



LUXKING GROUP HOLDINGS LIMITED

(Incorporated in Bermuda)

UNAUDITED FULL YEAR FINANCIAL STATEMENT ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2021

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

	Group 6 months ended 30 June			Group 12 months ended 30 June		
	2021	2020	+ / (-)	2021	2020	+ / (-)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	257,738	168,967	52.5%	508,532	398,437	27.6%
Cost of sales	(222,195)	(136,067)	63.3%	(443,315)	(343,160)	29.2%
Gross profit	35,543	32,900	8.0%	65,217	55,277	18.0%
Other income	1,725	290	494.8%	2,896	329	780.2%
Selling and distribution costs	(10,704)	(8,106)	32.1%	(21,173)	(16,594)	27.6%
Administrative expenses	(16,911)	(15,685)	7.8%	(31,433)	(31,383)	0.2%
Impairment loss of trade receivables reversed/(made)	3,313	(1,779)	n/m	5,414	1,155	368.7%
Other operating expenses	(56)	(180)	(68.9%)	(59)	(243)	(75.7%)
Finance costs	(1,374)	(2,679)	(48.7%)	(2,776)	(5,509)	(49.6%)
Profit before income tax	11,536	4,761	142.3%	18,086	3,032	496.5%
Income tax expense	(1,704)	(1,156)	47.4%	(4,952)	(2,968)	66.8%
Profit for the period/year	9,832	3,605	172.7%	13,134	64	n/m
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss						
Exchange differences on translation of financial statements of foreign operations	(1,094)	867	n/m	(2,316)	951	n/m
Total comprehensive income attributable to the owners of the Company	8,738	4,472	95.4%	10,818	1,015	n/m
Earning per share for profit attributable to the owners of the Company during the period/year						
- Basic and diluted (RMB)	0.7772	0.2850	172.7%	1.0383	0.0051	n/m

n/m: not meaningful

B. Full year statements of financial position

	Group		Company	
	As at	As at	As at	As at
	30.6.2021	30.6.2020	30.6.2021	30.6.2020
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	49,388	56,571	-	-
Right-of-use assets	26,410	19,479	-	-
Interests in subsidiaries	-	-	91,354	104,835
Deposits for acquisition of property, plant and equipment	3,468	-	-	-
	79,266	76,050	91,354	104,835
Current assets				
Inventories	81,952	52,579	-	-
Trade receivables	87,824	91,423	-	-
Prepayments, deposits and other receivables	18,055	16,087	4	6
Restricted bank deposits	1,452	-	-	-
Cash and bank balances	18,850	20,307	-	-
	208,133	180,396	4	6
TOTAL ASSETS	287,399	256,446	91,358	104,841
EQUITY AND LIABILITIES				
Equity attributable to the owners of the Company				
Share capital	133,557	133,557	133,557	133,557
Reserves	(13,047)	(23,865)	(43,988)	(30,138)
Total equity	120,510	109,692	89,569	103,419
Current liabilities				
Trade and bills payables	59,068	27,745	-	-
Accrued expenses and other payables	14,401	13,545	1,789	1,422
Lease liabilities	3,137	1,306	-	-
Bank borrowings, secured	72,156	91,171	-	-
Income tax payables	1,355	1,724	-	-
	150,117	135,491	1,789	1,422
Non-current liabilities				
Lease liabilities	4,361	763	-	-
Deferred income	12,411	10,500	-	-
	16,772	11,263	-	-
Total liabilities	166,889	146,754	1,789	1,422
TOTAL EQUITY AND LIABILITIES	287,399	256,446	91,358	104,841

C. Full year statements of changes in equity

Group

	Share capital RMB'000	Share premium* RMB'000	Other reserves* RMB'000	Exchange reserve* RMB'000	Accumulated losses* RMB'000	Total equity RMB'000
At 1.7.2019	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 reserve	-	-	836	-	(836)	-
At 30.6.2020 and 1.7.2020	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 reserve	-	-	1,433	-	(1,433)	-
At 30.6.2021	133,557	33,961	13,868	(16,923)	(43,953)	120,510

