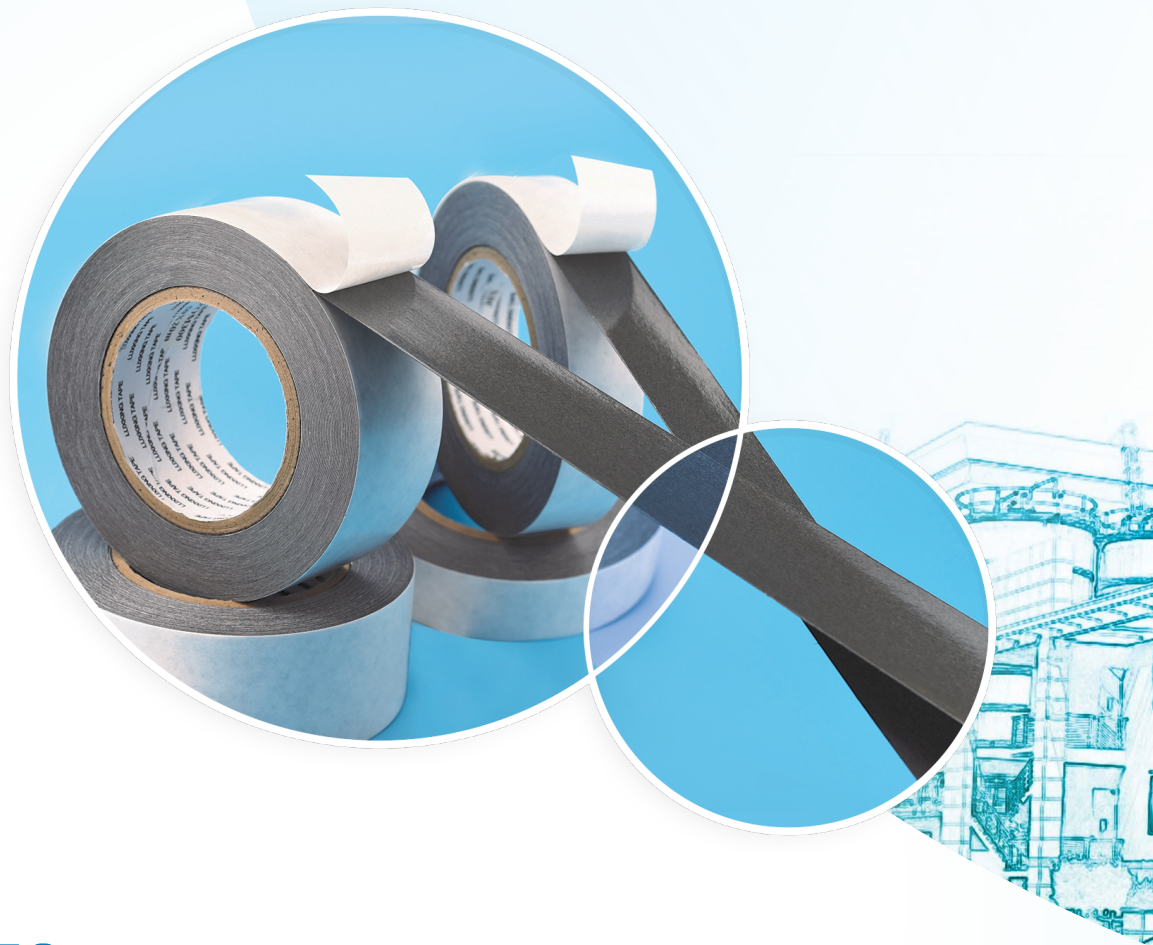




# EXTENDING TO NEW FRONTIERS

ANNUAL REPORT 2021

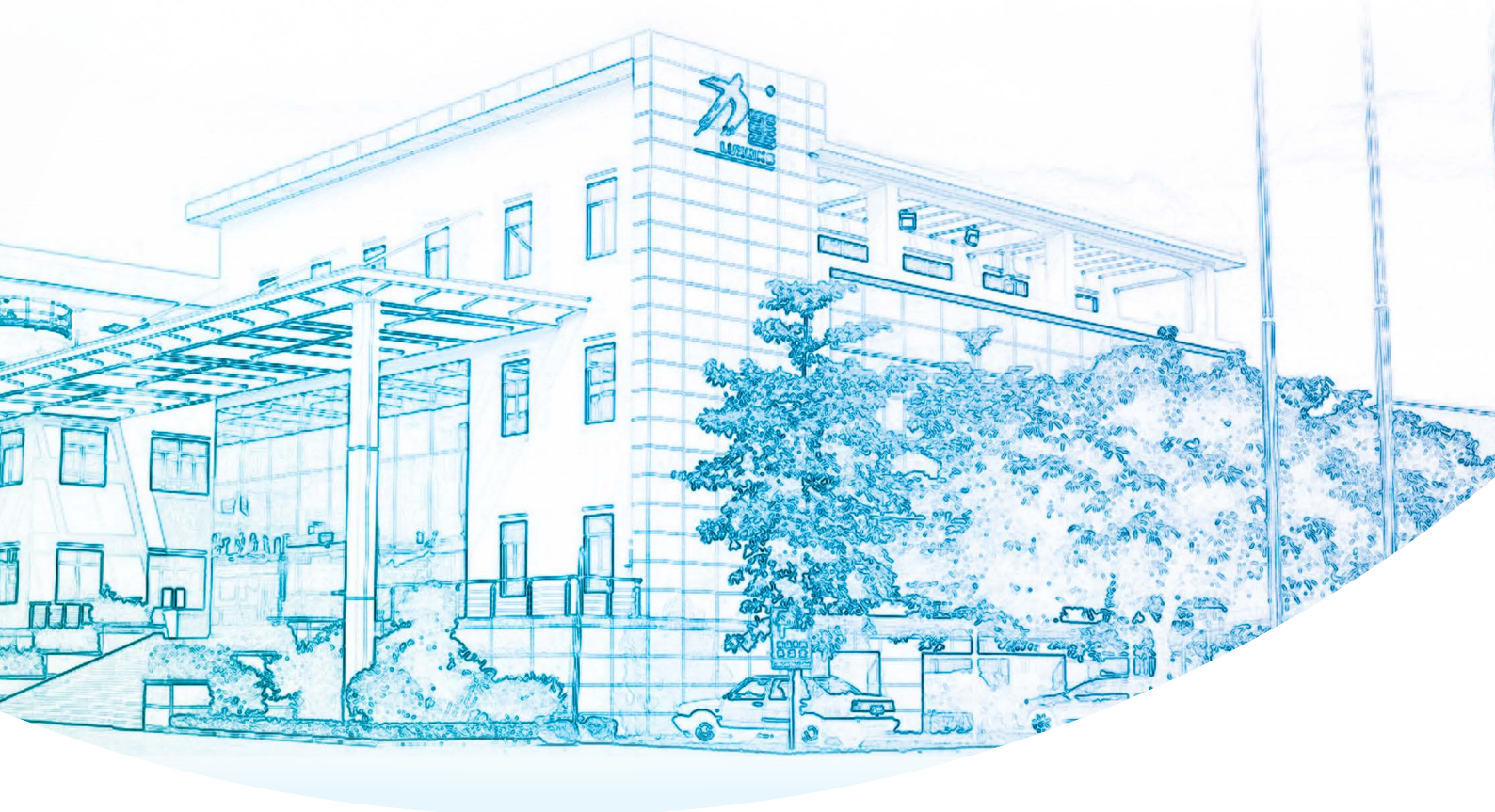


# CONTENTS

01	CORPORATE PROFILE	07	FINANCIAL REVIEW	14	CORPORATE INFORMATION
02	CORPORATE STRUCTURE	10	FINANCIAL HIGHLIGHTS	15	CORPORATE GOVERNANCE REPORT
03	OUR PRODUCTS	11	BOARD OF DIRECTORS	36	FINANCIAL CONTENTS
04	MESSAGE TO SHAREHOLDERS	13	KEY EXECUTIVES		



# 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”).

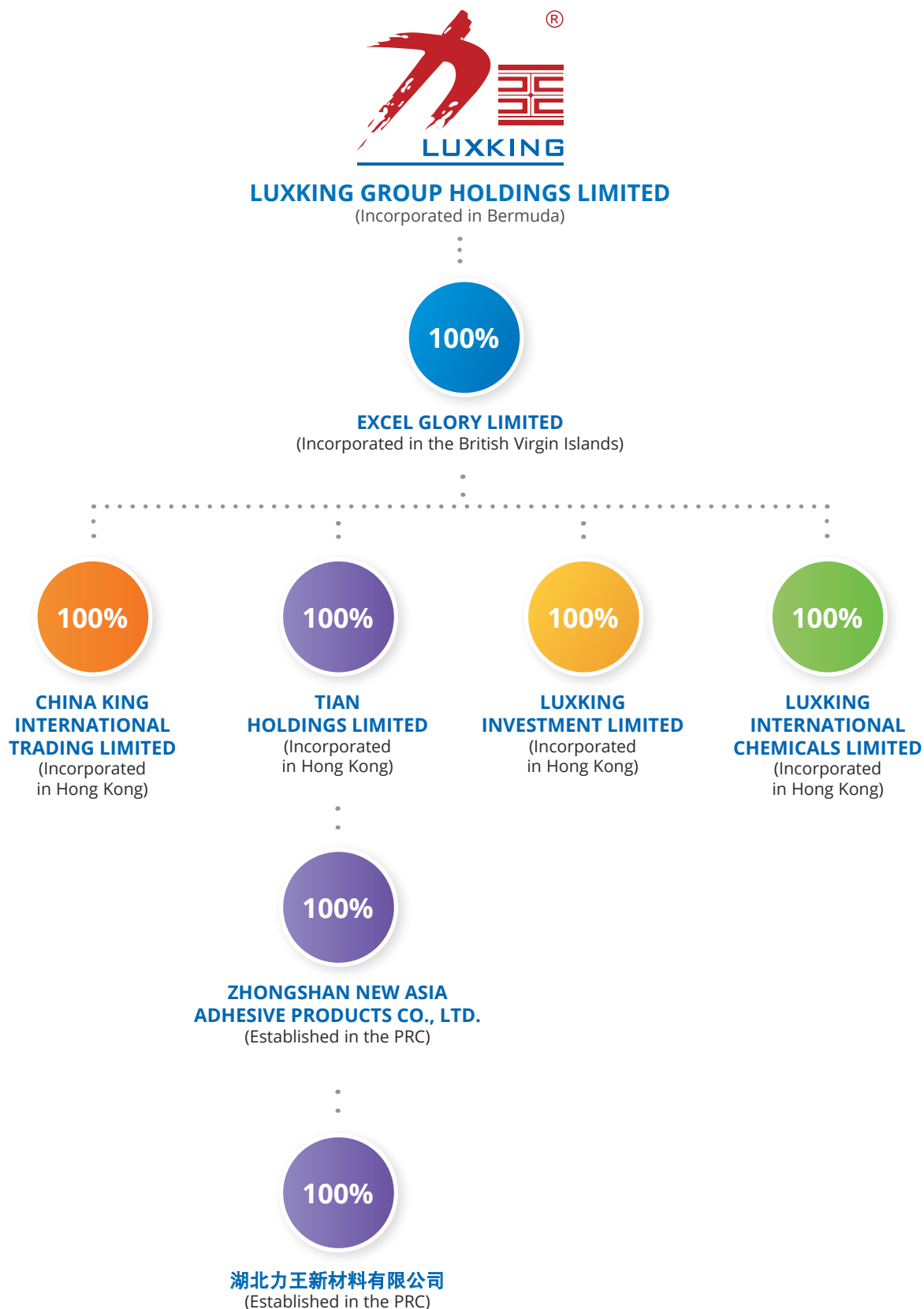
Backed by strong research and development (“R&D”) capabilities, Luxking has developed a broad range of industrial specialty tapes (“IS tapes”) which are higher-grade products for use in the electronics and consumer electronics industries. The Group has established a sound reputation and track record 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.

