of expenses: | | |
| - Depreciation of property, plant and equipment | **11,957** | 12,185 |
| - Total minimum lease payments for lease previously classified as operating leases under IAS17, in respect of land and buildings | **–** | 2,692 |
| - Short-term lease expenses | **508** | – |
| - Inventories (write-back)/write-down (note 18) | **(6,740)** | 1,070 |
| - Staff costs | **15,863** | 14,993 |
| - Research and development costs | **853** | 800 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 10. INCOME TAX EXPENSE

| | **2020** | 2019 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| The PRC: | | |
| Current tax | **2,923** | 1,898 |
| | **2,923** | 1,898 |
| Hong Kong: | | |
| Current tax | **45** | 59 |
| Total income tax expense | **2,968** | 1,957 |

Zhongshan New Asia Adhesive Products Co., Ltd. ("Zhongshan New Asia"), a wholly-owned subsidiary of the Company, is subject to the PRC Enterprise Income Tax rate of 25% (2019: 25%).

Luxking International Chemicals Limited and China King International Trading Limited, wholly-owned subsidiaries of the Company, are subject to Hong Kong profits tax.

A two-tiered profits tax rates regime applies to years of assessment commencing on or after 1 July 2018. Under the regime, the first HK$2 million of assessable profits of qualifying corporation will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. During the years ended 30 June 2020 and 2019, only one company under the group of companies can enjoy the tax benefit. Luxking International Chemicals Limited and China King International Trading Limited are subject to Income Tax rate of 16.5% and 8.25% respectively (2019: 16.5% and 8.25% respectively) on the estimated assessable profits for the year.

Income tax has not been provided by the Company and other subsidiaries as the Company and other subsidiaries did not derive any assessable profits during the year (2019: Nil).

Reconciliation between income tax expense and accounting profit/(loss) at applicable tax rates:

| | **2020** | 2019 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Profit/ (Loss) before income tax | **3,032** | (62,867) |
| Tax on profit/(loss) before income tax, calculated at the rates applicable to profits in the tax jurisdiction concerned | **1,426** | (15,301) |
| Tax effect of non-taxable revenue | **(3,260)** | (191) |
| Tax effect of non-deductible expenses | **4,811** | 17,478 |
| Tax effect of temporary differences not recognised | **1** | 1 |
| Income tax on concessionary rate | **(10)** | (30) |
| Income tax expense | **2,968** | 1,957 |

No deferred tax liability has been provided for the Group and the Company as the Group and the Company did not have any significant temporary differences which gave rise to a deferred tax liability at 30 June 2020 (2019: Nil).

## 11. DIVIDENDS

The directors do not recommend the payment of a dividend for the years ended 30 June 2020 and 2019.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 12. EARNINGS/ (LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of approximately RMB64,000 (2019: loss of RMB64,824,000) divided by 12,650,000 (2019: 12,650,000) ordinary shares in issue during the year.

Diluted earnings/(loss) per share for the financial years ended 30 June 2020 and 2019 is the same as basic earnings/(loss) per share, as the Group has no dilutive potential shares during the current and prior year.

## 13. PROPERTY, PLANT AND EQUIPMENT – GROUP

| | Leasehold land RMB'000 | Leasehold buildings RMB'000 | Equipment and machinery RMB'000 | Motor vehicles RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| At 1 July 2018 | | | | | | |
| Cost | 3,872 | 55,334 | 251,296 | 3,261 | – | 313,763 |
| Accumulated depreciation and impairment losses | (777) | (39,600) | (188,319) | (3,096) | – | (231,792) |
| Net carrying amount | 3,095 | 15,734 | 62,977 | 165 | – | 81,971 |
| Year ended 30 June 2019 | | | | | | |
| Opening net carrying amount | 3,095 | 15,734 | 62,977 | 165 | – | 81,971 |
| Exchange realignment | 132 | 16 | – | – | – | 148 |
| Additions | – | 283 | 249 | – | 2,247 | 2,779 |
| Write-off | – | – | – | (4) | – | (4) |
| Depreciation charged for the year | (91) | (3,036) | (11,464) | (60) | – | (14,651) |
| Closing net carrying amount | 3,136 | 12,997 | 51,762 | 101 | 2,247 | 70,243 |
| At 30 June 2019 and 1 July 2019 | | | | | | |
| Cost | 4,039 | 55,637 | 251,554 | 3,146 | 2,247 | 316,623 |
| Accumulated depreciation and impairment losses | (903) | (42,640) | (199,792) | (3,045) | – | (246,380) |
| Net carrying amount | 3,136 | 12,997 | 51,762 | 101 | 2,247 | 70,243 |
| **Year ended 30 June 2020** | | | | | | |
| Opening net carrying amount | 3,136 | 12,997 | 51,762 | 101 | 2,247 | 70,243 |
| Initial application of IFRS 16 (note 3(a)) | (3,136) | (363) | – | – | – | (3,499) |
| Additions | – | – | 801 | – | 3,260 | 4,061 |
| Disposals | – | – | (50) | – | – | (50) |
| Depreciation charged for the year | – | (2,995) | (11,147) | (42) | – | (14,184) |
| Transfers | – | – | 2,247 | – | (2,247) | – |
| **Closing net carrying amount** | **–** | **9,639** | **43,613** | **59** | **3,260** | **56,571** |
| At 30 June 2020 | | | | | | |
| Cost | – | 55,169 | 234,899 | 3,086 | 3,260 | 296,414 |
| Accumulated depreciation and impairment losses | – | (45,530) | (191,286) | (3,027) | – | (239,843) |
| **Net carrying amount** | **–** | **9,639** | **43,613** | **59** | **3,260** | **56,571** |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 13. PROPERTY, PLANT AND EQUIPMENT – GROUP (Continued)

As at 30 June 2019, the Group's leasehold land and buildings of RMB12,633,000 and RMB3,500,000 are situated in the PRC and Hong Kong respectively with remaining lease terms ranging from 38 to 59 years.

As at 1 July 2019, leasehold land and building of RMB3,136,000 and RMB363,000 have been reclassified to the right-of-use assets respectively (note 16).

As at 30 June 2020, the Group's buildings of RMB9,639,000 are situation in the PRC.

As at 30 June 2020, certain buildings of the Group with net carrying amount of RMB6,369,000 were pledged to secure the Group's bank borrowings (note 26). As at 30 June 2019, entire leasehold land and certain leasehold buildings of the Group with net carrying amount of RMB3,136,000 and RMB7,394,000 respectively were pledged to secure the Group's bank borrowings (note 26).

As at 30 June 2019, net carrying amount of property, plant and equipment included the net carrying amount of RMB5,812,000 held under finance leases (note 27). These leases are fully repaid and the security of the corresponding property, plant and equipment was released during the year.

## 14. INVESTMENT PROPERTY – GROUP

Changes to the carrying amount presented in the statement of financial position can be summarised as follows:

| | **2020**<br>**RMB'000** | 2019<br>RMB'000 |
|---|---|---|
| Carrying amount at beginning of year | **435** | 428 |
| Change in fair value of investment property | **(155)** | 7 |
| Disposal | **(280)** | – |
| Carrying amount at end of year | **–** | 435 |

As at 30 June 2019, all of the Group's property interests held for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment property. The investment property comprised a leasehold land located in the PRC. During the year, all of the Group's investment property were sold.

No income or direct operating expenses were recognised during both years ended 30 June 2020 and 2019 as the investment property was unlet.

As at 30 June 2019, the property ownership certificate of the investment property had not yet been obtained. In the opinion of the independent PRC legal advisers of the Group, the investment property was owned by the Group to earn rental income and/or fore capital appreciation without any legal impediment.

As at 30 June 2019, the fair value of investment property was a level 3 recurring fair value measurement. Level 3 inputs were unobservable inputs for the asset or liability. The fair value of the Group's investment property was revalued by a firm of independent qualified professional valuers, who had the recent experience in the location and category of property being valued, which was based on market comparison approach. Fair values were estimated based on recent market transactions for similar properties in the same location and condition.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 14. INVESTMENT PROPERTY – GROUP (Continued)

| | 2019 |
|---|---|
| **Significant unobservable input** | |
| Price per square meter | RMB1,983 – RMB2,821 |

Management considered that the fair value of investment property was sensitive to unobservable adjustments to the price per square meter. Any changes to the unobservable inputs, to the extent that they increased or decreased the price per square meter shall result in a corresponding increase or decrease in the fair value of the property. The fair value as described above was determined based on the above property's highest and best use and this did not differ from their actual use.