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

C. Full year statements of changes in equity

Company	Share capital RMB'000	Share premium* RMB'000	Exchange reserve* RMB'000	Accumulated losses* RMB'000	Total equity RMB'000
At 1.7.2019	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 30.6.2020 and 1.7.2020	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)
At 30.6.2021	133,557	33,961	(35,508)	(42,441)	89,569

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

D. Consolidated full year statement of cash flows

	Group	
	Year ended 30.6.2021 RMB'000	Year ended 30.6.2020 RMB'000
Cash flows from operating activities		
Profit before income tax	18,086	3,032
Adjustments for:		
Fair value loss on investment property	-	155
Interest income	(26)	(32)
Interest expenses	2,776	5,509
Depreciation of property, plant and equipment	13,464	14,184
Depreciation of right-of-use assets	3,130	2,371
Government grants	(409)	-
Impairment loss of trade receivables reversed	(5,414)	(1,155)
(Gain)/loss on disposal of property, plant and equipment	(81)	42
Inventories write-down/(write-back)	371	(6,740)
Operating profit before working capital changes	31,897	17,366
(Increase)/decrease in inventories	(29,744)	8,032
Decrease in trade receivables	8,000	27,945
Increase in prepayments, deposits and other receivables	(3,027)	(3,206)
Increase/(decrease) in trade payables	31,323	(6,330)
Increase/(decrease) in accrued expenses and other payables	1,010	(567)
Cash generated from operations	39,459	43,240
Interest received	26	32
Income taxes paid	(5,290)	(2,241)
Net cash generated from operating activities	34,195	41,031
Cash flows from investing activities		
(Increase)/decrease in restricted bank deposits	(1,452)	1,109
Increase in deposits of acquisition of property, plant and equipment	(3,468)	-
Purchases of property, plant and equipment	(6,302)	(4,061)
Purchase of right-of-use assets	(2,320)	(2,300)
Proceeds from disposal of property, plant and equipment	102	8
Proceeds from disposal of investment property	-	280
Net cash used in investing activities	(13,440)	(4,964)
Cash flows from financing activities		
Interest on bank borrowings and other borrowings	(2,319)	(5,576)
Increase in deferred income	2,320	6,400
Proceeds from bank borrowings	74,740	127,900
Repayments of bank borrowings	(93,755)	(148,898)
Repayments of other borrowings	-	(11,400)
Repayments of principal portion of lease liabilities	(2,623)	(3,486)
Interest paid on lease liabilities	(457)	(97)
Net cash used in financing activities	(22,094)	(35,157)
Net (decrease)/increase in cash and cash equivalents	(1,339)	910
Cash and cash equivalents at beginning of year	20,307	19,248
Effect of foreign exchange rate changes, net	(118)	149
Cash and cash equivalents at end of year	18,850	20,307
Analysis of balances of cash and cash equivalents		
Cash and bank balances	18,850	20,307

E. NOTES TO THE CONDENSED INTERIM AND FULL YEAR CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1. Corporate Information

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

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

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

2. Basis of preparation

The condensed interim and full year financial statements for the six and twelve months ended 30 June 2021 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting issued by the International Accounting Standard Board. The condensed financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last audited financial statements for the financial year ended 30 June 2020.

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

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

2.1 New and amended standards adopted by the Group

During the year, the Group has adopted all the new and amended IFRSs which are 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.