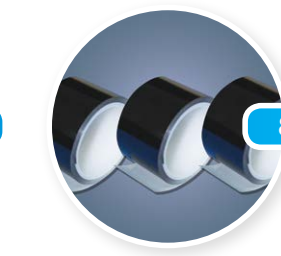
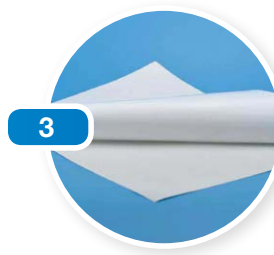
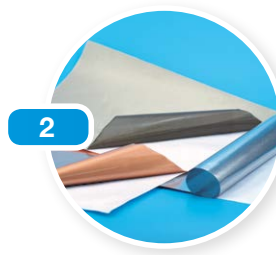
The Group’s large-scale and vertically-integrated manufacturing capabilities enhance its competitive edge. Luxking produces PSA tape products based on its proprietary formulations and also manufactures BOPP films which are used in the production of adhesive tapes. To deliver high quality and innovative 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



# 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 ELECTRICALLY CONDUCTIVE TAPE

### Characteristics:

Excellent electrical conductivity, very good adhesion and holding power

### Applications:

Used in electrical conduction or electrostatic discharge applications, e.g. grounding.

## #3 FLAME RETARDANT DOUBLE-SIDED TAPE

### Characteristics:

Very good resistance to flame, good adhesion and holding power

### Applications:

Used in mounting of interior parts in automotive, and bonding of components in smart device.

## #4 BOPP FILMS

### Characteristics:

High clarity, transparent, flexible

### Applications:

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

## #5 LOW VOC DOUBLE-SIDED TAPE

### Characteristics:

Low volatile organic compounds and odourless, good adhesion and holding power

### Applications:

Used in mounting of interior parts in automotive, and bonding of components in smart device.

## #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:

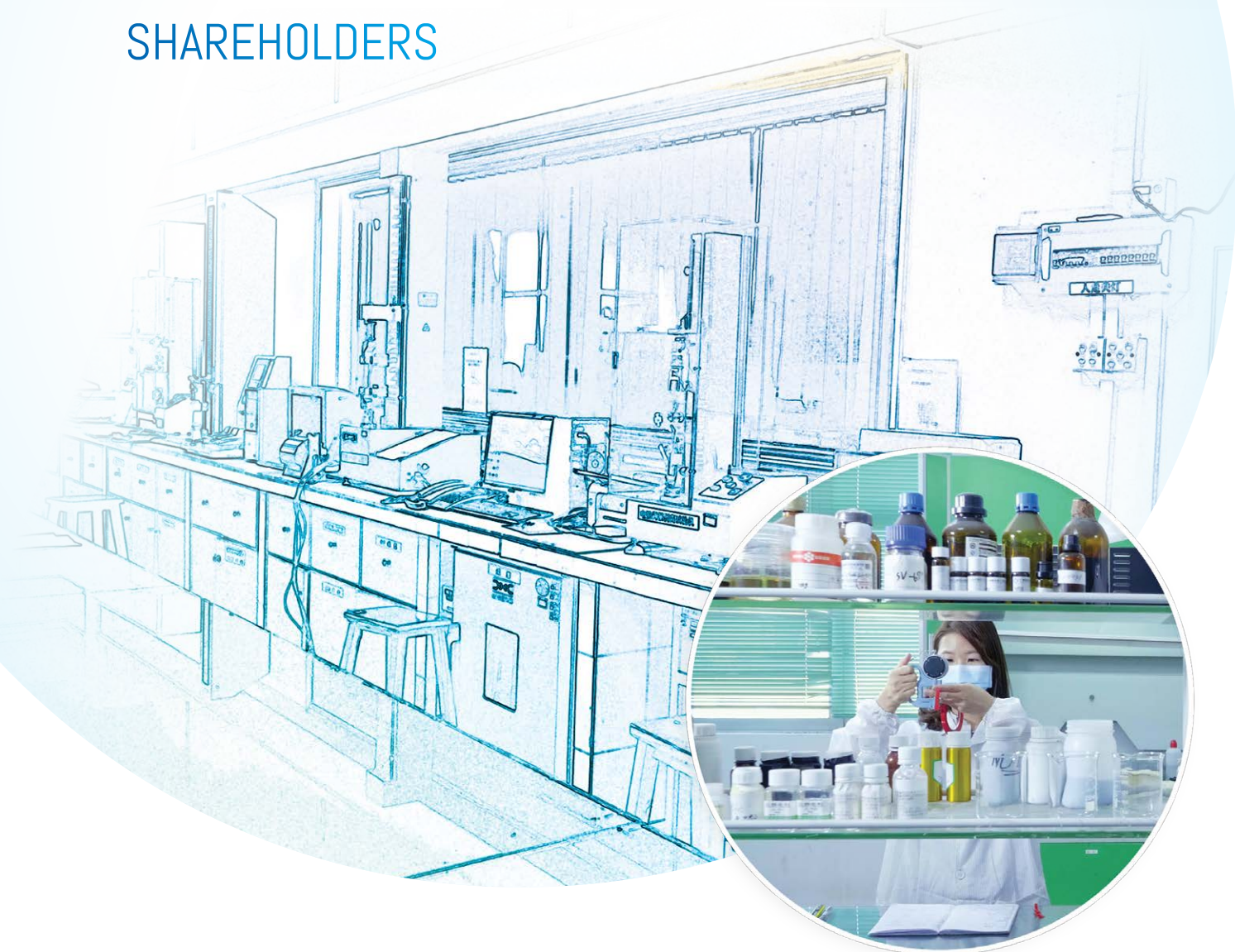
Special black and white carrier, white side is light reflecting and black is light absorbing, strong peel adhesion and holding power to various substrates, good aging properties and is resistant to weather changes

### Applications:

Used in mounting of LCD and backlight module of handheld devices



# MESSAGE TO SHAREHOLDERS



## DEAR SHAREHOLDERS,

I shall like to present the annual report of Luxking Group Holdings Limited ("Luxking" or the "Group") for the financial year ended 30 June 2021 ("FY2021").

The global business environment continued to be challenging during FY2021 due to the pervasive impact of the COVID-19 pandemic. Operating conditions for the Group were difficult due to a sharp increase in the cost of raw materials since the beginning of 2021, and the challenges caused by a disruption in freight schedules. In addition, the Group witnessed a slowdown in orders from customers in overseas markets as export demand was adversely affected by the COVID-19 pandemic and the depreciation of the US dollar against the Renminbi currency.

Despite having to operate in these challenging business conditions, I am pleased to report that Luxking was able to achieve higher revenue and net profit for FY2021. This can be attributed to our

team's successful efforts to grow customer base and expand market coverage which enabled the Group to capitalise on a recovery in domestic demand as economic activity in the PRC gradually improved.

## BUSINESS REVIEW

For FY2021, the Group's revenue increased 27.6% to RMB508.5 million. The Group experienced a recovery in sales across its three business segments during FY2021 following substantially weaker sales in the second half of FY2020 when the COVID-19 outbreak took a toll on business activities and market demand amid lockdown measures imposed by the PRC government.

Sales of the Group's biaxially oriented polypropylene films ("BOPP films") segment increased 24.7% to RMB206.9 million in FY2021. This was due mainly to an improvement in customer demand for higher-

# MESSAGE TO SHAREHOLDERS

grade BOPP films in the domestic market, as well as an increase in the selling prices of the Group's products. Sales of industrial specialty tapes ("IS tapes") also increased 20.0% to RMB159.4 million in FY2021, driven by higher domestic demand and adjustments to selling prices of the Group's products to partially compensate for the surge in cost of raw materials. Sales of general purpose tapes ("General tapes") grew 42.8% to RMB142.2 million in FY2021 as the Group reaped the benefit of its sales team's successful efforts to expand customer base in the domestic market.

In FY2021, the General tapes segment accounted for a higher 28.0% of Group revenue compared to 25.0% in FY2020. Accordingly, the IS tapes and BOPP films segments had lower revenue contributions of 31.3% and 40.7% respectively in FY2021.

The Group's gross profit margin eased to 12.8% in FY2021 from 13.9% in FY2020 due mainly to a write-down of inventory in FY2021 as opposed to a write-back of provision for inventories in FY2020. Notwithstanding this, the Group's gross profit still grew 18.0% to RMB65.2 million in FY2021.

At the bottom line, the Group recorded a significant increase in net profit to RMB13.1 million in FY2021 as compared to RMB64,000 in FY2020. During FY2021, the Group also continued to reduce its borrowings which helped to strengthen its balance sheet. As a result, the Group had a lower gross gearing of 0.6 times as at 30 June 2021 compared to 0.8 times at the end of FY2020.

## BUSINESS OUTLOOK

Looking ahead to FY2022, the Group expects the business environment to remain challenging. The spread of new COVID-19 variants and resurgence in infections worldwide has raised the level of uncertainty for the global economy. This could adversely affect market demand and also prolong the disruption in freight schedules. At the same time, the Group remains mindful that its profit margins could be adversely affected by higher costs of raw materials, volatility in foreign currency exchange rates, particularly the USD/RMB exchange rate, and heightened competitive pressures.

Amid this difficult operating backdrop, Luxking will be engaging closely with its customers to maintain good working relationships and develop new products to cater to their requirements. In parallel, the Group will also continue to execute its long-term business strategy for its three key product segments to build a robust foundation for the future.

For the BOPP films segment, the Group's strategy is to maintain its focus on expanding sales of its higher-grade BOPP films. For the IS tapes and General tapes businesses, Luxking will continue to work on initiatives to expand the customer base and leverage its in-house research & development competencies to enhance its product offering. The Group strives to increase its value-add and reinforce existing customer relationships through customised adhesive products and solutions to meet customers' changing requirements.

To support its business growth, Luxking has plans to make appropriate investments to expand its production capacity and enhance manufacturing capabilities.

The Group intends to upgrade its factory at Zhongshan in the Guangdong Province ("Zhongshan factory") by making improvements to existing machinery and installing new equipment which will enhance production flow. The Group will also consider the addition of a new production line at the Zhongshan factory should the need arise to fulfill future requirements of customers. In addition, the Group will continue its ongoing initiatives to improve production efficiency, maximise production yields and minimise operating costs.



# MESSAGE TO SHAREHOLDERS

Luxking is presently building a new manufacturing plant in Hubei province (“Hubei plant”) which will be constructed in phases, subject to changes in market circumstances. This new plant will enable the Group to improve local support to existing customers in Northern China and place it in a better position to gain new customers in this region.

At the Hubei plant, the Group has set up a facility to install a Polyethylene (“PE”) extrusion coating line for the manufacture of PE coated paper which is one of the key raw materials for production of the Group’s double-sided tapes.

The maximum production capacity of this new coating line is projected to have an estimated value of approximately RMB9 million per month based on current market price. The Group expects to carry out the installation and subsequent trial runs of the PE coating line during the first half of FY2022.

When completed, the new PE coating line will increase the Group’s vertically-integrated capabilities which is expected to yield higher operational and cost efficiencies. It is estimated that approximately 60% of the coating line’s monthly output will be used by the Zhongshan factory while the remaining 40% will be sold to third parties.

Thus far, the Group has incurred capital expenditure of RMB13.8 million and RMB5.7 million in FY2020 and FY2021 respectively for development of the Hubei plant. Due to project delays, capital expenditure of approximately RMB6.5 million that was originally budgeted for the Hubei plant in FY2021 has been deferred to FY2022. Luxking is also planning to invest approximately RMB6 million in the second half of FY2022 to set up a second production unit/space in the Hubei plant to house machinery and equipment. The Group is building this new production space in advance in order to have the ability to respond quickly if and when new projects commence.

Besides the above outlined plans for the Zhongshan factory and Hubei plant, the Group will be taking a cautious stance with regards to investments in other new projects in view of current market uncertainties. Nonetheless, the Group will closely monitor the operating landscape and revise its plans in line with any changes in the external environment.

Over the past years, the Group has also been taking steps to strengthen its credit control system. Given the current economic uncertainties, Luxking will continue to ensure the system remains robust by continually assessing each of its clients’ business and adjusting credit limits and terms where necessary. Besides these measures to safeguard its financial position, the Group has also taken all the necessary precautions to establish a safe and healthy environment at the workplace to protect its employees and the Group’s operations against the potential impact of COVID-19.