## 15. LAND USE RIGHTS – GROUP

| | **RMB'000** |
|---|---|
| At 1 July 2018 | |
| Cost | 5,666 |
| Accumulated amortisation | (2,267) |
| Net carrying amount | 3,399 |
| Year ended 30 June 2019 | |
| Opening net carrying amount | 3,399 |
| Addition | 4,100 |
| Amortisation charged for the year | (111) |
| Closing net carrying amount | 7,388 |
| At 30 June 2019 and 1 July 2019 | |
| Cost | 9,766 |
| Accumulated amortisation | (2,378) |
| Net carrying amount | 7,388 |
| **Year ended 30 June 2020** | |
| At 30 June 2019 and 1 July 2019 | 7,388 |
| Initial application of IFRS 16 (note 3(a)) | (7,388) |
| **Net carrying amount** | **–** |

Upon the adoption of IFRS16 on 1 July 2019, the Group has recognised the land use rights as right-of-use assets (note 3(a) and note 16).

As at 30 June 2019, these assets comprise leasehold interests in land located in the PRC with lease terms expiring in 2048 and 2069 respectively and a remaining tenure of 29-50 years. Land use rights with carrying amount of RMB3,288,000 were pledged to secure the Group's bank borrowings (note 26).

Amortisation of land use rights was included as administrative expense in profit or loss during the year ended 30 June 2019.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

IFRS 16 was adopted on 1 July 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 July 2019, see note 3(a). The accounting policies applied subsequent to the date of initial application, 1 July 2019, as disclosed in note 4.7.

**Right-of-use assets – Group**

| | Land use rights RMB'000 | Leasehold land and buildings RMB'000 | Properties RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 1 July 2019 | 7,388 | 3,499 | 3,010 | 13,897 |
| Additions | 6,400 | – | 1,420 | 7,820 |
| Exchange difference | – | 133 | – | 133 |
| Depreciation | (284) | (105) | (1,982) | (2,371) |
| At 30 June 2020 | **13,504** | **3,527** | **2,448** | **19,479** |

For the years ended 30 June 2020, the Group leases a number of office premises, warehouses and staff quarters in the PRC for its operations. The leases run for an initial period ranged from one to three years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

As at 30 June 2020, right-of-use assets of RMB3,177,000 were pledged to secure the Group's bank borrowings (note 26).

Subsequent to year end, the Group acquired another land use rights with the consideration of RMB2,320,000 in July 2020.

| | Equipment and machinery RMB'000 | Properties RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Lease liabilities - Group** | | | |
| At 1 July 2019 | | | |
| - Finance lease liabilities under IFRS 17 | 1,125 | – | 1,125 |
| - Adoption of IFRS 16 (note 3(a)(i)) | – | 3,010 | 3,010 |
| | 1,125 | 3,010 | 4,135 |
| Additions | – | 1,420 | 1,420 |
| Interest expenses on lease liabilities (note 8) | 49 | 48 | 97 |
| Lease payments | | | |
| - Principal portion | (1,125) | (2,361) | (3,486) |
| - Interest portion | (49) | (48) | (97) |
| At 30 June 2020 | – | 2,069 | 2,069 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

| | 2020 RMB'000 |
|---|---|
| Current | **1,306** |
| Non-current | **763** |
| | **2,069** |

The maturity analysis of lease liabilities of the Group at each reporting date are as follow:

| | Minimum lease payments RMB'000 | Interests RMB'000 | Present value RMB'000 |
|---|---|---|---|
| **At 30 June 2020** | | | |
| Due within one year | **1,616** | **(310)** | **1,306** |
| Due in the second to fifth years | **982** | **(219)** | **763** |
| | **2,598** | **(529)** | **2,069** |
| **At 1 July 2019** | | | |
| Due within one year | 3,360 | (173) | 3,187 |
| Due in the second to fifth years | 962 | (14) | 948 |
| | 4,322 | (187) | 4,135 |

The Group has initially applied IFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 July 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases.

The maturity analysis of lease liabilities is disclosed in note 34(e) to the financial statements.

## 17. INTERESTS IN SUBSIDIARIES – COMPANY

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| Unlisted investments, at cost | **1** | 1 |
| Due from a subsidiary | **104,834** | 105,447 |
| | **104,835** | 105,448 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 17. INTERESTS IN SUBSIDIARIES – COMPANY (Continued)

Particulars of the subsidiaries at 30 June 2020 and 2019 are as follows:

| Name | Place of incorporation/ principal place of business | Nominal value of paid-up share/registered capital | Effective percentage of equity interest attributable to the Company 2020 and 2019 | Principal activities |
|---|---|---|---|---|
| **Directly held:** | | | | |
| Excel Glory Limited | British Virgin Islands | US$100 | 100 | Investment holding |
| **Indirectly held:** | | | | |
| Zhongshan New Asia Adhesive Products Co., Ltd. ("ZHNA")[1] | The PRC | US$11.6 million | 100 | Production of adhesive tapes and BOPP films |
| Luxking International Chemicals Limited | Hong Kong | HK$1 | 100 | Trading of polypropylene resin |
| China King International Trading Limited | Hong Kong | HK$1 | 100 | Trading of adhesive tapes and BOPP films |
| Tian Holdings Limited | Hong Kong | HK$1 | 100 | Investment holding |
| Luxking Investment Limited | Hong Kong | HK$1 | 100 | Investment holding |
| 湖北力王新材料有限公司[2] | The PRC | RMB 3 million | 100 | Inactive |

(1) ZHNA is a wholly foreign-owned enterprise with operation period to 20 February 2045.

(2) 湖北力王新材料有限公司 is a wholly foreign-owned enterprise with unlimited operation period.

The financial statements of the above subsidiaries have been audited/reviewed by BDO Limited for statutory purpose and/or the purpose of the Group's consolidation.

The amount due from a subsidiary was unsecured, interest-free, repayable on demand and were to be settled by cash. Management assessed that the settlement of the amount due from a subsidiary is neither planned nor likely to occur in the foreseeable future and the directors considered that the amount forms part of the net investment in the subsidiary accordingly.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 18. INVENTORIES – GROUP

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| Raw materials | **32,481** | 30,278 |
| Work-in-progress | **10,683** | 16,242 |
| Finished goods | **11,360** | 16,020 |
| | **54,524** | 62,540 |
| Less: Write-down for inventory obsolescence | **(1,945)** | (8,685) |
| | **52,579** | 53,855 |

For the year ended 30 June 2020, the Group recognised inventory write-down of Nil (2019: RMB3,653,000) in profit or loss. The Group has also recognised a reversal of RMB6,740,000 (2019: RMB2,583,000), being part of an inventory write-down made in previous financial years, as the inventories were sold above the carrying amounts during the year.

## 19. TRADE AND BILLS RECEIVABLES – GROUP

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| Trade receivables | **102,548** | 147,041 |
| Bills receivables | **–** | 510 |
| Less: Impairment loss | **(11,125)** | (29,736) |
| | **91,423** | 117,815 |

Trade and bills receivables generally have credit terms of 7 to 150 (2019: 7 to 150) days and no interest is charged.

The directors of the Company consider that the fair values of trade and bills receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

Impairment loss in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the outstandings are written-off as bad debts against trade and bills receivables directly.

Movement in impairment loss of trade and bills receivables is as follows:

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| At beginning of year | **29,736** | 946 |
| Impairment loss for the year | **3,581** | 29,207 |
| Write-back for the year | **(4,736)** | (417) |
| Write-off as uncollectible | **(17,456)** | – |
| At end of year | **11,125** | 29,736 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 19. TRADE AND BILLS RECEIVABLES – GROUP (Continued)

A provision of RMB11,125,000 (2019: RMB29,736,000) was made against the gross amount of trade and bills receivables during the year. Further details on the Group's credit policy and credit risk arising from trade and bills receivables are set out in note 34(c).

Trade receivables and bills receivables are written off when there is no reasonable expectation of recovery such as debtor has ceased to exist. When receivables are impaired, the Group continues to engage in enforcement activity in order to recover the receivables due. If the receivables are subsequently recovered, such recovery is recognisd in profit or loss as "other income". As at 30 June 2020, trade receivables of RMB17,456,000 were written off during the year.

## 20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – GROUP AND COMPANY

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Prepayments | **1,494** | 482 | **6** | 12 |
| Advance to suppliers | **3,767** | 881 | **–** | – |
| VAT receivables | **9,968** | 10,085 | **–** | – |
| Other receivables and deposits | **858** | 930 | **–** | – |
| Total | **16,087** | 12,378 | **6** | 12 |

## 21. RESTRICTED BANK DEPOSITS AND CASH AND BANK BALANCES – GROUP

As at 30 June 2020, there were no restricted bank deposits placed in banks in the PRC and Hong Kong. As at 30 June 2019, restricted bank deposits of approximately RMB1,109,000, represented guaranteed deposits placed in the banks in Hong Kong in relation to the Group's bank borrowings (note 26).

Restricted bank deposits and bank balances earn interest at floating rates based on daily bank deposit rates of less than 1% per annum. The restricted bank deposits pledged for bank borrowings will last for the period from the date of drawdown of secured bank borrowings to the date when bank borrowings are fully settled.