2.2 Use of judgements and estimates

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

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

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

3. Seasonal operations

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

4. Segmental reporting

The Group has identified the following reportable segments:

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

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

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

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

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

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

	2021					
	Manufacture General tapes RMB'000	Manufacture IS tapes RMB'000	Manufacture BOPP films RMB'000	Trading of tapes RMB'000	Eliminations RMB'000	Group RMB'000
Revenue from external customers	95,626	139,504	206,901	66,501	-	508,532
Other income	-	-	-	-	-	-
Inter-segment sales	44,228	19,063	-	-	(63,291)	-
Reportable segment revenue	139,854	158,567	206,901	66,501	(63,291)	508,532
Reportable segment profit	3,956	11,064	7,215	3,312	-	25,547
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
Consolidated total assets						287,399
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
Consolidated total liabilities						166,889

	2020					Group RMB'000
	Manufacture General tapes RMB'000	Manufacture IS tapes RMB'000	Manufacture BOPP films RMB'000	Trading of tapes RMB'000	Eliminations RMB'000	
Revenue from external customers	46,890	104,910	165,975	80,662	-	398,437
Other income	6	8	10	-	-	24
Inter-segment sales	50,595	26,900	-	-	(77,495)	-
Reportable segment revenue	97,491	131,818	165,985	80,662	(77,495)	398,461
Reportable segment profit/(loss)	(1,305)	7,961	3,917	2,750	-	13,323
Reportable segment assets	37,238	70,900	115,358	11,049	-	234,545
Corporate assets:						
Cash and bank balances						20,307
Other financial assets						191
Property, plant and equipment						1,403
Consolidated total assets						256,446
Additions to non-current segment assets						
Property, plant and equipment	1,030	1,291	1,740	-	-	4,061
Right-of-use assets	1,984	2,487	3,349	-	-	7,820
	3,014	3,778	5,089	-	-	11,881
Reportable segment liabilities	13,283	16,653	22,432	-	-	52,368
Corporate liabilities:						
Bank borrowings						91,171
Other financial liabilities						1,491
Income tax payables						1,724
Consolidated total liabilities						146,754

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

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	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

A breakdown of sales:

	Group Year ended 30.6.2021 RMB'000	Group Year ended 30.6.2020 RMB'000	Increase/ (decrease) %
(a) Sales reported for the 1st half year	250,794	229,470	9.3%
(b) Operating profit/(loss) after tax for the 1st half year	3,302	(3,541)	n/m
(c) Sales reported for the 2nd half year	257,738	168,967	52.5%
(d) Operating profit after tax for the 2nd half year	9,832	3,605	172.7%

5. Other income

	Group 6 months ended 30 June		Group 12 months ended 30 June	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Interest income	10	17	26	32
Net gain on sale of raw materials	-	-	-	24
Net gain on disposal of property, plant and equipment	(139)	-	81	-
Government grants and subsidies	409	-	409	-
Net foreign exchange gain	1,305	-	2,187	-
Others	140	273	193	273
	1,725	290	2,896	329

6. Profit before income tax

	Group		Group	
	6 months ended 30 June 2021	2020	12 months ended 30 June 2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Profit before income tax is arrived at after charging/(crediting):				
Depreciation of property, plant and equipment	7,377	7,628	13,464	14,184
Depreciation of right-of-use assets	1,686	942	3,130	2,371
Inventories write-down/(write-back)	371	(7,062)	371	(6,740)
Interest expenses	1,374	2,679	2,776	5,509
Net foreign exchange (gain)/loss	(1,305)	(160)	(2,187)	100

7. Taxation

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

	Group			
	6 months ended 30 June		12 months ended 30 June	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
The PRC				
Current Tax	1,694	1,111	4,942	2,923
Hong Kong				
Current Tax	46	45	46	45
Overprovision in respect of prior years	(36)	-	(36)	-
	10	45	10	45
	1,704	1,156	4,952	2,968

8. Dividends

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

9. Earnings per share

The calculation of basic earnings per share for the 6 months ended 30 June 2021 is based on the profit attributable to owners of the Company of approximately RMB9,832,000 (6 months ended 30 June 2020: RMB3,605,000) divided by 12,650,000 (6 months ended 30 June 2020: 12,650,000) ordinary shares in issue during the period.

