



LUXKING GROUP HOLDINGS LIMITED

(Incorporated in Bermuda)

HALF YEAR FINANCIAL STATEMENT ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

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

	Group		
	6 months ended 31 December		
	2023	2022	+ / (-)
	RMB'000	RMB'000	%
Revenue	290,661	263,521	10.3%
Cost of sales	(241,349)	(232,660)	3.7%
Gross profit	49,312	30,861	59.8%
Other income	253	546	(53.7%)
Selling and distribution costs	(12,207)	(11,058)	10.4%
Administrative expenses	(19,098)	(19,154)	(0.3%)
Other operating expenses	(631)	(350)	80.3%
Finance costs	(2,115)	(1,661)	27.3%
Profit/(loss) before income tax	15,514	(816)	n/m
Income tax expense	(1,871)	(1,703)	9.9%
Profit/(loss) for the period	13,643	(2,519)	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	(246)	3	n/m
Total comprehensive income attributable to the owners of the Company	13,397	(2,516)	n/m
Earning/(loss) per share for profit attributable to the owners of the Company during the period			
- Basic and diluted (RMB)	1.0785	(0.1991)	n/m

n/m: not meaningful

B. Interim statements of financial position

	Group		Company	
	As at	As at	As at	As at
	31.12.2023	30.6.2023	31.12.2023	30.6.2023
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	67,403	62,586	-	-
Right-of-use assets	18,458	20,270	-	-
Interests in subsidiaries	-	-	85,667	90,904
Deposits for acquisition of property, plant and equipment	4,314	2,845	-	-
	90,175	85,701	85,667	90,904
Current assets				
Inventories	83,352	84,222	-	-
Trade receivables	95,884	77,772	-	-
Prepayments, deposits and other receivables	20,360	22,666	6	4
Restricted bank deposit	493	-	-	-
Cash and bank balances	19,243	24,012	-	-
	219,332	208,672	6	4
TOTAL ASSETS	309,507	294,373	85,673	90,908
EQUITY AND LIABILITIES				
Equity attributable to the owners of the Company				
Share capital	133,557	133,557	133,557	133,557
Reserves	3,020	(10,377)	(48,263)	(44,044)
Total equity	136,577	123,180	85,294	89,513
Current liabilities				
Trade and bills payables	45,256	35,139	-	-
Accrued expenses and other payables	18,918	16,787	379	1,395
Lease liabilities	273	1,723	-	-
Bank borrowings, secured	94,962	104,808	-	-
Income tax payables	1,627	515	-	-
	161,036	158,972	379	1,395
Non-current liabilities				
Lease liabilities	124	322	-	-
Deferred income	11,770	11,899	-	-
	11,894	12,221	-	-
Total liabilities	172,930	171,193	379	1,395
TOTAL EQUITY AND LIABILITIES	309,507	294,373	85,673	90,908

C. Interim statements of changes in equity

Group

	Share capital RMB'000	Share premium* RMB'000	Other reserves* RMB'000	Exchange reserve* RMB'000	Accumulated losses* RMB'000	Total equity RMB'000
At 1.7.2022	133,557	33,961	14,635	(16,564)	(42,527)	123,062
Loss for the period	-	-	-	-	(2,519)	(2,519)
Other comprehensive income, net of income tax						
- Exchange gain on translation of financial statements of foreign operations	-	-	-	3	-	3
Total comprehensive income for the period	-	-	-	3	(2,519)	(2,516)
At 31.12.2022	133,557	33,961	14,635	(16,561)	(45,046)	120,546
At 1.7.2023	133,557	33,961	15,327	(15,536)	(44,129)	123,180
Profit for the period	-	-	-	-	13,643	13,643
Other comprehensive income, net of income tax						
- Exchange loss on translation of financial statements of foreign operations	-	-	-	(246)	-	(246)
Total comprehensive income for the period	-	-	-	(246)	13,643	13,397
At 31.12.2023	133,557	33,961	15,327	(15,782)	(30,486)	136,577

* These reserve accounts comprise the consolidated reserves approximately RMB3,020,000
(30 June 2023: a deficit of RMB10,377,000) in the consolidated statement of the financial position.)

C. Interim statements of changes in equity

Company	Share capital RMB'000	Share premium* RMB'000	Exchange reserve* RMB'000	Accumulated losses* RMB'000	Total equity RMB'000
At 1.7.2022	133,557	33,961	(33,184)	(46,794)	87,540
Loss for the period	-	-	-	(2,596)	(2,596)
Other comprehensive income, net of income tax					
- Exchange gain on translation of the Company's financial statements to RMB	-	-	3,889	-	3,889
Total comprehensive income for the period	-	-	3,889	(2,596)	1,293
At 31.12.2022	133,557	33,961	(29,295)	(49,390)	88,833
At 1.7.2023	133,557	33,961	(26,535)	(51,470)	89,513
Loss for the period	-	-	-	(2,713)	(2,713)
Other comprehensive income, net of income tax					
- Exchange loss on translation of the Company's financial statements to RMB	-	-	(1,506)	-	(1,506)
Total comprehensive income for the period	-	-	(1,506)	(2,713)	(4,219)
At 31.12.2023	133,557	33,961	(28,041)	(54,183)	85,294

* These reserve accounts comprise Company's reserves of a deficit of approximately RMB48,263,000 (30 June 2023: RMB44,044,000) in the Company's statement of financial position.