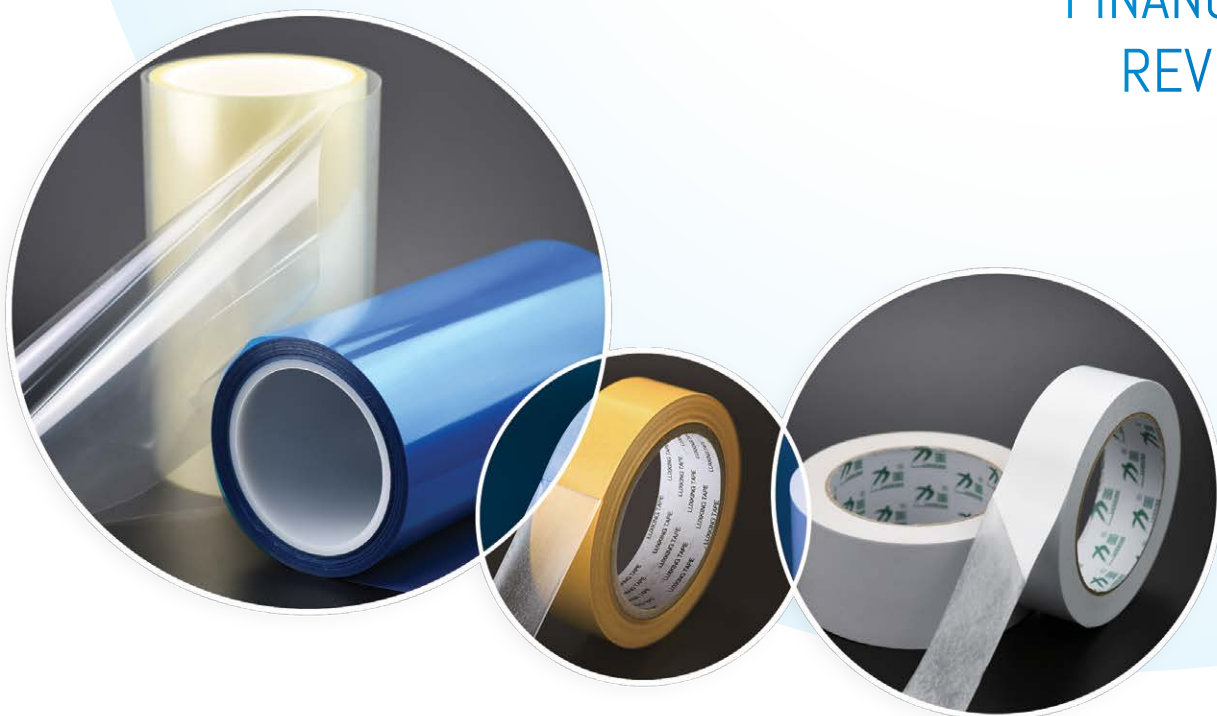
## APPRECIATION

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 the Group’s management and staff for their dedicated service, commitment and hard work. The Board will also like to express its gratitude to Luxking’s shareholders, customers, suppliers and business partners for their continued trust and support.

LEUNG CHEE KWONG

Executive Chairman and  
Chief Executive Officer  
24 September 2021





## GROUP REVENUE

For the financial year ended 30 June 2021 ("FY2021"), the Group's revenue increased 27.6% from RMB398.4 million in FY2020 to RMB508.5 million in FY2021. The Group witnessed a recovery in sales across its business segments during FY2021, following substantially weaker sales in the second half of FY2020 when the COVID-19 outbreak affected business activities and market demand amid the government-imposed lockdown measures.

The biaxially oriented polypropylene films ("BOPP films") segment registered a 24.7% increase in sales from RMB166.0 million in FY2020 to RMB206.9 million in FY2021. This was attributed mainly to a recovery in demand for higher-grade BOPP films from customers in the domestic market, as well as an increase in the selling prices of the Group's products.

Sales of industrial specialty tapes ("IS tapes") also increased 20.0% from RMB132.9 million in FY2020 to RMB159.4 million in FY2021, driven by higher domestic demand and adjustments to selling prices of the Group's products to partially compensate for the surge in cost of raw materials. Higher sales of IS tapes from the domestic market offset lower sales to overseas markets in FY2021 as export demand was adversely affected by the COVID-19 pandemic and the depreciation of the US Dollar against the Renminbi currency.

Sales of general purpose tapes ("General tapes") grew 42.8% from RMB99.5 million in FY2020 to RMB142.2 million in FY2021. This was driven mainly by improved demand, the Group's efforts to expand its customer base in the domestic market, and adjustments to selling prices as a result of higher raw material costs.

As a result, the General tapes segment's revenue contribution expanded to 28.0% in FY2021 (25.0% in FY2020). The IS tapes segment accounted for 31.3% of total sales (33.4% in FY2020) while the BOPP films segment made up 40.7% of Group revenue in FY2021 (41.6% in FY2020).

In terms of revenue by geographical markets, sales to the domestic market climbed 39.1% from RMB317.8 million in FY2020 to RMB442.0 million in FY2021. This was attributed to higher sales of BOPP films, IS tapes and General tapes. On the other hand, sales to overseas markets decreased 17.6% from RMB80.7 million in FY2020 to RMB66.5 million in FY2021 as demand from overseas customers softened amid the global pandemic situation and the depreciation of the US Dollar against the Renminbi currency. As a result, the domestic market accounted for 86.9% of Group revenue in FY2021 (79.8% in FY2020), with the remaining 13.1% of revenue derived from overseas markets (20.2% in FY2020).

## PROFITABILITY

The Group's gross profit increased 18.0% from RMB55.3 million in FY2020 to RMB65.2 million in FY2021. Gross profit margin eased to 12.8% in FY2021 from 13.9% in FY2020. This was due mainly to a write-down of inventory of RMB0.4 million in FY2021 as opposed to a write-back of provision for inventories of RMB6.7 million in FY2020.

Other income in FY2021 was RMB2.9 million. This comprised mainly net foreign exchange gain and amortisation of deferred income in relation to a local government grant for the Group's new manufacturing plant in Hubei, the PRC.

# FINANCIAL REVIEW



Selling and distribution costs increased 27.6% from RMB16.6 million in FY2020 to RMB21.2 million in FY2021 in tandem with higher sales and an expansion in the headcount of sales team. Administrative expenses in FY2021 were stable at RMB31.4 million.

The Group recorded a reversal of expected credit loss ("ECL") of trade receivables of RMB5.4 million in FY2021 (FY2020: RMB1.2 million). This reversal arose from the receipt of RMB2.1 million in relation to long outstanding receivables (overdue for more than a year as per the Group's credit policy) which were fully impaired in prior years. In addition, there was decrease in ECL for non-credit impaired receivables of RMB3.3 million after taking into consideration the reduction in default rate of the Group's receivables based on the historical credit loss trend in the past five years, as well as the swift recovery of the PRC's economy following the COVID-19 outbreak.

Other operating expenses declined substantially to RMB59,000 in FY2021 from RMB0.2 million in FY2020 as the Group recorded a net foreign exchange gain in FY2021 as opposed to net foreign exchange loss in FY2020.

Finance costs dropped 49.6% from RMB5.5 million in FY2020 to RMB2.8 million in FY2021 due mainly to a decrease in total borrowings.

Income tax expense increased from RMB3.0 million in FY2020 to RMB5.0 million in FY2021 in tandem with the growth in the Group's taxable income.

As a result of the above, the Group recorded net profit of RMB13.1 million in FY2021. This translated into a significant increase from net profit of RMB64,000 in FY2020.

## FINANCIAL POSITION

Non-current assets increased from RMB76.1 million as at 30 June 2020 to RMB79.3 million as at 30 June 2021. This was due mainly to an increase in right-of-use assets following the purchase of additional land use rights and the renewal of rental agreement of the Group's manufacturing plants in the PRC. The Group also recorded deposits for purchases of plant and equipment of RMB3.5 million for its factory in Zhongshan and the new plant in Hubei.

Inventories increased significantly from RMB52.6 million as at 30 June 2020 to RMB82.0 million as at 30 June 2021. This was attributed mainly to the sharp increase in cost of raw materials since the beginning of 2021 and freight disruptions which led to delays in shipment of certain finished goods to customers in overseas markets. Trade receivables decreased from RMB91.4 million as at 30 June 2020 to RMB87.8 million as at 30 June 2021 as the Group stepped up its credit control and management to better manage credit risk since the start of the pandemic situation. Debtor turnover days shortened to 63 days in FY2021 compared to 84 days in FY2020.

Prepayments, deposits and other receivables increased from RMB16.1 million as at 30 June 2020 to RMB18.1 million as at 30 June 2021. This was due mainly to higher amounts paid to suppliers in line with the increase in prices of raw materials.

Cash and bank balances decreased from RMB20.3 million as at 30 June 2020 to RMB18.9 million as at 30 June 2021, due mainly to net repayment of bank borrowings. Hence, total borrowings declined from RMB91.2 million as at 30 June 2020 to RMB72.2 million as at 30 June 2021.

# FINANCIAL REVIEW

Trade and bills payables increased from RMB27.7 million as at 30 June 2020 to RMB59.1 million as at 30 June 2021, due mainly to higher prices of raw materials, and comparatively higher proportion of purchases made on credit terms from suppliers instead of trade financing. Accrued expenses and other payables increased from RMB13.5 million as at 30 June 2020 to RMB14.4 million as at 30 June 2021 in tandem with higher salaries and commission payables. The Group recognised lease liabilities of RMB7.5 million as at 30 June 2021 compared to RMB2.1 million as at 30 June 2020 due to the renewal of certain rental agreements.

Income tax payables decreased from RMB1.7 million as at 30 June 2020 to RMB1.4 million as at 30 June 2021.

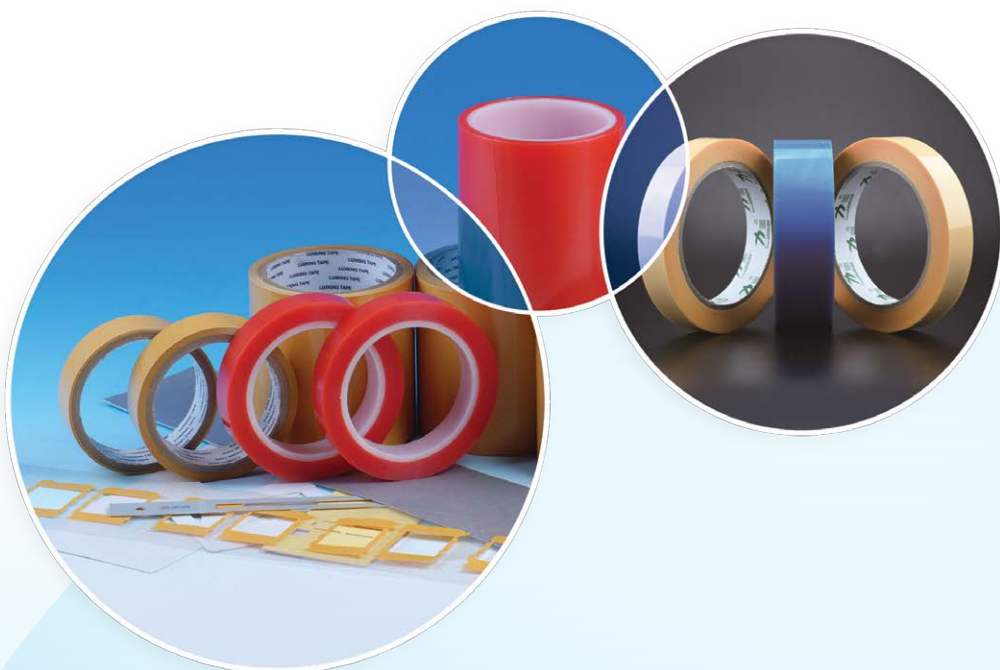
The Group's current liabilities totalling RMB150.1 million as at 30 June 2021 comprised primarily bank borrowings of revolving nature, and trade and bills payables. As at the date of this report, the Group is able to meet its payment obligations when they fall due, and also does not foresee any issue to fulfil its debt repayment in the next 12 months. This is based on the opinion that the profile of the Group's trade receivables remains healthy, debtor turnover rate is reasonable, and no significant bad debt or impairment of trade receivables is expected.