As at 30 June 2020, the Group had cash and bank balances of approximately RMB11,020,000 (2019: RMB7,245,000) placed with the banks in the PRC. RMB is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 22. SHARE CAPITAL – GROUP AND COMPANY

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **HK$'000** | **RMB'000** | HK$'000 | RMB'000 |
| **Authorised:** | | | | |
| 50,000,000 ordinary shares of HK$10.00 each | **500,000** | **530,000** | 500,000 | 530,000 |
| **Issued and fully paid:** | | | | |
| 12,650,000 ordinary shares of HK$10.00 each | **126,500** | **133,557** | 126,500 | 133,557 |

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.

## 23. RESERVES – GROUP AND COMPANY

### (a) Share premium

This represented the premium arising from the issue of shares of the Company. Under the Bye-Laws of the Company, the share premium account may be distributed in the form of fully paid bonus shares.

### (b) Other reserve

The Group's other reserve represent appropriation of profits retained by the Group's PRC subsidiary. In accordance with the relevant laws and regulations of the PRC, Zhongshan New Asia is required to appropriate an amount not less than 10% of its profit after income tax to other reserve each year until the other reserve balance reaches 50% of its registered capital. Subject to approval from the relevant PRC authorities, this other reserve may be used to offset any accumulated losses or for capitalisation as paid-up capital. Other reserve is not available for dividend distribution to shareholders.

### (c) Exchange reserve

This comprise all foreign exchange differences arising from the translation of the financial statements of the Company and subsidiaries whose functional currency are different from that of the Group's presentation currency which is RMB and is non-distributable.

## 24. TRADE PAYABLES – GROUP

Trade payables are non-interest bearing and are normally settled on 30 (2019: 30) days and 90 (2019: 90) days credit terms respectively.

All amounts are short-term and hence the carrying values of trade payables are considered to be a reasonable approximation of fair values.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 25. ACCRUED EXPENSES AND OTHER PAYABLES – GROUP AND COMPANY

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Accrued expenses | **12,058** | 13,256 | **1,422** | 1,406 |
| Interest payable | **–** | 164 | **–** | – |
| Contract liabilities (note) | **1,355** | 614 | **–** | – |
| Other payables | **132** | 187 | **–** | – |
| | **13,545** | 14,221 | **1,422** | 1,406 |

The carrying amounts of accrued expenses, deposits received and other payables are short-term and hence their carrying values are considered to be a reasonable approximation of fair values.

Note: Movements in contract liabilities:

| | **2020** | 2019 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| At beginning of year | **614** | 653 |
| Amount recognised as revenue during the year for contract liabilities recognised at the beginning of the year | **(614)** | (653) |
| Amount received in advance from customers during the year | **29,316** | 37,421 |
| Amount recognised as revenue during the year for contract liabilities arising during the year | **(27,961)** | (36,807) |
| At end of year | **1,355** | 614 |

The Group received certain percentage of deposit on sales of goods as a contract liability until such time as the sales were completed. At each reporting date, the Group expects to recognise the remaining performance obligation as revenue for the delivery of goods are satisfied within the next 12 months depending on the contract terms.

## 26. BANK BORROWINGS, SECURED – GROUP

| | **2020** | 2019 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Current portion** | | |
| Bank borrowings due for repayment within one year | **91,171** | 111,176 |
| Bank borrowings due for repayment after one year which contain a repayment on demand clause | **–** | 822 |
| | **91,171** | 111,998 |

Bank borrowings as at 30 June 2020 of RMB NIL (2019: RMB822,000) are classified as current liabilities as the related borrowings agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at its own discretion. None of the portion of these bank borrowings is expected to be settled within one year.

## 26. BANK BORROWINGS, SECURED – GROUP (Continued)

Assuming that the banks did not request the clause for repayment on demand and based on the repayment dates as scheduled in the loan agreements, the Group's bank borrowings were due for repayment, as at 30 June 2019, as follows:

| | 2019<br>RMB'000 |
|---|---|
| Within one year | 111,176 |
| In the second year | 822 |
| Wholly repayable within five years | 111,998 |

As at 30 June 2020, the Group's bank borrowings are secured by Leung Chee Kwong, a director of the Company, the pledge of certain of the Group's property, plant and equipment (note 13), certain of the Group's right-of-use assets (note 16), and land use rights of the Company's substantial shareholder.

As at 30 June 2019, the Group's bank borrowings are secured by corporate guarantees which are executed by the Company, a subsidiary of the Company and Leung Chee Kwong, a director of the Company, the pledge of certain of the Group's property, plant and equipment (note 13), certain of the Group's land use rights (note 15), the Group's restricted bank deposits (note 21) and an independent third party's land use rights.

As at 30 June 2020, these bank borrowings bear fixed interest rate ranging from 1.4% to 5.2% (2019: 3.0% to 5.9%) per annum and floating interest rates ranging 1.68% to 1.80% (2019: from 2.8% to 3.7%) per annum.

The Group's bank borrowings are denominated in the following currencies:

| | **2020**<br>**RMB'000** | 2019<br>RMB'000 |
|---|---|---|
| RMB | **71,490** | 83,670 |
| HK$ | **–** | 3,219 |
| United States dollar ("US$") | **19,681** | 25,109 |
| | **91,171** | 111,998 |

## 27. OTHER BORROWINGS – GROUP

| | Note | **2020**<br>**RMB'000** | 2019<br>RMB'000 |
|---|---|---|---|
| **Current:** | | | |
| Other loans, unsecured | **(a)** | **–** | 11,400 |
| Finance lease liabilities | **(b)** | **–** | 1,125 |
| | | **–** | 12,525 |

(a) As at 30 June 2019, it was unsecured and bear floating interest rate at the PRC banks' standard rate plus 1% per annum. The effective interest rate of the loans was 6.9% per annum. The loan lender is an independent third party. Based on the mutual agreement between the Group and the lender, the loan was repayable on 31 December 2019, accordingly, it was classified as current liabilities. During the current year, the other loans were fully repaid.

# NOTES TO THE
# FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 27. OTHER BORROWINGS – GROUP (Continued)

(b) As at 30 June 2019, the Group entered into a sale and leaseback arrangement with an independent third party for certain equipment (note 13). The finance lease run for a period of 1 year. Finance lease liabilities were effectively secured by the underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default.

| | 2019<br>RMB'000 |
|---|---|
| Total minimum lease payments due within one year | 1,276 |
| Less: Future finance charges on finance leases | (151) |
| Present value of finance lease liabilities, due within one year | 1,125 |

The Group has initially applied IFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 July 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 30 June 2019 has not been restated and relates solely to lease previously classified as finance leases. See note 3(a) for further details about transition.

## 28. DEFERRED INCOME – GROUP

| | **2020**<br>**RMB'000** | 2019<br>RMB'000 |
|---|---|---|
| At beginning of the year | **4,100** | – |
| Government grants received | **6,400** | 4,100 |
| At end of the year | **10,500** | 4,100 |

Deferred income represents government grants received by the Group in relation to its acquisition of lease hold interests in land located in the PRC. Such government grants are treated as deferred income and are recognised in profit or loss in accordance with the Group's accounting policies shown in note 4.22.

## 29. FINANCIAL GUARANTEE CONTRACTS AND CONTINGENT LIABILITIES - COMPANY

As at 30 June 2019, the Company executed guarantees amounting to approximately RMB7,841,000 with respect to certain bank borrowing utilised by a subsidiary of the Company. Under the guarantees, the Company would be liable to pay the bank if the bank was unable to recover the bank borrowings. The directors had assessed that no provision for the Company's obligation under the guarantee contracts had been made as the likelihood of the subsidiary defaulting on repayments of its loan was remote. There had been no default or non-repayment since the utilisation of the banking facilities.

During the current year, the related banking facilities were cancelled and the guarantees with respect to these bank borrowings utilised by a subsidiary of the Company were released.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 30. COMMITMENTS

Operating leases commitments

As lessee

As at 30 June 2019, commitments on respect of non-cancellable operating leases in respect to office premises and other operating facilities are as follow:

| | 2019 |
|---|---|
| | RMB'000 |
| Within one year | 2,465 |
| In the second to fifth years | 970 |
| | 3,435 |

The Group leases a number of properties under operating leases in the PRC. The leases run for an initial period of one to three years, without an option to renew certain leases and negotiate the terms at the expiry date or at dates as mutually agreed between the Group and the respective landlords/lessors. None of the leases include contingent rentals.

From 1 July 2019, the Group has recognised right-of-use assets for leasing, except for short-term leases, see note 3(a) and note 16 for further details.

Capital commitments

| | **2020** | 2019 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Contracted but not provided for in respect of property, plant and equipment | **2,529** | 620 |

## 31. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, the Group had the following related party transactions:

Included in staff costs are key management personnel compensations and comprise the following categories:

| | **2020** | 2019 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Directors' fees | **874** | 733 |
| Short-term employee benefits | **4,329** | 4,144 |
| Post-employment benefits | **67** | 78 |
| | **5,270** | 4,955 |

There was no amount under which a director waived or agreed to waive as remuneration during the year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 32. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transaction

For the year ended 30 June 2020, the Group's purchase of land use rights were partly settled by deposits paid in prior year of RMB4,100,000 for acquisition of land use rights.