The calculation of basic earnings per share for the year ended 30 June 2021 is based on the profit attributable to owners of the Company of approximately RMB13,134,000 (year ended 30 June 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.

10. Net asset value

	Group		Company	
	As at 30.6.2021 RMB	As at 30.6.2020 RMB	As at 30.6.2021 RMB	As at 30.6.2020 RMB
Net assets value per ordinary share	9.53	8.67	7.08	8.18

Net assets value per ordinary share is calculated based on the issued ordinary shares of 12,650,000 ordinary shares as at 30 June 2021 and 2020.

11. Property, plant and equipment

During the 6 months ended 30 June 2021, the Group acquired asset amounting to RMB4,436,000 (6 months ended 30 June 2020: RMB3,477,000).

As at 30 June 2021, the Group has capital commitments of RMB4,938,000 (2020: RMB2,529,000) which is contracted but not provided for in respect of property, plant and equipment.

12. Bank borrowings, secured

Amount repayable in one year or less, or on demand

As at 30.6.2021		As at 30.6.2020	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
72,156	-	91,171	-

Details of any collateral

The Group's bank borrowings of RMB72,156,000 represent: -

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

As at 30 June 2021, the Group's bank borrowings were secured by Mr Leung Chee Kwong, director of the Company, the pledge of certain of the Group's property, plant and equipment, the Group's certain right-of-use assets and the land use rights of the Company's substantial shareholder.

As at 30 June 2021, these bank borrowings bear fixed interest rates ranging from 0.8% to 4.6% per annum and floating interest rates ranging from 1.0% to 1.4% per annum.

13. Share capital – Group and Company

	30 June 2021		30 June 2020	
	HK\$'000	RMB'000	HK\$'000	HK\$'000
Authorised:				
50,000,000 ordinary shares of HK\$10.00 each	500,000	530,000	500,000	530,000
Issued and full paid:				
12,650,000 ordinary shares of HK\$10.00 each	126,500	133,557	126,500	133,557

(There were no treasury shares)

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

14. Subsequent events

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

OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

1. Review

The full year statement of financial position of Luxking Group Holdings Limited and its subsidiaries as at 30 June 2021 and the related condensed interim and full year consolidated profit or loss and other comprehensive income for the six-month and twelve-month period then ended, the consolidated full year statement of changes in equity and the consolidated full year statement of cash flows for the twelve-month period then ended and certain explanatory notes have not been audited or reviewed.

Review of performance of the Group

FY2021 vs FY2020

Group Revenue

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 government-imposed lockdown measures.

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

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 USD against the RMB 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 USD against the RMB 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).

Group Gross Profit and Gross Profit Margin

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

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.

Selling and Distribution Costs, Administrative and Other Operating Expenses

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 of trade receivables RMB5.4 million in FY2021 (FY2020: RMB1.2 million).

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

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

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.

Group Net Profit

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.

Review of Financial Position as at 30 June 2021

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 right 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.

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 recorded an increase in deferred income 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 its new manufacturing plant in Hubei.

Group Cash Flows

Net cash generated from operating activities in FY2021 amounted to RMB34.2 million. 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 Hubei plant. Net cash used in financing activities was RMB22.1 million, due mainly to the net repayment of bank borrowings.

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

Not applicable.

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

The Group reported increased revenue and net profit in FY2021, driven mainly by the recovery in demand in domestic market as well as its efforts to grow customer base and expand market coverage in the PRC. However, operating conditions remained difficult due to the sharp increase in cost of raw materials since the beginning of 2021, and the challenges arising from disruption in freight schedules. In addition, the spread of new COVID-19 variants and ensuing resurgence in infections globally has raised the level of uncertainty for the outlook of global economy and markets.

As such, the Group expects the business environment in FY2022 to remain challenging due to the potential adverse impact of COVID-19 infections on market demand and freight schedule disruptions. The Group also remains mindful of the impact of the recent spike in costs of raw materials and volatility in foreign currency exchange rates, particularly the USD/RMB exchange rate, on its profit margins.