Non-current liabilities increased from RMB11.3 million as at 30 June 2020 to RMB16.8 million as at 30 June 2021 due to higher lease liabilities and deferred income. Lease liabilities increased to RMB4.4 million in tandem with the increase in right-of-use assets as explained in the aforesaid. Deferred income increased from RMB10.5 million as at 30 June 2020 to RMB12.4 million as at 30 June 2021, attributed to a local government grant for the Group's new manufacturing plant in Hubei.

## CASH FLOW

The Group generated net cash from operating activities of RMB34.2 million in FY2021. This was derived primarily from operating profit before working capital changes of RMB31.9 million and net working capital inflows of around RMB7.6 million, offset partially by payment of income taxes.

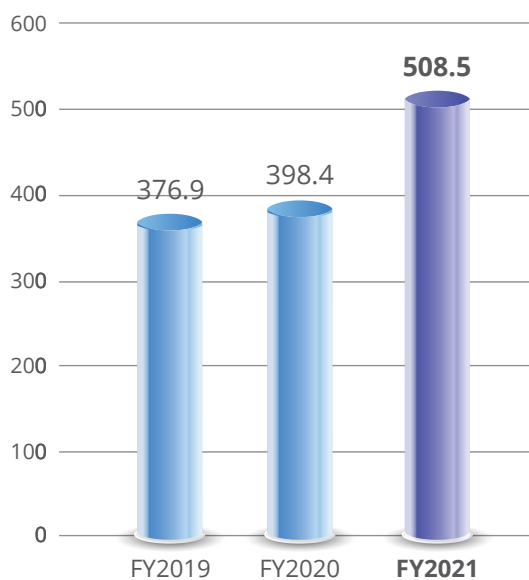
Net cash used in investing activities amounted to RMB13.4 million in FY2021, mainly for the purchase of property, plant and equipment and land use rights for the new plant in Hubei. Net cash used in financing activities was RMB22.1 million, due mainly to the net repayment of bank borrowings.



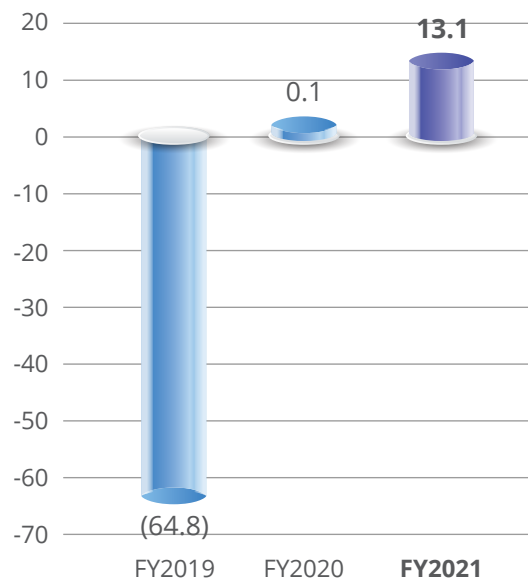


# FINANCIAL HIGHLIGHTS

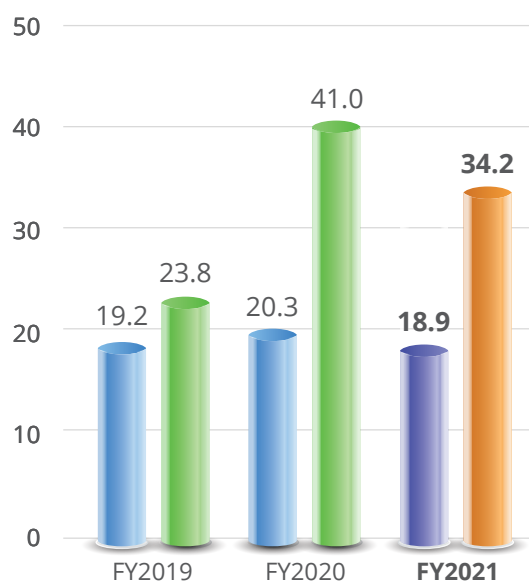
**REVENUE**  
(RMB million)



**NET PROFIT/(LOSS)**  
(RMB million)

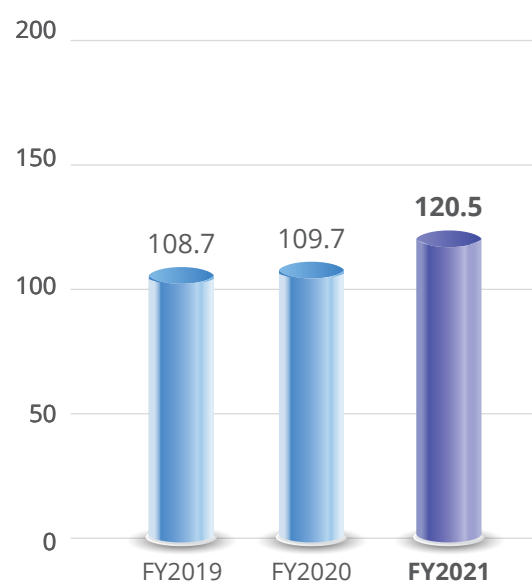


**YEAR-END CASH AND BANK BALANCES  
AND NET OPERATING CASH INFLOWS**  
(RMB million)



■ ■ Year - End Cash and Bank Balances  
■ ■ Net Operating Cash Inflows

**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. He was last re-elected on 22 October 2018 and will be seeking re-appointment at the forthcoming Annual General Meeting of the Company.

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 is also directly in charge of sales and marketing of the 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.

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## MS LEUNG HI MAN

Executive Director

Ms Leung joined the Group in 2005 and was appointed an Executive Director of the Company on 1 September 2017. She was last re-elected a Director of the Company on 26 October 2020.

Ms Leung is responsible for overseeing the finance department, and 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.

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## 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 26 October 2020 and will be subject to shareholders' approval at the forthcoming Annual General Meeting under the Two-Tier voting process for his continuation to be an Independent and Non-Executive Director of the Company.

Mr Chng is Chairman of Ellipsiz Ltd. Mr Chng 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, The Place Holdings Ltd and ecoWise Holdings 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.

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## 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 was last re-elected on 26 October 2020.

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.

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## 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.

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## 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.

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## 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.

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## 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)

**Chan Wai Man** (Independent)

## 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 COMMITTEE

**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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Bermuda

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## BERMUDA SHARE REGISTRAR

**Conyers Corporate Services (Bermuda) Limited**

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Bermuda

## SINGAPORE SHARE TRANSFER AGENT

**B.A.C.S. Private Limited**

8 Robinson Road #03-00

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## JOINT AUDITORS

**BDO Limited**

Certified Public Accountants

25th Floor, Wing On Centre

111 Connaught Road Central, Hong Kong

Engagement Director:

Cheung Or Ping

(Commencing from the financial year ended 30 June 2018)

## BDO LLP

Public Accountants and Chartered Accountants

600 North Bridge Road

#23-01 Parkview Square

Singapore 188778

Partner In-charge:

Koh Yen Ling

(Commencing from the financial year ended 30 June 2020)

## INVESTOR RELATIONS CONSULTANT

**Octant Consulting**

7500A Beach Road

The Plaza, #04-329

Singapore 199591

Tel : (65) 6296 3583

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2021

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 2021 (“**FY2021**”) 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;



# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2021

- material acquisitions and disposal of assets;
- 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 FY2021, 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 FY2021 are summarised as follows:

Name of Director		Board	AC	RC	NC
<b>No. of meetings held in FY2021</b>		2	3	1	1
Mr Leung Chee Kwong	Executive Chairman and Chief Executive Officer (" <b>CEO</b> ")	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	3	1	1
Mr Er Kwong Wah	Independent Director	2	3	1	1
Mr Chan Wai Man	Independent Director	2	3	1	N/A

N/A: Not applicable

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2021

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 members 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 given 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 will be provided with relevant training in the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. No new Director was appointed during FY2021.

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 FY2021 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 and other professional institutes/bodies.

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2021

## ***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 complied 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 ("**Independent 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 are 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 11, 12 and 23 of this Annual Report.

The Company had adopted a Board Diversity Policy in FY2020. The Company understands and believes that a diverse Board will help to improve the overall performance and operation capability of the Company, as well as to 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 2021

## ***Independence of 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 FY2021. 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 FY2021.

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. Mr Chng has demonstrated strong independence in character and judgement over the years in discharging the interest of the non-controlling shareholders. He has expressed individual viewpoints, debated issues and objectively scrutinised and challenged Management. The Board recognises the contribution of its Independent Directors who over time have developed deep insight into the Group's businesses and operations and who are therefore able to provide invaluable contributions to the Group.

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2021

Pursuant to the Listing Manual of the SGX-ST, with effect from 1 January 2022, a director who has been a director for an aggregate period of more than nine years and whose continued appointment as an independent Director has to be sought and approved in separate resolutions ("**Two-Tiered Voting**") by (i) all shareholders; and (ii) shareholders, excluding shareholders who also serve as the directors or CEO (or equivalent), and their associates. Accordingly, the Board supported the NC's recommendation that Mr Chng Hee Kok be subjected to shareholders' approval at the forthcoming Annual General Meeting of the Company ("**AGM**") under Two-Tiered Voting, to ensure his eligibility to continue as Independent Director of the Company from 1 January 2022 onwards. In the case that the Two-Tiered Voting for Mr Chng is not passed at the forthcoming AGM, he will cease to be considered independent for purposes of Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST with effect from 1 January 2022, and accordingly, subject to his continuation as a Director of the Company, will be re-designated as a non-independent and non-executive director of the Company with effect from 1 January 2022.

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 FY2021.

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

Mr Leung Chee Kwong is the Executive Chairman and 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.

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2021

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 address shareholders' queries 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

### ***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.

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2021

## ***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 AGM following their appointment. The retiring Directors may offer themselves for re-election.

Mr Leung Chee Kwong who is retiring pursuant to Bye-law 86(1) of the Company's Bye-Laws, has offered himself for re-election. The Board, having reviewed the recommendation from the NC, has nominated Mr Leung who is retiring for re-election as Executive Director of the Company subject to shareholders' approval at the forthcoming AGM.

Information pursuant to Listing Rule 720(6) of the SGX-ST on Mr Leung can be found on pages 99 to 102 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. For FY2021, the NC 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.

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2021

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	<ul style="list-style-type: none"> <li>Luxking Group Holdings Limited (Chairman and CEO)</li> </ul>	Nil
Leung Hi Man	<ul style="list-style-type: none"> <li>Luxking Group Holdings Limited</li> </ul>	Nil
Chng Hee Kok	<ul style="list-style-type: none"> <li>Luxking Group Holdings Limited</li> <li>Full Apex Holdings Ltd</li> <li>Ellipsiz Ltd</li> <li>United Food Holdings Limited</li> <li>Blackgold Natural Resources Ltd</li> <li>Metech International Limited</li> <li>KTL Global Limited</li> <li>The Place Holdings Ltd</li> </ul>	Nil
Er Kwong Wah	<ul style="list-style-type: none"> <li>Luxking Group Holdings Limited</li> <li>Cosco Shipping International (Singapore) Co., Ltd</li> <li>Ecowise Holdings Limited</li> <li>The Place Holdings Limited</li> <li>Full Apex Holdings Ltd</li> </ul>	Nil
Chan Wai Man	<ul style="list-style-type: none"> <li>Luxking Group Holdings Limited</li> <li>Sun Entertainment Group Limited</li> </ul>	<ul style="list-style-type: none"> <li>Chee Chan &amp; Co., Certified Public Accountants (Practising)</li> <li>Chan Wai Man, Certified Public Accountant (Practising)</li> </ul>

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

## 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.



# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2021

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 evaluation for FY2021 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 FY2021. 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

#### *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.

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2021

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 FY2021, total sum of RMB650,000 management bonus was recommended and paid to the Executive Directors and key management personnel as stipulated in their service agreements.

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 (FY2021: S\$151,415) for the financial year ending 30 June 2022 to be paid quarterly in arrears. This recommendation 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.

The RC has reviewed and is satisfied that for FY2021, 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 FY2021.

No external facilitator had been engaged by the Board for advice and remuneration matters for FY2021. The RC may seek professional advice on remuneration matters, if required.