During the year, the Group entered into new leases and recognised addition of right-of-use assets of RMB1,420,000 and lease liabilities of RMB1,420,000.

### (b) Reconciliation of liabilities arising from financing activities:

| | Bank borrowings RMB'000 (note 26) | Other borrowings RMB'000 (note 27) | Deferred income RMB'000 (note 28) | Interest payable RMB'000 (note 25) | Lease liabilities RMB'000 (note 16) |
|---|---|---|---|---|---|
| At 1 July 2018 | 106,428 | 27,500 | – | 349 | – |
| **For the year ended 30 June 2019** | | | | | |
| Changes from cash flows: | | | | | |
| Increase in deferred income | – | – | 4,100 | – | – |
| Proceeds from bank borrowings | 158,718 | – | – | – | – |
| Repayment of bank borrowings | (153,499) | – | – | – | – |
| Proceeds from other borrowings | – | 3,000 | – | – | – |
| Repayment of other borrowings | – | (17,975) | – | – | – |
| Interest on bank and other borrowings | – | – | – | (6,611) | – |
| Total changes from financing cash flows | 5,219 | (14,975) | 4,100 | (6,611) | – |
| Other changes: | | | | | |
| Exchange difference | 351 | – | – | – | – |
| Interest expenses | – | – | – | 6,426 | – |
| At 30 June 2019 and 1 July 2019 | 111,998 | 12,525 | 4,100 | 164 | – |
| **For the year ended 30 June 2020** | | | | | |
| Initial application of IFRS16 (note 3(a)) | – | (1,125) | – | – | 4,135 |
| Changes from cash flows: | | | | | |
| Capital element of lease liabilities paid | – | – | – | – | (3,486) |
| Interest element of lease liabilities paid | – | – | – | – | (97) |
| Increase in deferred income | – | – | 6,400 | – | – |
| Proceeds from bank borrowings | 127,900 | – | – | – | – |
| Repayment of bank borrowings | (148,898) | – | – | – | – |
| Repayment of other borrowings | – | (11,400) | – | – | – |
| Interest on bank and other borrowings | – | – | – | (5,576) | – |
| Total changes from financing cash flows | (20,998) | (11,400) | 6,400 | (5,576) | (3,583) |
| Other changes: | | | | | |
| Addition of new leases | – | – | – | – | 1,420 |
| Exchange difference | 171 | – | – | – | – |
| Interest on lease liabilities | – | – | – | – | 97 |
| Interest expenses on bank and other borrowing | – | – | – | 5,412 | – |
| At 30 June 2020 | 91,171 | – | 10,500 | – | 2,069 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 33. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts of the Group's and the Company's financial assets and liabilities:

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Financial assets | | | | |
| At amortised costs | | | | |
| - Trade and bills receivables | **91,423** | 117,815 | **–** | – |
| - Other receivables and deposits | **858** | 930 | **–** | – |
| - Restricted bank deposits | **–** | 1,109 | **–** | – |
| - Cash and bank balances | **20,307** | 19,248 | **–** | – |
| | **112,588** | 139,102 | **–** | – |
| Financial liabilities | | | | |
| At amortised costs | | | | |
| - Trade payables | **27,745** | 34,073 | **–** | – |
| - Accrued expenses and other payables | **11,964** | 13,400 | **1,422** | 1,406 |
| - Bank borrowings, secured | **91,171** | 111,998 | **–** | – |
| - Other borrowings | **–** | 12,525 | **–** | – |
| - Lease liabilities | **2,069** | – | **–** | – |
| | **132,949** | 171,996 | **1,422** | 1,406 |

## 34. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group does not have written risk management policies and guidelines. However, the directors of the Company meet periodically to analyse and formulate measures to manage the Group's exposure to market risk (including principally changes in interest rates and currency exchange rates), credit risk and liquidity risk. Generally, the Group employs conservative strategies regarding its risk management. The Group has not used any derivatives or other instrument for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

### (a) Interest rate risk

The Group's exposure to interest rate risk mainly arises on bank deposits (note 21), bank borrowings (note 26) and other borrowings (note 27). The Group has not used any derivative contracts to hedge its exposure to interest rate risk.

The directors are of the opinion that sensitivity of the Group's profit after tax and accumulated loss to a reasonable change in the interest rates are assessed to be immaterial. Changes in interest rates have no impact on other components of equity.

As the Company has no interest-bearing assets and liabilities, the Company's income and operating cash flows are independent of changes in market interest rates.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 34. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (b) Foreign currency risk

The Group's transactions are mainly denominated in RMB, US$ and HK$. Certain trade receivables, deposits, bank deposits, trade and bill payables, accrued expenses and bank borrowings of the Group are denominated in US$ and HK$ which are not the functional currencies of the Group entities to which these balances relate, and the Group is therefore exposed to foreign currency risk. To mitigate the impact of exchange rate fluctuations, the management continuously assesses and monitors foreign exchange exposure.

The Group's foreign currency denominated financial assets and liabilities, translated into RMB at the closing rates, are as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | **USD$** | **HK$** | **USD$** | **HK$** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| Financial assets | | | | |
| - Trade receivables | 11,188 | — | 13,721 | — |
| - Cash and bank balances | 8,868 | 1 | 10,860 | 1 |
| | 20,056 | 1 | 24,581 | 1 |
| Financial liabilities | | | | |
| - Trade payables | — | — | (1,778) | — |
| - Accrued expenses and other payables | — | — | (10) | — |
| - Bank borrowings, secured | (19,681) | — | (22,557) | — |
| | 375 | 1 | 236 | 1 |

The directors are of the opinion that sensitivity of the Group's profit after tax and accumulated loss to a reasonable change in the foreign currency rates are assessed to be immaterial. Changes in foreign currency rates have no impact on the Group's other components of equity.

As the Company does not have exposure to foreign currency risk, the Company's income and operating cash flows are substantially independent of changes in foreign currency rates.

### (c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and financial assets. The Group's credit risk is primarily attributable to trade and other receivables, restricted bank deposits and cash and bank balances.

No other financial assets carry a significant exposure to credit risk. None of the financial assets of the Group and the Company are secured by collateral or other credit enhancements.

The carrying amounts of financial assets recorded in the financial statements grossed up for any allowance for losses, represent the Group's and the Company's maximum exposure to credit risk for the year ended 30 June 2020 (2019: except where the Company provided corporate guarantees amounting to RMB7,841,000 in the previous financial year for subsidiaries' banking facilities (note 29)).

## 34. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (c) Credit risk (Continued)

The management has a credit policy and the exposures to credit risks are monitored on an ongoing basis. The Group trades mainly with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. Major concentration of credit risk arises from the Group's exposure to top 5 (2019: 5) major trade debtors who contributed approximately 54% (2019: 43%) of the trade receivables balance of the Group.

All the Group's cash and bank balances are deposited with major financial institutions located in the PRC and Hong Kong, including an aggregated balance of approximately RMB18,797,000 (2019: restricted bank deposits and cash and bank balances were approximately RMB15,984,000) representing 93% (2019: 79%) of the reporting date balances maintained with 3 banks (2019: 3).

For banks and financial institutions, only independently rated parties with minimum "A" are accepted. The directors monitors the credit ratings of counterparties regularly. Impairment of cash and bank balances has been measured on 12-month expected credit loss model. At the reporting date, the Group did not expect any credit losses from non-performance by the counterparties.

The Group measures the loss allowance for trade and bills receivables at an amount equal to lifetime ECL. The ECL on trade and bills receivables is estimated using a provision matrix with reference to past default experience of the debtor, current market condition in relation to each debtor's exposure. The ECL also incorporated forward looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle receivables.

As at 30 June 2020 and 2019, the Group recognised lifetime ECL for its trade and bills receivables based on individually significant customer or the ageing of customers collectively that are not individually significant as follows:

| | Expected credit loss rate | Gross carrying amount RMB'000 | Loss allowance RMB'000 |
|---|---|---|---|
| Current | 3.79% | 77,133 | 2,923 |
| Less than 1 month past due | 10.22% | 10,605 | 1,084 |
| 1 to 3 months past due | 13.26% | 8,448 | 1,120 |
| More than 3 months but less than 12 months past due | 36.26% | 568 | 206 |
| More than 12 months past due | 66.68% | 6 | 4 |
| Individual assessment* | 100% | 5,788 | 5,788 |
| **At 30 June 2020** | | **102,548** | **11,125** |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 34. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (c) Credit risk (Continued)

| | Expected credit loss rate | Gross carrying amount RMB'000 | Loss allowance RMB'000 |
|---|---|---|---|
| Current | 0.15% | 88,332 | 132 |
| Less than 1 month past due | 0.77% | 10,210 | 79 |
| 1 to 3 months past due | 1.37% | 8,496 | 116 |
| More than 3 months but less than 12 months past due | 11.28% | 12,443 | 1,404 |
| More than 12 months past due | 28.27% | 90 | 25 |
| Individual assessment * | 100% | 27,980 | 27,980 |
| At 30 June 2019 | | 147,551 | 29,736 |

* As at 30 June 2020, trade receivables of RMB5,788,000 (2019: RMB27,980,000) had lifetime expected credit losses of the full value of the receivables. The Group considers these receivables are credit-impaired in view of (1) the borrower is unlikely to pay its credit obligations to the Group in full and (2) the receivables are more than 90 days past due.