Amid this difficult operating environment, the Group will continue to work closely and maintain good relationships with its customers, while executing its long term business strategy. The Group intends to further build on the sales of its higher-grade BOPP films products and expand the customer base and range of products for its IS tapes business. At the same time, the Group plans to continue with its sales efforts to expand the market share of its General tapes business in Northern and Western China.

To support its business plans, the Group will make the appropriate investments to expand and upgrade both its existing factory in Zhongshan and a new manufacturing plant that it is building in Hubei Province

("Hubei plant"). Construction of the Hubei plant is being carried out in phases, subject to market circumstances.

At the Hubei plant, the Group is presently setting up a new facility to install a Polyethylene ("PE") extrusion coating line to make PE coated paper which is one of the key raw materials to produce the Group's double-sided tapes.

The new coating line is expected to have a maximum production capacity to manufacture PE coated paper with an estimated value of approximately RMB9 million per month based on its current market price. The new line will increase the Group's vertically-integrated capabilities as approximately 60% of the output will be used by the Group's factory in Zhongshan. The remaining 40% of the monthly output will be put up for sale to third parties.

The installation of the PE coating line is expected to be carried out and followed by a trial run in the first half of FY2022.

The Group has incurred capital expenditure of RMB13.8 million and RMB5.7 million in FY2020 and FY2021 respectively for the Hubei plant. Approximately RMB6.5 million of capital expenditure that was originally budgeted for the Hubei plant in FY2021 is deferred to FY2022 due to project delays. The Group also plans to set up another production unit/space at the Hubei plant during the second half of FY2022, for which the capital expenditure is estimated to be around RMB6 million. This production space for machinery and equipment is to be built in advance so that the Group will have the ability to respond quickly if and when it starts new projects.

In view of the current market uncertainties, the Group is taking a cautious stance with regards to investments in new projects other than improvement made to our current operations. The Group is closely monitoring the operating landscape and will revise its plans in line with any changes in the external environment.

4. Dividend information

- (a) Current financial period reported on
No dividend has been declared or recommended for the current financial period reported on.
- (b) Corresponding period of the immediate preceding financial year
No dividend has been declared or recommended for the corresponding period of the immediate preceding financial year.
- (c) Date payable
Not applicable
- (d) Book closure date
Not applicable
- (e) If no dividend has been declared (recommended), a statement to that effect and the reasons for the decision.
No dividend has been declared or recommended for the year ended 30 June 2021 as the Group wants to conserve fund for working capital purpose during this challenging business conditions.

5. Interested person transactions

There was no IPT mandate has been obtained under Rule 920(1)(a)(ii) in FY2021.

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

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

7. Review of performance of the Group - turnover and earnings

Please refer to point 1 in this section.

8. Disclosure of person occupying a managerial position who are related to a director, CEO or substantial shareholder

Name	Age	Family Relationship with any Director and/or Chief Executive Officer and/or Substantial Shareholder	Current position and duties, and the year position was first held	Details of changes in duties and position held, if any, during the year
Leung Hi Man	40	Daughter of Mr Leung Chee Kwong, Chief Executive Director and Executive Chairman	<p>Executive Director since 1 September 2017.</p> <p>Ms Leung Hi Man is responsible for overseeing the finance department, and the formulation and execution of overall business strategies and policies of the Group.</p> <p>She is also Assistant Sales Manager in the Sales and Marketing Department of the Hong Kong subsidiary, Luxking International Chemicals Limited, since October 2005.</p> <p>In addition, she is also responsible for the Sales and Marketing Department of Hong Kong subsidiary, China King International Trading Limited, since October 2006.</p>	Ms Leung Hi Man was appointed as an Executive Director of the Company with effect from 1 September 2017.

BY ORDER OF THE BOARD

Yoo Loo Ping
Company Secretary

27 August 2021