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2021

## 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 FY2021 are set out in the following table:

Remuneration Band and Name of Director	Salary	Pension	Management Bonus (Note i)	Fee	Total
<b>Above S\$400,000 but below S\$500,000</b>					
Mr Leung Chee Kwong *	90.45%	–	9.55%	–	100.00%
<b>Below S\$250,000</b>					
Ms Leung Hi Man *	71.27%	2.11%	26.62%	–	100.00%
Mr Chng Hee Kok	–	–	–	100.00%	100.00%
Mr Er Kwong Wah	–	–	–	100.00%	100.00%
Mr Chan Wai Man	–	–	–	100.00%	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 FY2021 are set out in the following table:

Remuneration Band and Name of Key Management Personnel	Salary	Pension	Bonus (Note ii)	Management Bonus (Note i)	Total
<b>Below S\$250,000</b>					
Mr Yuen Kwun Ki Anthony	92.09%	1.81%	–	6.10%	100.00%
Mr Yang Yongqiang	66.85%	3.03%	14.46%	15.66%	100.00%
Mr Xiao Yichi	66.85%	3.03%	14.46%	15.66%	100.00%
Mr Huang Zhilin	58.63%	3.79%	18.04%	19.54%	100.00%
Mr Zhang Hongxi	58.63%	3.79%	18.04%	19.54%	100.00%

Note:

- (i) Under the service agreements of the executive directors and key management personnel which is tied to the performance of the Group and/or the individual key management personnel.
- (ii) 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.

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.

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2021

The annual aggregate remuneration paid to top five key management personnel of the Group, who are not Directors or the CEO, for FY2021 is equivalent to S\$426,533 (exchange rate: S\$1 = RMB4.8027 on 30 June 2021 quoted by State Administration of Foreign Exchange, PRC).

Mr Leung Chee Kwong, the Executive Chairman and CEO of the Company, is also a controlling shareholder of the Company, is in the employment of the Group whose annual remuneration exceeds S\$400,000 but below S\$500,000 for FY2021. Ms Leung Hi Man, the Executive Director of the Company, who is the 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\$200,000 for FY2021. Other than Mr Leung Chee Kwong and Ms Leung Hi Man, there was no other employees who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S\$100,000 for FY2021.

There is no termination, retirement and post-employment benefits that may be granted to the Directors, CEO or the key management personnel.

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

## 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 2021

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 FY2021.

For FY2021, 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 are effective addressing in 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;



# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2021

- 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.

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2021

During FY2021, 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.

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 FY2021 audit.

In the review of financial statements for FY2021, 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 FY2021 in pages 42 to 43 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.

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2021

The aggregate amount of audit fees paid/ payable to BDO HK and BDO LLP for FY2021 is HK\$1,150,000. BDO HK had also rendered tax representative services to two subsidiaries of the Company and their fees were HK\$37,900. The AC has undertaken a review of all the non-audit services provided by BDO HK for FY2021 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 FY2021 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.

## ***Internal Audit***

Weide Certified Public Accountants Guangdong, 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 is registered as a Certified Public Accountants with the Ministry of Finance of the PRC since Year 2006, with over 10 years of internal audit experiences. The internal audit services provided by the IA are in accordance with the Basic Internal Control Norms for Enterprises (2008 No.7) and its related regulations by the Ministry of Finance of PRC and Auditing standard No. 3101 - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and Internal Control Audit Guidance by the Chinese Institute of Certified Public Accountants. The IA engagement team in-charge of the Group's internal audit function comprise three members and the leader is a Certified Public Accountant in PRC, who has over 10 years of experiences in internal audit function. The engagement members have over 5 years of experiences in internal audit function.

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 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, 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 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 FY2021.

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2021

## 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 FY2020. 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 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 FY2021 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;

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2021

- 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 FY2021 which would be announced via SGXNet not later than 30 November 2021.

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 reports.

## **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.



# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2021

## **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.

## **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.

# CORPORATE GOVERNANCE REPORT

For the year ended 30 June 2021

## **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 FY2021.

## **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 FY2021 Sustainability Report in November 2021. 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

37	DIRECTORS' REPORT	47	STATEMENTS OF FINANCIAL POSITION	97	SHAREHOLDERS' INFORMATION
40	STATEMENT BY THE DIRECTORS	48	STATEMENTS OF CHANGES IN EQUITY	99	INFORMATION ON DIRECTORS SEEKING RE-ELECTION
41	INDEPENDENT JOINT AUDITORS' REPORT	50	CONSOLIDATED STATEMENT OF CASH FLOWS		
46	CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	51	NOTES TO THE FINANCIAL STATEMENTS		

# DIRECTORS' REPORT

For the year ended 30 June 2021

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 2021.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 15 to the financial statements.

## RESULTS AND DIVIDENDS

The results of the Group for the financial year ended 30 June 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 46.

The Directors did not recommend any dividend in respect of the financial year ended 30 June 2021.

## 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 48 and 49 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  
Mr Chan Wai Man

In accordance with Bye-Law 86(1) of the Company's Bye-Laws, Mr Leung Chee Kwong will retire by rotation and being eligible, will offer himself for re-election at the forthcoming Annual General Meeting.



# DIRECTORS' REPORT

For the year ended 30 June 2021

## DIRECTORS (Continued)

Mr Chng Hee Kok will be subject to shareholders' approval at the forthcoming Annual General Meeting under the Two-Tier voting process for his continuation to be an Independent and Non-Executive Director of the Company.

## 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 2020	30 June 2021 and 21 July 2021	1 July 2020	30 June 2021 and 21 July 2021
Mr Leung Chee Kwong (Note)	Nil	Nil	2,382,500	2,382,500
Mr Chng Hee Kok	7,500	7,500	Nil	Nil

*Note:*

*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 2021 and on 21 July 2021.

# DIRECTORS' REPORT

For the year ended 30 June 2021

## **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.

## **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

24 September 2021

# STATEMENT BY THE DIRECTORS

For the year ended 30 June 2021

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 46 to 96, 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 2021 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 24 September 2021.

For and on behalf of the Board of Directors

**Mr Leung Chee Kwong**  
Chairman

**Ms Leung Hi Man**  
Executive Director

24 September 2021

# INDEPENDENT JOINT AUDITORS' REPORT

For the year ended 30 June 2021



**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 46 to 96, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2021;
- the consolidated statement of profit or loss and other comprehensive income, the consolidated statements 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 2021 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 2021

## 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 2021, the carrying amount of gross trade receivables and loss allowances of RMB89,849,000 and RMB2,025,000 respectively, resulting in net trade receivables amounted to RMB87,824,000 which represented 42% of the Group's current assets.

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 36% of the trade receivables as at 30 June 2021.

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 17 and note 30(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 2021

## Key Audit Matters (Continued)

### 2. Net realisable value of inventories

As at 30 June 2021, the carrying amount of inventories amounted to RMB81,952,000 which represents 39% of the current assets of the Group.

Inventories of the Group comprising raw materials of RMB43,447,000, work-in-progress of RMB21,568,000 and finished goods of RMB16,937,000, 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 16 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 2021

## **Other Information**

The directors are responsible for the other information. The other information comprises all the information included in the Company's 2021 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 2021

## **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  
24 September 2021

BDO Limited  
Certified Public Accountants  
25th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong  
24 September 2021

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Notes	2021 RMB'000	2020 RMB'000 (Restated)
<b>Revenue</b>	7	<b>508,532</b>	398,437
Cost of sales		<b>(443,315)</b>	(343,160)
<b>Gross profit</b>		<b>65,217</b>	55,277
Other income	7	<b>2,896</b>	329
Selling and distribution costs		<b>(21,173)</b>	(16,594)
Administrative expenses		<b>(31,433)</b>	(31,383)
Impairment loss of trade receivables reversed		<b>5,414</b>	1,155
Other operating expenses		<b>(59)</b>	(243)
Finance costs	8	<b>(2,776)</b>	(5,509)
<b>Profit before income tax</b>	9	<b>18,086</b>	3,032
Income tax expense	10	<b>(4,952)</b>	(2,968)
<b>Profit for the year</b>		<b>13,134</b>	64
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations, net of tax amounting to RMB NIL (2020: RMB NIL)		<b>(2,316)</b>	951
<b>Total comprehensive income for the year</b>		<b>10,818</b>	1,015
<b>Profit for the year attributable to:</b>			
Owners of the Company		<b>13,134</b>	64
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		<b>10,818</b>	1,015
<b>Earnings per share for profit attributable to the owners of the Company during the year</b>			
- Basic and diluted (RMB)	12	<b>1.0383</b>	0.0051

# STATEMENTS OF FINANCIAL POSITION

As at 30 June 2021

		Group		Company	
	Notes	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	49,388	56,571	-	-
Right-of-use assets	14	26,410	19,479	-	-
Interests in subsidiaries	15	-	-	91,354	104,835
Deposits for acquisition of property, plant and equipment	18	3,468	-	-	-
		79,266	76,050	91,354	104,835
<b>Current assets</b>					
Inventories	16	81,952	52,579	-	-
Trade receivables	17	87,824	91,423	-	-
Prepayments, deposits and other receivables	18	18,055	16,087	4	6
Restricted bank deposits	19	1,452	-	-	-
Cash and bank balances	19	18,850	20,307	-	-
		208,133	180,396	4	6
<b>TOTAL ASSETS</b>		<b>287,399</b>	<b>256,446</b>	<b>91,358</b>	<b>104,841</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to the owners of the Company</b>					
Share capital	20	133,557	133,557	133,557	133,557
Reserves	21	(13,047)	(23,865)	(43,988)	(30,138)
<b>Total equity</b>		<b>120,510</b>	<b>109,692</b>	<b>89,569</b>	<b>103,419</b>
<b>Current liabilities</b>					
Trade and bills payables	22	59,068	27,745	-	-
Accrued expenses and other payables	23	14,401	13,545	1,789	1,422
Lease liabilities	14	3,137	1,306	-	-
Bank borrowings, secured	24	72,156	91,171	-	-
Income tax payables		1,355	1,724	-	-
		150,117	135,491	1,789	1,422
<b>Non-current liabilities</b>					
Lease liabilities	14	4,361	763	-	-
Deferred income	25	12,411	10,500	-	-
		16,772	11,263	-	-
<b>Total liabilities</b>		<b>166,889</b>	<b>146,754</b>	<b>1,789</b>	<b>1,422</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>287,399</b>	<b>256,446</b>	<b>91,358</b>	<b>104,841</b>



# STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2021

## GROUP

	Share capital RMB'000	Share premium* RMB'000 (note 21(a))	Other reserve* RMB'000 (note 21(b))	Exchange reserve* RMB'000 (note 21(c))	Accumulated losses* RMB'000	Total equity RMB'000
At 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 and 1 July 2020	133,557	33,961	12,435	(14,607)	(55,654)	109,692
Profit for the year	-	-	-	-	13,134	13,134
Other comprehensive income, net of income tax						
- Exchange loss on translation of financial statements of foreign operations	-	-	-	(2,316)	-	(2,316)
Total comprehensive income for the year	-	-	-	(2,316)	13,134	10,818
Appropriation to other reserves	-	-	1,433	-	(1,433)	-
<b>At 30 June 2021</b>	<b>133,557</b>	<b>33,961</b>	<b>13,868</b>	<b>(16,923)</b>	<b>(43,953)</b>	<b>120,510</b>

\* These reserve accounts comprise the consolidated reserves of a deficit of approximately RMB13,047,000 (2020: RMB23,865,000) in the consolidated statement of financial position.

# STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2021

## COMPANY

	Share capital RMB'000	Share premium* RMB'000 (note 21(a))	Exchange reserve* RMB'000 (note 21(c))	Accumulated losses* RMB'000	Total equity RMB'000
At 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 and 1 July 2020	133,557	33,961	(26,428)	(37,671)	103,419
Loss for the year	-	-	-	(4,770)	(4,770)
Other comprehensive income, net of income tax					
- Exchange loss on translation of the Company's financial statements to RMB	-	-	(9,080)	-	(9,080)
Total comprehensive income for the year	-	-	(9,080)	(4,770)	(13,850)
<b>At 30 June 2021</b>	<b>133,557</b>	<b>33,961</b>	<b>(35,508)</b>	<b>(42,441)</b>	<b>89,569</b>

\* These reserve accounts comprise the Company's reserves of a deficit of approximately RMB43,988,000 (2020: RMB30,138,000) in the Company's statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Notes	2021 RMB'000	2020 RMB'000 (Restated)
<b>Cash flows from operating activities</b>			
Profit before income tax		<b>18,086</b>	3,032
Adjustments for:			
Fair value loss on investment property		-	155
Interest income	7	(26)	(32)
Interest expenses	8	<b>2,776</b>	5,509
Depreciation of property, plant and equipment	13	<b>13,464</b>	14,184
Depreciation of right-of-use assets	14	<b>3,130</b>	2,371
Amortisation of government grants	7	(409)	-
Impairment loss of trade receivables reversed	17	<b>(5,414)</b>	(1,155)
Inventories write-down/(write-back)	16	<b>371</b>	(6,740)
(Gain)/Loss on disposal of property, plant and equipment		<b>(81)</b>	42
Operating profit before working capital changes		<b>31,897</b>	17,366
(Increase)/Decrease in inventories		<b>(29,744)</b>	8,032
Decrease in trade receivables		<b>8,000</b>	27,945
Increase in prepayments, deposits and other receivables		<b>(3,027)</b>	(3,206)
Increase/(Decrease) in trade and bills payables		<b>31,323</b>	(6,330)
Increase/(Decrease) in accrued expenses and other payables		<b>1,010</b>	(567)
Cash generated from operations		<b>39,459</b>	43,240
Bank interest received		<b>26</b>	32
Income taxes paid		<b>(5,290)</b>	(2,241)
<i>Net cash generated from operating activities</i>		<b>34,195</b>	41,031
<b>Cash flows from investing activities</b>			
(Increase)/Decrease in restricted bank deposits		<b>(1,452)</b>	1,109
Increase in deposits for acquisition of property, plant and equipment		<b>(3,468)</b>	-
Purchases of property, plant and equipment		<b>(6,302)</b>	(4,061)
Purchase of right-of-use assets	28a	<b>(2,320)</b>	(2,300)
Proceeds from disposal of property, plant and equipment		<b>102</b>	8
Proceeds from disposal of investment property		-	280
<i>Net cash used in investing activities</i>		<b>(13,440)</b>	(4,964)
<b>Cash flows from financing activities</b>	28b		
Interest on bank borrowings and other borrowings		<b>(2,319)</b>	(5,576)
Increase in deferred income		<b>2,320</b>	6,400
Proceeds from bank borrowings		<b>74,740</b>	127,900
Repayments of bank borrowings		<b>(93,755)</b>	(148,898)
Repayments of other borrowings		-	(11,400)
Repayment of principal portion of lease liabilities		<b>(2,623)</b>	(3,486)
Interest paid on lease liabilities		<b>(457)</b>	(97)
<i>Net cash used in financing activities</i>		<b>(22,094)</b>	(35,157)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,339)</b>	910
<b>Cash and cash equivalents at beginning of year</b>		<b>20,307</b>	19,248
<b>Effect of foreign exchange rate changes, net</b>		<b>(118)</b>	149
<b>Cash and cash equivalents at end of year</b>		<b>18,850</b>	20,307
<b>Analysis of balances of cash and cash equivalents</b>			
Cash and bank balances	19	<b>18,850</b>	20,307

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 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 15 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’s financial statements are 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 2021 were approved for issue by the Board of Directors on 24 September 2021.

## 2. BASIS OF PREPARATION

The financial statements on pages 46 to 96 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 and have been disposed of in the previous financial year. 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 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:

Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IAS 39, IFRS 7 and IFRS 9	Interest Rate Benchmark Reform

The new or amended IFRSs that are effective from 1 July 2020 did not have any significant impact on the Group's accounting policies.

### (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 IAS 1	Classification of Liabilities as Current or Non-current <sup>1</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Amendments to IAS 16	Proceeds before intended Use <sup>2</sup>
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
IFRS 17	Insurance Contracts <sup>1</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>3</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an investor and its Associate or Joint Venture <sup>4</sup>
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 <sup>5</sup>
Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>5</sup>
Annual improvements to IFRSs 2018-2020 <sup>2</sup>	

1 Effective for annual periods beginning on or after 1 July 2023

2 Effective for annual periods beginning on or after 1 July 2022

3 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 July 2022

4 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

5 Effective for annual periods beginning on or after 1 July 2021



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

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

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. Information on new or amended IFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new or amended IFRSs have been issued but are not expected to have a material impact on the Group's financial statements.

#### Amendments to IAS 1, Classification of Liabilities as Current or Non-current

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

#### Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1, which change the disclosure requirements with respect to accounting policies from 'significant accounting policies' to 'material accounting policy information'. The amendments provide guidance on when accounting policy information is likely to be considered material. The amendments to IAS 1 are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. As IFRS Practice Statements are non-mandatory guidance, no mandatory effective date has been specified for the amendments to IFRS Practice Statement 2.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

#### Amendments to IAS 8, Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8, which added the definition of Accounting Estimates in IAS 8. The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from correction of prior period errors.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

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

### Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption under IAS 12.15, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

### Amendments to IAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

### Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

### IFRS 17, Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4, Insurance Contracts. The standard outlines a 'General Model', which is modified for insurance contracts with direct participation features, described as the 'Variable Fee Approach'. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The directors of the Company do not anticipate that the application of this standard in the future will have an impact on the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

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

### Amendments to IFRS 3, Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC-Int 21 Levies, the acquirer applies IFRIC-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

### Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company anticipate that the application of these amendments may have an impact on the financial statements in future periods should such transaction arise.

### Amendments to IAS 16, Covid-19-Related Rent Concessions beyond 30 June 2021

In May 2020, the IASB issued an amendment to IFRS 16 COVID-19 Related Rent Concessions. This amendment provided a practical expedient in accounting for reduction in lease payments on account of COVID-19. The 2020 practical expedient was available for reductions in lease payments affecting only payments originally due on or before 30 June 2021. On 31 March 2021, the IASB issued the amendment 'COVID 19-Related Rent Concessions beyond 30 June 2021', which extended the eligibility period for the practical expedient from 30 June 2021 to 30 June 2022. This amendment is effective for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted, including in financial statements not authorised for issue at 31 March 2021.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

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

### Annual Improvements to IFRSs 2018-2020

The annual improvements amends a number of standards, including:

- IFRS 1, First-time Adoption of International Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
- IFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.
- IFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- IAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

### Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

### **4.2 Subsidiaries (Continued)**

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.

### **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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

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

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:

Equipment and machinery	3 to 10 years
Motor vehicles	4 to 7 years
Construction in progress	Nil

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 Leasing

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

### 4.5 Leasing (Continued)

#### **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, leasehold land and 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 land and 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

### 4.6 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.

### 4.7 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.

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 is one measurement category into which the Group classifies its debt instruments as 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

### 4.7 Financial instruments (Continued)

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

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables and financial assets measured at amortised cost. 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.

The Group has elected to measure loss allowances for trade receivables 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

### 4.7 Financial instruments (Continued)

#### (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.

#### (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) 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

### **4.8 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 those inventories to the lower of cost and net realisable value.

### **4.9 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.

### **4.10 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

### 4.11 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.

### 4.12 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

### 4.12 Revenue recognition (Continued)

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.

### 4.13 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.

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. A reversal of impairment loss is recognised immediately in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

### 4.14 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.

### 4.15 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.

### 4.16 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

### 4.16 Accounting for income taxes (Continued)

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.

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.

### 4.17 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

### 4.17 Segment reporting (Continued)

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 and bank borrowings.

No asymmetrical allocations have been applied to reportable segments.

### 4.18 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.
- (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).



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

### **4.18 Related parties (Continued)**

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

### **4.19 Dividends**

When final dividends are approved and declared by the shareholders in a general meeting, 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.

### **4.20 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 expenses are deferred and recognised in profit or loss over the period necessary to match them with the related 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 2021

## 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 2021 was RMB81,952,000 (2020: RMB 52,579,000).

(b) Expected credit losses of trade receivables

Expected credit losses of 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.

The ECLs are 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 2021 was RMB87,824,000 (2020: RMB91,423,000). The information about the ECLs and the Group's trade receivables are disclosed in notes 17 and 30(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 2021 were RMB49,388,000 (2020: RMB56,571,000) and RMB26,410,000 (2020: RMB19,479,000) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 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 incremental borrowing rate applied to lease liabilities as at 30 June 2021 was 4.75%. The carrying amount of lease liabilities as at 30 June 2021 was RMB7,498,000. 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 RMB49,000.

## 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 2021 and 2020, 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 2021

## 6. SEGMENT INFORMATION (Continued)

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

	2021					
	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	95,626	139,504	206,901	66,501	-	508,532
Inter-segment sales	44,228	19,063	-	-	(63,291)	-
<b>Reportable segment revenue</b>	<b>139,854</b>	<b>158,567</b>	<b>206,901</b>	<b>66,501</b>	<b>(63,291)</b>	<b>508,532</b>
<b>Reportable segment profit</b>	<b>3,956</b>	<b>11,064</b>	<b>7,215</b>	<b>3,312</b>	<b>-</b>	<b>25,547</b>
Depreciation	(4,646)	(5,048)	(6,898)	(2)	-	(16,594)
Impairment loss of trade receivables reversed	927	1,008	3,479	-	-	5,414
Gain on disposal of property, plant and equipment	-	81	-	-	-	81
Inventories write-back/ (write-down)	(413)	42	-	-	-	(371)
Reportable segment assets	61,612	94,160	98,928	10,732	-	265,432
Corporate assets:						
Restricted bank deposits						1,452
Cash and bank balances						18,850
Other financial assets						330
Property, plant and equipment						1,335
<b>Consolidated total assets</b>						<b>287,399</b>
Additions to non-current segment assets						
Property, plant and equipment	1,764	1,917	2,621	-	-	6,302
Right-of-use assets	2,904	3,156	4,312	-	-	10,372
	4,668	5,073	6,933			16,674
Reportable segment liabilities	28,250	26,749	36,556	-	-	91,555
Corporate liabilities:						
Bank borrowings						72,156
Other financial liabilities						1,823
Income tax payables						1,355
<b>Consolidated total liabilities</b>						<b>166,889</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 6. SEGMENT INFORMATION (Continued)

	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)	-
<b>Reportable segment revenue</b>	<b>97,491</b>	<b>131,818</b>	<b>165,985</b>	<b>80,662</b>	<b>(77,495)</b>	<b>398,461</b>
<b>Reportable segment profit/(loss)</b>	<b>(1,305)</b>	<b>7,961</b>	<b>3,917</b>	<b>2,750</b>	<b>-</b>	<b>13,323</b>
Depreciation	(4,121)	(5,166)	(6,959)	(2)	-	(16,248)
Impairment loss of trade receivables (made)/reversed	(883)	(1,107)	3,244	(99)	-	1,155
Loss on disposal of property, plant and equipment	(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
<b>Consolidated total assets</b>						<b>256,446</b>
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
<b>Consolidated total liabilities</b>						<b>146,754</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 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:

	2021 RMB'000	2020 RMB'000
Reportable segment profit	25,547	13,323
Fair value loss on investment property	-	(155)
Interest income	26	32
Unallocated corporate income	174	273
Unallocated corporate expenses	(4,885)	(4,932)
Finance costs	(2,776)	(5,509)
Profit before income tax	18,086	3,032

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	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
The PRC (domicile)	442,032	317,775	76,149	72,519
Hong Kong	1,490	802	3,117	3,531
Other countries	65,010	79,860	-	-
	508,532	398,437	79,266	76,050

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:

	2021 RMB'000	2020 RMB'000
Customer A (Manufacture of BOPP films)	70,558	53,847



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 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:

	2021 RMB'000	2020 RMB'000 (Restated)
<b>Revenue</b>		
Sale of goods	508,532	398,437
<b>Other income</b>		
Interest income	26	32
Net gain on sale of raw materials	-	24
Net gain on disposal of property, plant and equipment	81	-
Government grants (note 25)	409	-
Net foreign exchange gain	2,187	-
Others	193	273
	<b>2,896</b>	<b>329</b>

## 8. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest charges on:		
- Bank borrowings, wholly repayable within one year	2,319	5,231
- Other borrowings wholly repayable within five years	-	181
- Interest expenses on lease liabilities	457	97
	<b>2,776</b>	<b>5,509</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 9. PROFIT BEFORE INCOME TAX

	2021 RMB'000	2020 RMB'000
Profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration		
- Audit services	987	1,034
- Non-audit services	33	33
Cost of inventories recognised as an expense	436,637	302,836
Depreciation of property, plant and equipment	13,464	14,184
Depreciation of right-of-use assets	3,130	2,371
Fair value loss on investment property	-	155
(Gain)/Loss on disposal of property, plant and equipment	(81)	42
Net foreign exchange (gain)/loss	(2,187)	100
Short-term lease expenses	167	764
Research and development costs	1,718	1,635
Directors' remuneration:		
- Fee	778	874
- Other emoluments	2,759	2,481
- Retirement scheme contributions	15	16
	3,552	3,371
Retirement scheme contributions	1,906	1,925
Other staff costs	37,222	32,229
Total staff costs	42,680	37,525
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	11,124	11,957
- Depreciation of right-of-use assets	2,802	2,266
- Short-term lease expenses	-	508
- Inventories write-down/(write-back)	371	(6,740)
- Staff costs	18,370	15,863
- Research and development costs	936	853

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 10. INCOME TAX EXPENSE

	2021 RMB'000	2020 RMB'000
The PRC:		
Current tax	4,942	2,923
	4,942	2,923
Hong Kong		
Current tax	46	45
Overprovision in respect of prior years	(36)	-
	10	45
<b>Total income tax expense</b>	<b>4,952</b>	<b>2,968</b>

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% (2020: 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 2021 and 2020, 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 (2020: 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 (2020: Nil).

Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2021 RMB'000	2020 RMB'000
Profit before income tax	18,086	3,032
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	4,538	1,426
Tax effect of non-taxable revenue	(1,330)	(3,260)
Tax effect of non-deductible expenses	1,732	4,811
Tax effect of temporary differences not recognised	-	1
Over-provision for tax in prior years	(36)	-
Income tax on concessionary rate	48	(10)
<b>Income tax expense</b>	<b>4,952</b>	<b>2,968</b>

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 2021 (2020: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 11. DIVIDENDS

The directors do not recommend the payment of a dividend for the years ended 30 June 2021 and 2020.

## 12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately RMB13,134,000 (2020: RMB64,000) divided by 12,650,000 (2020: 12,650,000) ordinary shares in issue during the year.

Diluted earnings per share for the financial years ended 30 June 2021 and 2020 is the same as basic earnings per share, as the Group has no dilutive potential shares during the current and prior year.

## 13. PROPERTY, PLANT AND EQUIPMENT - GROUP

	Buildings RMB'000	Equipment and machinery RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 July 2019					
Cost	55,169	251,554	3,146	2,247	312,116
Accumulated depreciation and impairment losses	(42,535)	(199,792)	(3,045)	-	(245,372)
Net carrying amount	12,634	51,762	101	2,247	66,744
Year ended 30 June 2020					
Opening net carrying amount	12,634	51,762	101	2,247	66,744
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 and 1 July 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
Year ended 30 June 2021					
Opening net carrying amount	9,639	43,613	59	3,260	56,571
Additions	-	892	153	5,257	6,302
Disposals	-	(21)	-	-	(21)
Depreciation charged for the year	(2,996)	(10,410)	(58)	-	(13,464)
Closing net carrying amount	6,643	34,074	154	8,517	49,388
At 30 June 2021					
Cost	55,169	216,586	3,239	8,517	283,511
Accumulated depreciation and impairment losses	(48,526)	(182,512)	(3,085)	-	(234,123)
Net carrying amount	6,643	34,074	154	8,517	49,388

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

As at 30 June 2021 and 2020, all of the Group's buildings are situated in the PRC with remaining lease terms of 28 years (2020: 29 years).

As at 30 June 2021, certain buildings of the Group with net carrying amount of RMB5,343,000 (2020: RMB6,369,000) were pledged to secure the Group's bank borrowings (note 24).

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

### 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 and 1 July 2020	13,504	3,527	2,448	19,479
Additions	2,320	–	8,052	10,372
Exchange difference	–	(311)	–	(311)
Depreciation	(349)	(100)	(2,681)	(3,130)
At 30 June 2021	<b>15,475</b>	<b>3,116</b>	<b>7,819</b>	<b>26,410</b>

As at 30 June 2021, the remaining lease terms of land use rights and leasehold land and buildings are 28-48 years and 33 years respectively (2020: 29-49 years and 34 years).

For the years ended 30 June 2021 and 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 (2020: 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 2021, right-of-use assets of RMB3,063,000 (2020: RMB3,177,000) were pledged to secure the Group's bank borrowings (note 24).

	2021 RMB'000	2020 RMB'000
<b>Lease liabilities - Group</b>		
Current	<b>3,137</b>	1,306
Non-current	<b>4,361</b>	763
	<b>7,498</b>	2,069

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

	Equipment and machinery RMB'000	Properties RMB'000	Total RMB'000
<b>Lease liabilities - Group</b>			
At 1 July 2019	1,125	3,010	4,135
Additions	–	1,420	1,420
Interest expenses on lease liabilities	49	48	97
Lease payments			
- Principal portion	(1,125)	(2,361)	(3,486)
- Interest portion	(49)	(48)	(97)
At 30 June 2020 and 1 July 2020	–	2,069	2,069
Additions	–	8,052	8,052
Interest expenses on lease liabilities	–	457	457
Lease payments			
- Principal portion	–	(2,623)	(2,623)
- Interest portion	–	(457)	(457)
At 30 June 2021	–	7,498	7,498

Future lease payments are due as follows:

	Minimum lease payments RMB'000	Interests RMB'000	Present value RMB'000
<b>At 30 June 2021</b>			
Due within one year	3,581	(444)	3,137
Due in the second to fifth years	4,550	(189)	4,361
	8,131	(633)	7,498
<b>At 30 June 2020</b>			
Due within one year	1,616	(310)	1,306
Due in the second to fifth years	982	(219)	763
	2,598	(529)	2,069

The maturity analysis of lease liabilities is disclosed in note 30(d) to the financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 15. INTERESTS IN SUBSIDIARIES - COMPANY

	2021 RMB'000	2020 RMB'000
Unlisted investments, at cost	1	1
Due from a subsidiary	91,353	104,834
	<b>91,354</b>	<b>104,835</b>

Particulars of the subsidiaries at 30 June 2021 and 2020 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 2021 and 2020	Principal activities
<b>Directly held:</b>				
Excel Glory Limited	British Virgin Islands	US\$100	100	Investment holding
<b>Indirectly held:</b>				
Zhongshan New Asia Adhesive Products Co., Ltd. ("ZHNA") <sup>(1)</sup>	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 <sup>(2)</sup>	The PRC	RMB 3 million	100	Inactive

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

<sup>(2)</sup> 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 2021

## 16. INVENTORIES – GROUP

	2021 RMB'000	2020 RMB'000
Raw materials	45,588	32,481
Work-in-progress	21,743	10,683
Finished goods	16,937	11,360
	84,268	54,524
Less: Write-down for inventory obsolescence	(2,316)	(1,945)
	81,952	52,579

For the year ended 30 June 2021, the Group recognised inventory write-down of RMB413,000 (2020: Nil) in profit or loss. The Group has also recognised a reversal of RMB42,000 (2020: RMB6,740,000), being part of an inventory write-down made in previous financial years, as the inventories were sold above the carrying amounts during the year.

## 17. TRADE RECEIVABLES - GROUP

	2021 RMB'000	2020 RMB'000
Trade receivables	89,849	102,548
Less: Impairment loss	(2,025)	(11,125)
	87,824	91,423

Trade receivables generally have credit terms of 7 to 150 (2020: 7 to 150) days and no interest is charged.

The directors of the Company consider that the fair values of trade 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 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 receivables directly.

Movement in impairment loss of trade receivables is as follows:

	2021 RMB'000	2020 RMB'000
At beginning of year	11,125	29,736
Impairment loss reversed, net	(5,414)	(1,155)
Write-off as uncollectible	(3,686)	(17,456)
At end of year	2,025	11,125

A provision of RMB2,025,000 (2020: RMB11,125,000) was made against the gross amount of trade receivables during the year. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 30(c).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES - GROUP AND COMPANY

	Group		Company	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	644	1,494	4	6
Advance to suppliers	2,081	3,767	-	-
VAT receivables	14,010	9,968	-	-
Other receivables and deposits	4,788	858	-	-
	<b>21,523</b>	16,087	<b>4</b>	6
Less: Non-current portion				
Deposits for acquisition of property, plant and equipment	(3,468)	-	-	-
Total	<b>18,055</b>	16,087	<b>4</b>	6

## 19. RESTRICTED BANK DEPOSITS AND CASH AND BANK BALANCES - GROUP

As at 30 June 2021, the Group's restricted bank deposits of RMB1,452,000 represented deposits pledged to a bank in the PRC to secure banking facilities granted to the Group's bills payables. There were no pledged bank deposits as at 30 June 2020.

As at 30 June 2021, the Group had cash and bank balances of approximately RMB13,170,000 (2020: RMB11,020,000) 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.

## 20. SHARE CAPITAL - GROUP AND COMPANY

	2021		2020	
	HK\$'000	RMB'000	HK\$'000	RMB'000
<b>Authorised:</b>				
50,000,000 ordinary shares of HK\$10.00 each	<b>500,000</b>	<b>530,000</b>	500,000	530,000
<b>Issued and fully paid:</b>				
12,650,000 ordinary shares of HK\$10.00 each	<b>126,500</b>	<b>133,557</b>	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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 21. 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.

## 22. TRADE AND BILLS PAYABLES - GROUP

	2021 RMB'000	2020 RMB'000
Trade payables	55,437	27,745
Bills payables	3,631	-
	<b>59,068</b>	<b>27,745</b>

Trade payables are non- interest bearing and are normally settled on 30 (2020: 30) days and 90 (2020: 90) days credit terms respectively.

The bills payable are secured by the Group's restricted bank deposits (note 19).

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 23. ACCRUED EXPENSES AND OTHER PAYABLES - GROUP AND COMPANY

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	2020	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000	<b>RMB'000</b>	RMB'000
Accrued expenses	<b>12,500</b>	12,058	<b>1,789</b>	1,422
Contract liabilities (note)	<b>1,508</b>	1,355	-	-
Other payables	<b>393</b>	132	-	-
	<b>14,401</b>	13,545	<b>1,789</b>	1,422

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:

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
At beginning of year	<b>1,355</b>	614
Amount recognised as revenue during the year for contract liabilities recognised at the beginning of the year	<b>(1,355)</b>	(614)
Amount received in advance from customers during the year	<b>35,170</b>	29,316
Amount recognised as revenue during the year for contract liabilities arising during the year	<b>(33,662)</b>	(27,961)
At end of year	<b>1,508</b>	1,355

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.

## 24. BANK BORROWINGS, SECURED - GROUP

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
<b>Current portion</b>		
Bank borrowings due for repayment within one year	<b>72,156</b>	91,171

As at 30 June 2021 and 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) and certain right-of-use assets of the Group (note 14) and the Company's substantial shareholder.

As at 30 June 2021, bank borrowings of RMB66,988,000 (2020: RMB81,614,000) bear fixed interest rate ranging from 0.75% to 4.57% (2020: 1.36% to 5.22%) per annum and bank borrowings of RMB5,168,000 (2020: RMB9,557,000) bear floating interest rates ranging 0.99% to 1.36% (2020: 1.68% to 1.80%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 24. BANK BORROWINGS, SECURED - GROUP (Continued)

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

	2021 RMB'000	2020 RMB'000
RMB	51,484	71,490
United States dollar ("US\$")	20,672	19,681
	<b>72,156</b>	<b>91,171</b>

## 25. DEFERRED INCOME - GROUP

	2021 RMB'000	2020 RMB'000
At beginning of the year	10,500	4,100
Government grants received	2,320	6,400
Government grants recognised as other income for the year (note 7)	(409)	-
At end of the year	<b>12,411</b>	<b>10,500</b>

Deferred income represents government grants received by the Group in relation to its acquisition of leasehold 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 4.20.