The Company's credit risk is primarily attributable to amount due from a subsidiary (note 17). Management has taken into account the available internal information on the subsidiary's past, current and expected operating performance and cash flow position. The management monitors and assesses at each reporting date on any indicator of change in credit risk on the amount due from the subsidiary, by considering its performance ratio and any default in external debts. The risk of default is considered to be minimal as settlement of the amount due would be made upon realisation of certain investment of the subsidiary, hence, the Company's management has assessed that the amount due from subsidiary is subject to immaterial credit loss.

### (d) Financial guarantee

The principal risk to which the Company is exposed to is credit risk in connection with guarantee contracts it has issued. The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of. The maximum exposure to credit risk in respect of these financial guarantees at the reporting date is disclosed in note 34(c). There are no terms and conditions attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows.

### (e) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through the ability to close-out market positions. In the opinion of the directors of the Company, the Group does not have any significant liquidity risk exposure.

The following table summarises the remaining contractual maturities at the reporting date of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the scheduled repayments dates for bank borrowings and the earliest date the Group may be required to pay for other financial liabilities.

## 34. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (e) Liquidity risk (Continued)

**Group**

| | Carrying amount RMB'000 | Contractual undiscounted cash flows RMB'000 | Less than 6 months RMB'000 | 6 to 12 months RMB'000 | 1 year or above RMB'000 |
|---|---|---|---|---|---|
| **At 30 June 2020** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Trade payables | **27,745** | **27,745** | **27,745** | **–** | **–** |
| Accrued expenses and other payables | **11,964** | **11,964** | **11,964** | **–** | **–** |
| Bank borrowings, secured | **91,171** | **92,997** | **58,061** | **34,936** | **–** |
| Lease liabilities | **2,069** | **2,598** | **962** | **654** | **982** |
| | **132,949** | **135,304** | **98,732** | **35,590** | **982** |
| **At 30 June 2019** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Trade payables | 34,073 | 34,073 | 34,073 | – | – |
| Accrued expenses and other payables | 13,400 | 13,400 | 13,400 | – | – |
| Bank borrowings, secured | 111,998 | 114,188 | 78,797 | 34,563 | 828 |
| Other borrowings | 12,525 | 14,234 | 7,840 | 6,394 | – |
| | 171,996 | 175,895 | 134,110 | 40,957 | 828 |

The following table summarises the maturity analysis of bank borrowings including those with repayment on demand clause which can be exercised at the bank's sole discretion. The analysis shows the cash outflow based on the earliest period in which the entity is required to pay, that is if the banks were to invoke the unconditional rights to call the loans with immediate effect. The directors of the Company do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors of the Company also believe that such term loans will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

| Group | Carrying amount RMB'000 | Contractual cash flows RMB'000 | On demand or less than 6 months RMB'000 |
|---|---|---|---|
| **Bank borrowings:** | | | |
| **30 June 2020** | **91,171** | **91,171** | **91,171** |
| 30 June 2019 | 111,998 | 111,998 | 111,998 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 34. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (e) Liquidity risk (Continued)

| Company | Carrying amount RMB'000 | Contractual cash flows RMB'000 | On demand or less than 6 months RMB'000 |
|---|---|---|---|
| **At 30 June 2020** | | | |
| Accrued expenses | **1,422** | **1,422** | **1,422** |
| Financial guarantees issued | | | |
| Maximum amount guaranteed | – | – | – |
| **At 30 June 2019** | | | |
| Accrued expenses | 1,406 | 1,406 | 1,406 |
| Financial guarantees issued | | | |
| Maximum amount guaranteed | 7,841 | 7,841 | 7,841 |

### (f) Fair values

The fair values of the Group's and the Company's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instrument. The fair value of the Group's non-current financial liabilities were not disclosed because these are not materially different from their carrying amounts.

## 35. CAPITAL MANAGEMENT

The Group's capital objectives include:

(a) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

(b) To support the Group's stability and growth; and

(c) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group achieves these objectives by actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

Management regards total equity as capital. The amount of capital at 30 June 2020 amounted to approximately RMB109,692,000 (2019: RMB108,677,000) which the management considers as optimal. The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debts.

## 35. CAPITAL MANAGEMENT (Continued)

Capital-to-overall financing ratio at reporting date was as follows:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| **Capital:** | | |
| Total equity | **109,692** | 108,677 |
| **Overall financing:** | | |
| Total equity | **109,692** | 108,677 |
| Bank borrowings, secured | **91,171** | 111,998 |
| Lease liabilities | **2,069** | – |
| Other borrowings, secured | **–** | 1,125 |
| Other borrowings, unsecured | **–** | 11,400 |
| | **202,932** | 233,200 |
| **Capital-to-overall financing ratio** | **54.1%** | 46.6% |

As disclosed in note 23(b), subsidiaries of the Group are required by the relevant laws and regulations in the PRC to contribute to and maintain a non-distributable statutory reserve fund which utilisation is subject to the approval of the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above mentioned subsidiary for the financial years ended 30 June 2020 and 2019.

The Group's overall strategy remains unchanged from 2019.

## 36. CORONAVIRUS DISEASE 2019 ("COVID-19") OUTBREAK

Since January 2020, the outbreak of COVID-19 has impact on the global business environment. The Group's factories in China were temporarily closed during and after the Chinese New Year holiday due to the local government restriction, and were gradually re-opened in mid-February 2020.

Up to the date of the financial statements, COVID-19 has not resulted in material impact to the Group. Given the dynamic nature of these circumstances and unpredictability of future development, including government policies and measures in response to the COVID-19, the management of the Group is still unable to estimate the potential financial impact to the Group and the actual effects, if any, will be reflected in the Group's consolidated financial statements in the future. The Group will continue to monitor the development of COVID-19 and promptly react to its impact.

# SHAREHOLDERS' INFORMATION

As at 14 September 2020

| | | |
|---|---|---|
| Authorised Share Capital | : | HK$500,000,000 |
| Issued and fully Paid-up Capital | : | HK$126,500,000 |
| Number of Ordinary Shares in Issue | : | 12,650,000 |
| Class of Shares | : | Ordinary Shares of HK$10.00 each |
| Voting Rights | : | One vote per ordinary share |
| Number of Treasury Shares and Subsidiary Holdings held | : | Nil |

## DISTRIBUTION OF SHAREHOLDINGS

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 - 99 | 99 | 16.04 | 4,860 | 0.04 |
| 100 - 1,000 | 228 | 36.95 | 88,450 | 0.70 |
| 1,001 - 10,000 | 240 | 38.90 | 742,150 | 5.87 |
| 10,001 - 1,000,000 | 47 | 7.62 | 3,554,540 | 28.10 |
| 1,000,001 & ABOVE | 3 | 0.49 | 8,260,000 | 65.29 |
| **TOTAL** | **617** | **100.00** | **12,650,000** | **100.00** |

## SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 14 September 2020)

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| Name of Substantial Shareholder | No. of shares | (%) | No. of Shares | (%) |
| Tamere Enterprise Investment Limited | 3,569,500 | 28.22 | – | – |
| Tamere Industries Limited (Note 1) | – | – | 3,569,500 | 28.22 |
| Zhongshan Xiaolan Town Industrial Assets Management Co., Ltd (Note 1) | – | – | 3,569,500 | 28.22 |
| Zhongshan Xiaolan Light Industry Company (Note 1) | – | – | 3,569,500 | 28.22 |
| Zhongshan Xiaolan Town Port Services Company (Note 1) | – | – | 3,569,500 | 28.22 |
| Zhongshan Xiaolan Industrial General Corporation (Note 1) | – | – | 3,569,500 | 28.22 |
| Zhongshan Xiaolan Town Assets Management Company (Note 1) | – | – | 3,569,500 | 28.22 |
| Zhongshan Xiaolan Town Public Assets Management Center (Note 1) | – | – | 3,569,500 | 28.22 |
| Fullwealth Trading Limited | 2,382,500 | 18.83 | – | – |
| Choi Kathie Pik Yan | 2,308,000 | 18.25 | – | – |
| Powerup Assets Management Limited | 950,000 | 7.51 | – | – |
| Leung Chee Kwong (Note 2) | – | – | 2,382,500 | 18.83 |
| Hebe Finance Limited (Note 3) | – | – | 950,000 | 7.51 |
| Wang Lin Jia (Note 3) | – | – | 950,000 | 7.51 |

# SHAREHOLDERS' INFORMATION

As at 14 September 2020

**Notes**:

1) Tamere Industries Limited ("**TIL**") is the holding company of Tamere Enterprise Investment Limited ("**Tamere Enterprise**"), a substantial shareholder of the Company holding 3,569,500 shares in the share capital of the Company.

   Zhongshan Xiaolan Town Industrial Assets Management Co., Ltd. ("**ZSXLIAMCL**") is holding 99.99% shareholdings in TIL.

   Zhongshan Xiaolan Industrial General Corporation ("**ZSXLIGC**") and Zhongshan Xiaolan Light Industry Company ("**ZSXLLIC**") are holding 60% and 40% shareholdings in ZSXLIAMCL respectively. ZSXLIGC is also the holding company of Zhongshan Xiaolan Town Port Services Company ("**ZSXLTPSC**").

   ZSXLTPSC is the holding company of ZSXLLIC.

   Zhongshan Xiaolan Town Assets Management Company ("**ZSXLTAMC**") is the holding company of ZSXLIGC.

   Zhongshan Xiaolan Town Public Assets Management Center is the holding company of ZSXLTAMC.

   (all the abovementioned entities are collectively known as **"Tamere Group of Entities**")

   Accordingly, all Tamere Group of Entities are deemed interested in 3,569,500 shares in the share capital of the Company registered in the name of Tamere Enterprise.

2) Mr. Leung Chee Kwong is deemed interested in 2,382,500 shares in the share capital of the Company registered in the name of Fullwealth Trading Limited by virtue of his 100% shareholding in Fullwealth Trading Limited.

3) Hebe Finance Limited and Wang Lin Jia are deemed interested in 950,000 shares in the share capital of the Company registered in the name of Powerup Assets Management Limited.

## TOP TWENTY SHAREHOLDERS AS AT 14 SEPTEMBER 2020

| | | No. of Shares | % |
|---|---|---|---|
| 1 | TAMERE ENTERPRISE INVESTMENT LIMITED | 3,569,500 | 28.22 |
| 2 | FULLWEALTH TRADING LIMITED | 2,382,500 | 18.83 |
| 3 | CHOI KATHIE PIK YIN | 2,308,000 | 18.25 |
| 4 | POWERUP ASSETS MANAGEMENT LIMITED | 950,000 | 7.51 |
| 5 | DBS NOMINEES PTE LTD | 497,850 | 3.94 |
| 6 | CITIBANK NOMINEES SINGAPORE PTE LTD | 403,200 | 3.19 |
| 7 | RAMESH S/O PRITAMDAS CHANDIRAMANI | 335,000 | 2.65 |
| 8 | OCBC SECURITIES PRIVATE LTD | 155,500 | 1.23 |
| 9 | PHILLIP SECURITIES PTE LTD | 121,000 | 0.96 |
| 10 | DBS VICKERS SECURITIES (S) PTE LTD | 106,600 | 0.84 |
| 11 | MAYBANK KIM ENG SECURITIES PTE.LTD | 97,050 | 0.77 |
| 12 | RAFFLES NOMINEES (PTE) LIMITED | 94,950 | 0.75 |
| 13 | CGS-CIMB SECURITIES (SINGAPORE) PTE LTD | 69,190 | 0.55 |
| 14 | ZENG JIANHUA | 52,250 | 0.41 |
| 15 | TSAO SAN | 47,350 | 0.37 |
| 16 | SEACARE FOUNDATION PTE LTD | 46,500 | 0.37 |
| 17 | LEE WEE KOK | 30,000 | 0.24 |
| 18 | LIM TIONG KHENG STEVEN | 30,000 | 0.24 |
| 19 | TEO THONG SOON | 29,000 | 0.23 |
| 20 | YEAK ZONG EN SETH (YE ZONG'EN) | 23,700 | 0.19 |
| | **TOTAL:** | **11,349,140** | **89.74** |

## PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on the information available to the Company as at 14 September 2020, approximately 27.13% of the issued ordinary shares of the Company were held by the public.

Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST.

# NOTICE OF
# ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("AGM") of Luxking Group Holdings Limited (the "Company") will be convened and held by way of electronics means on Monday, 26 October 2020 at 10:00 a.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the financial year ended 30 June 2020 together with the Independent Joint Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to the Company's Bye-Laws.

| | | |
|---|---|---|
| Ms Leung Hi Man | (Retiring under Bye-law 86(1)) | **(Resolution 2)** |
| Mr Chng Hee Kok | (Retiring under Bye-law 86(1)) | **(Resolution 3)** |
| Mr Chan Wai Man | (Retiring under Bye-law 85(6)) | **(Resolution 4)** |

*Ms Leung Hi Man, if re-elected, will remain as the Executive Director and a member of the Nominating Committee of the Company.*

*Mr Chng Hee Kok, if re-elected, will remain as the Lead Independent Director, Chairman of the Audit Committee, and a member of the Remuneration Committee and Nominating Committee of the Company. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**Listing Manual**").*

*Mr Chan Wai Man, if re-elected, will remain as an Independent Director, and Chairman of the Remuneration Committee, and a member of the Audit Committee of the Company. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual.*

3. To approve the payment of additional Director's fee of S$5,000 to Mr Chng Hee Kok for his additional role as a Lead Independent Director of the Company for the financial year ended 30 June 2020. **(Resolution 5)**

4. To approve the payment of Directors' fees of S$151,415 for the year ending 30 June 2021, to be paid quarterly in arrears. (FY2020: S$154,551) **(Resolution 6)**

5. To re-appoint Messrs BDO Limited, Certified Public Accountants, Hong Kong and BDO LLP, Public Accountants and Chartered Accountants, Singapore as the Company's Auditors to act jointly and severally to authorise the Directors to fix their remuneration. **(Resolution 7)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

## AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as Ordinary Resolution, with or without any modifications:

7. **Authority to allot and issue shares up to 50 per centum (50%) of the issued shares**

   That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to allot and issue:

   (a) shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise;

# NOTICE OF
# ANNUAL GENERAL MEETING

(b) convertible securities;

(c) additional convertible securities arising from adjustments made to the number of convertible securities previously issued in the event of rights, bonus or capitalization issues; and

(d) shares arising from the conversion of convertible securities in (b) and (c) above,

at any time during the continuance of this authority or thereafter and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit (notwithstanding the authority conferred by this Resolution may have ceased to be in force),

provided that:

(a) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (b) below);

(b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

   (i) new shares arising from the conversion or exercise of any convertible securities;

   (ii) new shares arising from exercise of share options or vesting of share awards provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual; and

   (iii) any subsequent bonus issue, consolidation or subdivision of shares;

   adjustments in accordance to sub-paragraphs (i) and (ii) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution.

(c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Bye-Laws of the Company; and

# NOTICE OF
# ANNUAL GENERAL MEETING

(d) unless revoked or varied by the Company in a general meeting, such authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
*[See Explanatory Note (i)]* **(Resolution 8)**

By Order of the Board

Yoo Loo Ping
Company Secretary
Singapore, 2 October 2020

**Explanatory Note to Resolution to be passed –**

(i) The Ordinary Resolution 8 proposed in item 7 above, if passed, will authorise and empower the Directors of the Company from the date of the above Annual General Meeting until the next Annual General Meeting to issue shares and/or convertible securities in the Company up to a number not exceeding in aggregate 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company at the time the Resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

For the purpose of this Resolution, the total number of issued shares (excluding treasury shares and subsidiary holdings) is based on the Company's total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution 8 is passed after adjusting for (i) new shares arising from the conversion or exercise of convertible securities; (ii) new shares arising from exercise of share options or vesting of share awards provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual; and (iii) any subsequent bonus issue, consolidation or subdivision of shares. The adjustments in accordance with (i) and (ii) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of passing of this Resolution 8.

**IMPORTANT NOTICE FOR SHAREHOLDERS:**

Due to current COVID-19 situation, the Company's AGM is being convened, and will be held, by way of electronic means in accordance to the provisions of the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 ("**Order**") and the Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation titled "Additional Guidance on the Conduct of General Meetings During Elevated Safe Distancing Period".

Besides the despatch of the printed copies of the documents and information relating to the AGM (including the Annual Report FY2020, Notice of AGM and proxy form), these documents have also been made available on SGXNet and the Company's corporate website and may be accessed at the following URLs:

(i) https://www2.sgx.com/securities/company-announcements; and

(ii) http://www.newasiatapes.com/en/investor-relations/financial-report

# NOTICE OF ANNUAL GENERAL MEETING

Shareholders should take note of the following arrangements for the AGM:

(a) **Participation in the AGM via live webcast**

The AGM will be conducted only by electronic means, and shareholders will not be able to attend the AGM in person. Shareholders will also not able to vote online on the resolutions to be tabled for approval at the AGM. Shareholders may participate in the AGM by:-

(i) Observing and/or listening to the proceedings of the AGM through a "live" webcast comprising both video (audio-visual) and audio-only feeds ("**Live Webcast**");

(ii) Submitting questions in relation to any agenda item in this notice of AGM in advance of the AGM; and

(iii) Appointing the chairman of the AGM ("**Chairman**") as proxy to vote on their behalf in accordance with their vote instructions.