## 26. CAPITAL COMMITMENTS

	2021 RMB'000	2020 RMB'000
Contracted but not provided for in respect of property, plant and equipment	<b>4,938</b>	<b>2,529</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 27. 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:

	2021 RMB'000	2020 RMB'000
Directors' fees	778	874
Short-term employee benefits	4,752	4,329
Post-employment benefits	70	67
	<b>5,600</b>	<b>5,270</b>

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

## 28. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transaction

During the year, the Group entered into new leases and recognised addition of right-of-use assets of RMB8,052,000 (2020: RMB1,420,000) and lease liabilities of RMB8,052,000 (2020: RMB1,420,000).

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 28. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

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

	Bank borrowings RMB'000 (note 24)	Other borrowings RMB'000	Deferred income RMB'000 (note 25)	Interest payable RMB'000 (note 23)	Lease liabilities RMB'000 (note 14)
At 1 July 2019	111,998	11,400	4,100	164	4,135
<b>For the year ended 30 June 2020</b>					
Changes from cash flows:					
Repayment of principal portion of lease liabilities	-	-	-	-	(3,486)
Interest paid on lease liabilities	-	-	-	-	(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 and 1 July 2020	91,171	-	10,500	-	2,069
<b>For the year ended 30 June 2021</b>					
Changes from cash flows:					
Repayment of principal portion of lease liabilities	-	-	-	-	(2,623)
Interest paid on lease liabilities	-	-	-	-	(457)
Interest on bank borrowings	-	-	-	(2,319)	-
Increase in deferred income	-	-	2,320	-	-
Proceeds from bank borrowings	74,740	-	-	-	-
Repayment of bank borrowings	(93,755)	-	-	-	-
Total changes from financing cash flows	(19,015)	-	2,320	(2,319)	(3,080)
Other changes:					
Addition of new leases	-	-	-	-	8,052
Government grants	-	-	(409)	-	-
Interest on lease liabilities	-	-	-	-	457
Interest expenses on bank borrowings	-	-	-	2,319	-
At 30 June 2021	72,156	-	12,411	-	7,498

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 29. 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:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	2020	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000	<b>RMB'000</b>	RMB'000
<u>Financial assets</u>				
At amortised costs				
- Trade receivables	<b>87,824</b>	91,423	-	-
- Other receivables and deposits	<b>1,320</b>	858	-	-
- Restricted bank deposit	<b>1,452</b>	-	-	-
- Cash and bank balances	<b>18,850</b>	20,307	-	-
	<b>109,446</b>	112,588	-	-
<u>Financial liabilities</u>				
At amortised costs				
- Trade and bills payables	<b>59,068</b>	27,745	-	-
- Accrued expenses and other payables	<b>12,628</b>	11,964	<b>1,789</b>	1,422
- Bank borrowings, secured	<b>72,156</b>	91,171	-	-
- Lease liabilities	<b>7,498</b>	2,069	-	-
	<b>151,350</b>	132,949	<b>1,789</b>	1,422

## 30. 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 19) and bank borrowings (note 24). 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 of 1% (2020: 1%) 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 2021

## 30. 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:

	2021		2020	
	US\$ RMB'000	HK\$ RMB'000	US\$ RMB'000	HK\$ RMB'000
Financial assets:				
- Trade receivables	11,032	-	11,188	-
- Cash and bank balances	6,025	-	8,868	1
	17,057	-	20,056	1
Financial liabilities				
- Bank borrowings	(20,672)	-	(19,681)	-
	(3,615)	-	375	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 of 1.4% (2020: 1.0%) 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 2021 and 2020.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 30. 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 (2020: 5) major trade debtors who contributed approximately 36% (2020: 54%) of the trade receivables balance of the Group.

All the Group's restricted bank deposit and cash and bank balances are deposited with major financial institutions located in the PRC and Hong Kong, including an aggregated balance of approximately RMB18,363,000 (2020: RMB18,797,000) representing 90% (2020: 93%) of the reporting date balances maintained with 3 banks (2020: 3) with high credit-ratings assigned by International credit-rating agencies.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade 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 2021 and 2020, the Group recognised lifetime ECL for its trade 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
<b>At 30 June 2021</b>			
Current	1.91%	84,889	1,619
Less than 1 month past due	5.52%	2,990	165
1 to 3 months past due	7.64%	1,309	100
More than 3 months but less than 12 months past due	20.13%	601	121
More than 12 months past due	33.33%	60	20
		<b>89,849</b>	<b>2,025</b>
<b>At 30 June 2020</b>			
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 (credit impaired)	100%	5,788	5,788
		<b>102,548</b>	<b>11,125</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

### (d) 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.

#### 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
<b>At 30 June 2021</b>					
<b>Non-derivative financial liabilities</b>					
Trade and bills payables	59,068	59,068	59,068	-	-
Accrued expenses and other payables	12,628	12,628	12,628	-	-
Bank borrowings, secured	72,156	73,878	39,910	33,968	-
Lease liabilities	7,498	8,131	1,791	1,790	4,550
	<b>151,350</b>	<b>153,705</b>	<b>113,397</b>	<b>35,758</b>	<b>4,550</b>
<b>At 30 June 2020</b>					
<b>Non-derivative financial liabilities</b>					
Trade and bills 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
	<b>132,949</b>	<b>135,304</b>	<b>98,732</b>	<b>35,590</b>	<b>982</b>

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

### (d) Liquidity risk (Continued)

Group	Carrying amount RMB'000	Contractual cash flows RMB'000	On demand or less than 1 year RMB'000
<b>Bank borrowings:</b>			
<b>30 June 2021</b>	<b>72,156</b>	<b>73,437</b>	<b>73,437</b>
30 June 2020	91,171	91,171	91,171

Company	Carrying amount RMB'000	Contractual cash flows RMB'000	On demand or less than 1 year RMB'000
<b>At 30 June 2021</b>			
Accrued expenses	1,789	1,789	1,789
<b>At 30 June 2020</b>			
Accrued expenses	1,422	1,422	1,422

### (e) 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.

## 31. 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 31. CAPITAL MANAGEMENT (Continued)

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 2021 amounted to approximately RMB120,510,000 (2020: RMB109,692,000) 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.

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

	2021 RMB'000	2020 RMB'000
<b>Capital:</b>		
Total equity	<b>120,510</b>	109,692
<b>Overall financing:</b>		
Total equity	<b>120,510</b>	109,692
Bank borrowings, secured	<b>72,156</b>	91,171
Lease liabilities	<b>7,498</b>	2,069
	<b>200,164</b>	202,932
<b>Capital-to-overall financing ratio</b>	<b>60.2%</b>	54.1%

As disclosed in note 21(b), a subsidiary 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 2021 and 2020.

The Group's overall strategy remains unchanged from 2020.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 32. RECLASSIFICATION AND COMPARATIVES

The certain reclassifications have been made to the prior year's financial statements to enhance comparability with current year's financial statements.

The Group has reclassified the write back of impairment of trade receivables of RMB4,736,000 from other income to impairment loss of trade receivables reversed as these should be the same nature in general.

The items were reclassified as follows:

	Previously reported 2020 RMB'000	After reclassification RMB'000
<b>Consolidated statement of profit or loss and other comprehensive income:</b>		
Other income	5,065	329
Impairment loss of trade receivables (made)/reversed	(3,581)	1,155
<b>Consolidated statement of cash flows:</b>		
Write-back of impairment of trade receivables	(4,736)	-
Impairment loss of trade receivables made/(reversed)	3,581	(1,155)

# SHAREHOLDERS' INFORMATION

As at 16 September 2021

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	16.20	4,860	0.04
100 - 1,000	224	36.66	87,700	0.69
1,001 - 10,000	235	38.46	743,850	5.88
10,001 - 1,000,000	50	8.19	3,553,590	28.09
1,000,001 & ABOVE	3	0.49	8,260,000	65.30
<b>TOTAL</b>	<b>611</b>	<b>100.00</b>	<b>12,650,000</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 16 September 2021)

Name of Substantial Shareholder	Direct Interest		Deemed Interest	
	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 16 September 2021

## 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. ("**ZSXLAMCL**") is the holding company of TIL.  
Zhongshan Xiaolan Industrial General Corporation ("**ZSXLIGC**") and Zhongshan Xiaolan Light Industry Company ("**ZSXLIC**") are holding 60% and 40% shareholdings in ZSXLAMCL respectively. ZSXLIGC is also the holding company of Zhongshan Xiaolan Town Port Services Company ("**ZSXLTPSC**").  
ZSXLTPSC is the holding company of ZSXLIC.  
Zhongshan Xiaolan Town Assets Management Company ("**ZSXLAMC**") is the holding company of ZSXLIGC.  
Zhongshan Xiaolan Town Public Assets Management Center is the holding company of ZSXLAMC.  
(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 16 SEPTEMBER 2021

		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 YAN	2,308,000	18.25
4	POWERUP ASSETS MANAGEMENT LIMITED	950,000	7.51
5	UOB KAY HIAN PTE LTD	495,350	3.92
6	CITIBANK NOMINEES SINGAPORE PTE LTD	400,000	3.16
7	OCBC SECURITIES PRIVATE LTD	215,900	1.71
8	RAMESH S/O PRITAMDAS CHANDIRAMANI	189,000	1.49
9	GOH KAK SING	150,000	1.19
10	PHILLIP SECURITIES PTE LTD	149,900	1.18
11	MAYBANK KIM ENG SECURITIES PTE. LTD	97,050	0.77
12	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	68,240	0.54
13	ZENG JIANHUA	52,250	0.41
14	SEACARE FOUNDATION PTE LTD	46,500	0.37
15	GOH GUAN SIONG (WU YUANXIANG)	45,600	0.36
16	NG SOON HOCK (HUANG SHUNFU)	34,900	0.28
17	LEE WEE KOK	30,000	0.24
18	LIM TIONG KHENG STEVEN	30,000	0.24
19	ROMIEN CHANDRASEGARAN	30,000	0.24
20	TEO THONG SOON	29,000	0.23
<b>TOTAL:</b>		<b>11,273,690</b>	<b>89.14</b>

## PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on the information available to the Company as at 16 September 2021, 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.

## INFORMATION ON DIRECTORS SEEKING RE-ELECTION

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

<b>Name of Person</b>	<b>Leung Chee Kwong</b>
Date of Appointment	29 December 2004
Date of last re-appointment (if applicable)	22 October 2018
Age	66
Country of principal residence	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 contribution and performance of Mr Leung for re-election as Executive Chairman of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive. Responsible for the formulation and execution of overall business strategies and policies as well as the overall management of the Group.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman and Chief Executive Officer
Professional qualifications	Mr Leung is the founder of the Group, with 37 years of experience in the adhesive tape business since 1984. Mr Leung was previously the Vice-Manager of Wangtai Adhesive Product Factory Co., Ltd. from 1984 and was subsequently promoted to General Manager in 1989.
Working experience and occupation(s) during the past 10 years	29 December 2004 to Current – Executive Director of Luxking Group Holdings Limited
Shareholding interest in the listed issuer and its subsidiaries	Deemed interested in 2,382,500 Ordinary Shares of the Company registered in the name of Fullwealth Trading Limited ("Fullwealth") by virtue of his 100% shareholdings in Fullwealth.
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	Father of Ms Leung Hi Man, Executive Director of the Company
Conflict of interest (including any competing business)	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Past (for the last 5 years)	Director of New Asia Industries (Hong Kong) Limited

# INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Person	Leung Chee Kwong
Present	<p>Director of Fullwealth Trading Limited</p> <p>Director of the following subsidiaries of the Group:</p> <ol style="list-style-type: none"> <li>1. Zhongshan New Asia Adhesive Products Co., Ltd.</li> <li>2. Luxking International Chemicals Limited</li> <li>3. China King International Trading Limited</li> <li>4. Tian Holdings Limited</li> <li>5. Luxking Investment Limited</li> <li>6. Excel Glory Limited</li> </ol>
(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
(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?	No
(c) Whether there is any unsatisfied judgment against him?	No
(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

## INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Person	Leung Chee Kwong
(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
(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
(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
(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
(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
(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



# INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Person	Leung Chee Kwong
(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
(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
(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
(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?	No
<i>Disclosure applicable to the appointment of Director only.</i>	
Any prior experience as a director of an issuer listed on the Exchange?	This relates to re-appointment of Director.
If yes, please provide details of prior experience	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.
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.



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