Details of the steps for pre-registration, pre-submission of questions and voting at the AGM are set out in items (b) to (e) below.

(b) **Pre-registration for Live Webcast**

Shareholders (including investors who hold shares through the Central Provident Fund ("**CPF**") and/or Supplementary Retirement Scheme ("**SRS**") and who wish to follow the proceedings of the AGM through the Live Webcast must pre-register online at https://complete-corp.com.sg/luxking-agm/ no later than Thursday, 22 October 2020, 5.00 p.m. ("**Pre-Registration Deadline**") for verification purposes. Following successful verification, an email with instruction on how to join the Live Webcast will be sent to the registered shareholders via email by Sunday, 25 October 2020, 10.00 a.m. Shareholders must not forward the email instruction to other persons who are not shareholders and who are not entitled to attend the Live Webcast. This is also to avoid any technical disruptions or overload to the Live Webcast.

Investors holding shares through relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50) ("**Investors**") (other than CPF/SRS investors) will not be able to pre-register for the Live Webcast. An Investor who wishes to participate in the Live Webcast should approach his/her relevant intermediary as soon as possible in order to make the necessary arrangements. The relevant intermediary is required to submit a consolidated list of participants (setting out in respect of each participant, his/her name, email address and NRIC/Passport number), via email to the Company at luxking-agm@complete-corp.com.sg no later than Thursday, 22 October 2020, 5.00 p.m.

Shareholders and Investors who have pre-registered by the Pre-Registration Deadline but did not receive the aforementioned email by Sunday, 25 October 2020, 10.00 a.m. should contact the Company by email to luxking-agm@complete-corp.com.sg.

(c) **Submission of Questions**

Shareholders and Investors will not be able to ask questions during the Live Webcast.

Shareholders and Investors who have questions in relation to any agenda item in this notice of AGM can submit their questions to the Company in advance, no later than Thursday, 22 October 2020, 5.00 p.m. through any of the following means:

(i) Via the pre-registration website at the URL https://complete-corp.com.sg/luxking-agm/;

(ii) by email to luxking-agm@complete-corp.com.sg; or

(iii) by post, to be deposited with Complete Corporate Services Pte. Ltd. at 10 Anson Road, #29-07 International Plaza, Singapore 079903.

Shareholders and Investors must identify themselves when posting questions through email or mail by providing the following details:

(i) Full Name;

(ii) Contact Telephone Number;

(iii) Email Address; and

(iv) The manner in which you hold shares (if you hold shares directly, please provide your CDP account number; otherwise, please state if you hold your shares through CPF or SRS, or are a relevant intermediary shareholder).

The Company will endeavour to respond to substantial and relevant questions either prior to the AGM (via an announcement on SGXNET and corporate website) or at the AGM.

# NOTICE OF
# ANNUAL GENERAL MEETING

(d) **Voting at the AGM by appointing Chairman as Proxy (Submit a Proxy Form)**

*For Investors who hold shares through relevant intermediaries please refer to item (e) for the procedures to vote at the AGM.*

Shareholders will only be able to vote at the AGM by appointing the Chairman as proxy to vote on their behalf. Duly completed proxy forms must be submitted through any of the following means not later than **Saturday, 24 October 2020, 10.00 a.m.** (being no later than forty-eight (48) hours before the time appointed for holding the AGM):

(i) by email, a copy to main@zicoholdings.com; or

(ii) by post, to be deposited with Singapore Share Transfer Agent of the Company, B.A.C.S Private Limited, 8 Robinson Road #03-00, ASO Building, Singapore 048544.

Besides despatch of the printed copies of the proxy form (including Depositor Proxy Form), they are also made available on SGXNet and the Company's corporate website and may be accessed at the URLs https://www2.sgx.com/securities/company-announcements and http://www.newasiatapes.com/en/investor-relations/financial-report.

In appointing the Chairman as proxy, the Shareholder (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the proxy form, failing which the appointment of the Chairman as proxy for that resolution will be treated as invalid.

(e) **Voting at the AGM by Relevant Intermediary Investors and CPF/SRS Investors**

Relevant Intermediary Investors (including CPF/SRS investors) who wish to appoint Chairman as their proxy to vote at the AGM should not make use of the proxy form or Depositor Proxy Form, and should instead approach their respective relevant intermediary as soon as possible to specify voting instructions. CPF/SRS investors who wish to vote should approach their respective CPF Agent Bank or SRS Operators to submit their votes by Wednesday, 14 October 2020, 10.00 a.m., being at least seven (7) working days before the AGM.

**Personal Data Privacy**

"**Personal data**" in this notice of AGM has the same meaning as "personal data" in the Personal Data Protection Act 2012, which includes your name, address and NRIC/Passport number. By submitting (a) an application to pre-register for participation in the AGM via the Live Webcast; (b) questions relating to the resolutions to be tabled for approval at the AGM; and/or (c) an instrument appointing Chairman as proxy to vote at the AGM and/or any adjournment thereof, a member of the Company hereby consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers including any organisations the Company has engaged to perform any function related to the AGM) for the purposes of, (i) verifying the member's information and processing of the member's application to pre-register to participate in the AGM via the Live Webcast and providing the member with any technical assistance where possible; (ii) addressing any selected questions submitted by the member and following up with the member where necessary, and responding to, handling, and processing queries and requests from the member; (iii) the processing and administration by the Company (or its agents or service providers including any organisations the Company has engaged to perform any function related to the AGM) of proxy forms appointing Chairman for the AGM (including any adjournment thereof); and (iv) the preparation, compilation and disclosure (as application) of the attendance lists, minutes, questions from members and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers including any organisations the Company has engaged to perform any function related to the AGM) to comply with any applicable laws, listing rules, regulations and/or guidelines.

# INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Pursuant to Rule 720(6) of the Listing Manual, the following are the information relating to the Directors seeking re-appointment (as set out in Appendix 7.4.1 of the Listing Manual) –

| **Name of Person** | **Chng Hee Kok** | **Leung Hi Man** | **Chan Wai Man** |
|---|---|---|---|
| Date of Appointment | 17 June 2005 | 1 September 2017 | 8 November 2019 |
| Date of last re-appointment (if applicable) | 23 October 2017 | 23 October 2017 | N.A. |
| Age | 72 | 39 | 55 |
| Country of principal residence | Singapore | Hong Kong | Hong Kong |
| The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process) | The Board has considered, among others, the recommendation of the NC and has reviewed and considered the experiences and contribution of Mr Chng for re-election as Lead Independent Director of the Company.<br><br>The Board considers Mr Chng to be independent for the purpose of Rule 704(8) of the Listing Manual. | The Board has considered, among others, the recommendation of the NC and has reviewed and considered the contribution and performance of Ms Leung for re-election as Executive Director of the Company. | The Board has considered, among others, the recommendation of the NC and has reviewed and considered the experiences and contribution of Mr Chan for re-election as an Independent Director of the Company.<br><br>The Board considers Mr Chan to be independent for the purpose of Rule 704(8) of the Listing Manual. |
| Whether appointment is executive, and if so, the area of responsibility | Non-executive | Executive. Responsible for (i) assisting the Executive Chairman in overseeing the finance department, and the formulation and execution of overall business strategies and policies of the Group and (ii) managing business relationships, overseeing sales operations, formulating marketing strategies and assisting product development of the Group's Hong Kong subsidiaries. | Non-executive |
| Job Title (e.g. Lead ID, AC Chairman, AC Member etc.) | Lead Independent Director, Chairman of the AC, members of the NC and the RC. | Executive Director and a member of the NC | Independent Director, Chairman of the RC and a member of the AC |

# INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| Name of Person | Chng Hee Kok | Leung Hi Man | Chan Wai Man |
|---|---|---|---|
| Professional qualifications | (i) Bachelor of Engineering (1st Class Honours) – National University of Singapore<br><br>(ii) Master of Business Administration – National University of Singapore<br><br>(iii) Program for Executive Development – International Institute for Management Development, Switzerland | Master in Science (Honours) in Chemistry from Imperial College London, United Kingdom | Fellow member of HKICPA (Practising), ICAEW and ACCA |
| Working experience and occupation(s) during the past 10 years | (i) 2008 to 2010 – Executive Director and Chief Executive Officer of Hartawan Holdings Ltd<br><br>(ii) 2010 to 2011 – Executive Director of HG Metal Manufacturing Ltd<br><br>(iii) 2012 to 2016 – Executive Director and Managing Director of LH Group Ltd | Ms Leung is Assistant Sales Manager in the Sales and Marketing Department of the Hong Kong subsidiary, Luxking International Chemicals Limited since October 2005.<br><br>She is also responsible for the Sales and Marketing Department of the Hong Kong subsidiary, China King International Trading Limited since October 2006. | (i) 2009 to current – Practising Certified Accountant<br><br>(ii) May 2011 to December 2011 – Independent Non-Executive Director of Computech Holdings Limited<br><br>(iii) May 2013 to January 2016 – Independent Non-Executive Director of Bestway International Holdings Limited<br><br>(iv) April 2014 to December 2015 – Independent Non-Executive Director of Well Way Group Limited<br><br>(v) November 2007 to current – Independent Non-Executive Director of Sun Entertainment Group Limited<br><br>(vi) 2017 to current – Partner of Chee Chan & Co |

# INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| Name of Person | Chng Hee Kok | Leung Hi Man | Chan Wai Man |
|---|---|---|---|
| Shareholding interest in the listed issuer and its subsidiaries | 7,500 ordinary shares | No | No |
| Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries | Nil | Daughter of Mr Leung Chee Kwong, Executive Chairman and Chief Executive Officer and controlling shareholder of the Company | Nil |
| Conflict of interest (including any competing business) | Nil | Nil | Nil |
| Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer | Yes | Yes | Yes |
| Past (for the last 5 years) | 1. China Flexible Packaging Holdings Ltd<br>2. Rich Capital Holdings Limited (formerly known as Infinio Group Limited)<br>3. Sino-America Tours Corporation Pte Ltd<br>4. Chaswood Resources Holdings Ltd<br>5. Samudera Shipping Line Ltd | None | 1. Global Mastermind Holdings Limited (formerly known as Well Way Group Limited)<br>2. Tai United Holdings Limited (formerly known as Bestway International Holdings Limited)<br>3. Flynn Investments Limited |

# INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| Name of Person | Chng Hee Kok | Leung Hi Man | Chan Wai Man |
|---|---|---|---|
| Present | 1. Full Apex Holdings Ltd<br>2. Ellipsiz Ltd<br>3. United Food Holdings Limited<br>4. Blackgold Natural Resources Ltd<br>5. Metech International Limited<br>6. KTL Global Limited<br>7. Samudera Shipping Line Ltd (Advisor)<br>8. Luxking Group Holdings Ltd<br>9. The Place Holdings Ltd | Subsidiaries of the Group:<br>1. Luxking International Chemicals Limited<br>2. China King International Trading Limited<br>3. Tian Holdings Limited<br>4. Luxking Investment Limited<br>5. Excel Glory Limited | 1. Chee Chan & Co., Certified Public Accountants (Practising)<br>2. Chan Wai Man, Certified Public Accountant (Practising)<br>3. Sun Entertainment Group Limited<br>4. Allied Rainbow (Hong Kong) Limited<br>5. Golden Bright Technology Development Limited (inactive)<br>6. Goodway Technology Development Limited (inactive)<br>7. Interpearl Consultants Limited<br>8. Kingsmark Secretaries Limited<br>9. Lelege (HK) Art & Cultural Limited (inactive)<br>10. Lelege (HK) Mining Limited (inactive)<br>11. Newmax Enterprises Limited (inactive)<br>12. Smart Focus Limited<br>13. Trendy Global Investments Limited (inactive) |

# INFORMATION ON
# DIRECTORS SEEKING RE-ELECTION

| Name of Person | Chng Hee Kok | Leung Hi Man | Chan Wai Man |
|---|---|---|---|
| **Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.** | | | |
| (a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? | No | No | No |
| (b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | Yes<br><br>Mr. Chng is an independent director of Full Apex (Holdings) Limited ("FAHL"), a company listed on the Mainboard of SGX-ST. A winding up petition was filed against FAHL on 8 February 2018 (the "Petition") by certain creditors.<br><br>On 14 May 2019, FAHL announced that the creditors have confirmed receipt of the Total Consideration under a Loan Transfer Agreement (the "LTA"). Further, the joint provisional liquidators ("JPL") of FAHL understand that the Petitioner will apply for the withdrawal of the Petition before the next hearing, subject to fulfilment of certain conditions. | No | No |

# INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| Name of Person | Chng Hee Kok | Leung Hi Man | Chan Wai Man |
|---|---|---|---|
| | On 9 July 2019, FAHL announced that the court had ordered for the Petition to be withdrawn during a court hearing for the Petition held on 14 June 2019. There are however certain post-completion obligations under the LTA that are yet to be fulfilled prior to the discharge of the JPL. On 21 April 2020, FAHL announced that it is still working on the fulfilments of the outstanding obligations under the LTA which are required prior to the discharge of the JPL.<br><br>FAHL was placed on the watch-list with effect from 5 June 2017 and the Cure Period ended on 4 June 2020. On 26 June 2020, FAHL has submitted an application to the SGX-ST for a 12-month extension of time to the Cure Period.<br><br>For more details, please refer to FAHL's announcements dated 23 March 2018, 14 May 2019, 9 July 2019, 21 April 2020 and 26 June 2020 on SGXNET. | | |
| (c) Whether there is any unsatisfied judgment against him? | No | No | No |

# INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| Name of Person | Chng Hee Kok | Leung Hi Man | Chan Wai Man |
|---|---|---|---|
| (d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? | No | No | No |
| (e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? | No | No | No |

# INFORMATION ON
# DIRECTORS SEEKING RE-ELECTION

| Name of Person | Chng Hee Kok | Leung Hi Man | Chan Wai Man |
|---|---|---|---|
| (f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | No | No | No |
| (g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? | No | No | No |
| (h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? | No | No | No |

# INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| Name of Person | Chng Hee Kok | Leung Hi Man | Chan Wai Man |
|---|---|---|---|
| (i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? | No | No | No |
| (j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :— | | | |
| (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or | No | No | Yes<br><br>In 2013, Sage International Group Limited ("Company"), where he is an Independent Non-Executive Director, was inquired by the Stock Exchange Hong Kong Limited and was investigated by the Financial Reporting Council for prior period adjustments made in the Company's consolidated financial statements for the year ended 31 December 2012 to correct errors in accounting treatment of the Company's transactions in the financial statements for the year ended 31 March 2011 and period ended 31 December 2011. |

# INFORMATION ON
# DIRECTORS SEEKING RE-ELECTION

| Name of Person | Chng Hee Kok | Leung Hi Man | Chan Wai Man |
|---|---|---|---|
| (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or | No | No | No |
| (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or | No | No | No |
| (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? | No | No | No |

# INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| Name of Person | Chng Hee Kok | Leung Hi Man | Chan Wai Man |
|---|---|---|---|
| (k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? | Yes<br><br>Mr. Chng was fined S$5,000 in August 2007 under section 156 of the Companies Act, Chapter 50 and was given a warning under section 28(B)(b) of the Prevention of Corruption Act, Chapter 241.<br><br>Separately, Metech International Limited ("MIL") received a letter from SGX dated 5 June 2020 and was given an opportunity to make representations in respect of the matters set out in a Notice of Compliance dated 27 December 2019 issued by SGX RegCo on the disclosure of a former director. As of the date hereof, there is no outcome of the said matter.<br><br>Mr Chng was also not a director at the material time of the query as he was appointed as director of MIL on 26 December 2019.<br><br>Please refer to MIL's announcement dated 27 December 2019. | No | Yes<br><br>Mr Chan is an Independent Non-Executive Director and the Chairman of the Audit Committee of Sage International Group Limited ("Company"). He was investigated by the Hong Kong Institute of Certified Public Accountants ("HKICPA") in 2013 for prior period adjustments made in the Company's consolidated financial statements for the year ended 31 December 2012 to correct errors in accounting treatment of the Company's transactions in the financial statements for the year ended 31 March 2011 and period ended 31 December 2011. The HKICPA has issued a Letter of Disapproval – Failure to comply with the Code of Ethics for Professional Accountants to him for failure to identify accounting errors in the financial statements of the Company for the year ended 31 March 2011 and period ended 31 December 2011. The Disapproval Letter does not amount to a formal disciplinary censure. The Disapproval Letter does not disqualify him from acting as a director. |

# INFORMATION ON
# DIRECTORS SEEKING RE-ELECTION

| Name of Person | Chng Hee Kok | Leung Hi Man | Chan Wai Man |
|---|---|---|---|
| Disclosure applicable to the appointment of Director only. | | | |
| Any prior experience as a director of an issuer listed on the Exchange? | This relates to re-appointment of Director. | This relates to re-appointment of Director. | This relates to re-appointment of Director. |
| If yes, please provide details of prior experience | N.A. | N.A. | N.A. |
| If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. | N.A. | N.A. | N.A. |
| Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable | N.A. | N.A. | N.A. |

**LUXKING GROUP HOLDINGS LIMITED**

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