D. Consolidated Interim statement of cash flows

	Group	
	6 months ended 31 December 2023	2022
	RMB'000	RMB'000
Cash flows from operating activities		
Profit/(loss) before income tax	15,514	(816)
Adjustments for:		
Interest income	(28)	(18)
Government grants	(129)	(128)
Interest on bank borrowings	2,083	1,535
Interest paid on lease liabilities	32	126
Depreciation of property, plant and equipment	5,848	6,872
Depreciation of right-of-use assets	1,757	1,897
Impairment loss of trade receivables	631	350
Impairment loss of inventories	1,030	924
Operating profit before working capital changes	26,738	10,742
Increase in inventories	(160)	(640)
Increase in trade receivables	(18,880)	(3,810)
Decrease/(increase) in prepayments, deposits and other receivables	2,306	(175)
Increase in trade and bills payables	10,117	8,547
Increase in accrued expenses and other payables	2,156	2,164
Cash generated from operations	22,277	16,828
Interest received	28	18
Income taxes paid	(757)	(1,202)
Net cash generated from operating activities	21,548	15,644
Cash flows from investing activities		
Increase in restricted bank deposits	(493)	-
Increase in deposits of acquisition of property, plant and equipment	(1,469)	(2,741)
Purchases of property, plant and equipment	(10,665)	(5,800)
Net cash used in investing activities	(12,627)	(8,541)
Cash flows from financing activities		
Interest on bank borrowings	(2,083)	(1,535)
Net repayments of bank borrowings	(9,846)	(14,888)
Repayments of principal portion of lease liabilities	(1,648)	(1,911)
Interest paid on lease liabilities	(32)	(126)
Net cash used in from financing activities	(13,609)	(18,460)
Net decrease in cash and cash equivalents	(4,688)	(11,357)
Cash and cash equivalents at beginning of period	24,012	29,554
Effect of foreign exchange rate changes, net	(81)	(428)
Cash and cash equivalents at end of the period	19,243	17,769
Analysis of balances of cash and cash equivalents		
Cash and bank balances	19,243	17,769

E. NOTES TO THE CONDENSED INTERIM AND INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

1. Corporate Information

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

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

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

2. Basis of preparation

The condensed interim financial statements for the six months ended 31 December 2023 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 2023.

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

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

2.1 New and amended standards adopted by the Group

During the year, the Group has adopted all the new and amended IFRSs which are effective for the reporting year and relevant to the Group. The new or amended IFRSs that are effective from 1 July 2023 did not have any significant impact on the Group’s accounting policies.

2.2 Use of judgements and estimates

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

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

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

3. Seasonal operations

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

4. Segmental reporting

The Group has identified the following reportable segments:

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

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

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

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

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

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

	6 months ended 31.12.2023					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	62,874	92,890	103,307	31,590	-	290,661
Inter-segment sales	23,208	6,738	-	-	(29,946)	-
Reportable segment revenue	86,082	99,628	103,307	31,590	(29,946)	290,661
Reportable segment profit	5,466	6,326	6,560	1,418	-	19,770
Reportable segment assets	90,727	111,033	77,499	9,161	-	288,420
Corporate assets:						
Cash and bank balances						19,736
Other financial assets						1,351
Consolidated total assets						309,507
Additions to non-current segment assets						
Property, plant and equipment	3,177	3,677	3,811	-	-	10,665
	3,177	3,677	3,811	-	-	10,665
Reportable segment liabilities	22,615	26,174	27,140	-	-	75,929
Corporate liabilities:						
Bank borrowings						94,962
Other financial liabilities						412
Income tax payables						1,627
Consolidated total liabilities						172,930

	6 months ended 31.12.2022					Group RMB'000
	Manufacture General tapes RMB'000	Manufacture IS tapes RMB'000	Manufacture BOPP films RMB'000	Trading of tapes RMB'000	Eliminations RMB'000	
Revenue from external customers	52,505	76,944	101,971	32,101	-	263,521
Inter-segment sales	23,474	7,479	-	-	(30,953)	-
Reportable segment revenue	75,979	84,423	101,971	32,101	(30,953)	263,521
Reportable segment profit	953	1,059	1,542	821	-	4,375
Reportable segment assets	85,226	106,683	77,366	9,119	-	278,394
Corporate assets:						
Cash and bank balances						17,769
Other financial assets						150
Consolidated total assets						296,313
Additions to non-current segment assets						
Property, plant and equipment	1,680	1,866	2,254	-	-	5,800
	1,680	1,866	2,254	-	-	5,800
Reportable segment liabilities	23,994	26,660	32,202	-	-	82,856
Corporate liabilities:						
Bank borrowings						91,114
Other financial liabilities						302
Income tax payables						1,495
Consolidated total liabilities						175,767

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

	6 months ended 31 December	
	2023	2022
	RMB'000	RMB'000
Reportable segment profit	19,770	4,375
Interest income	28	18
Unallocated corporate expenses	(2,169)	(3,548)
Finance costs	(2,115)	(1,661)
Profit/(loss) before income tax	15,514	(816)

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

	Revenue from external customers		Non-current assets	
	6 months ended 31 December		6 months ended 31 December	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
The PRC	255,801	231,420	87,045	79,491
Hong Kong	1,066	1,302	3,130	3,189
Other countries	33,794	30,799	-	-
	290,661	263,521	90,175	82,680

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:

	2023	2022
	RMB'000	RMB'000
Customer A (Manufacture of BOPP films)	n/a	26,607

A breakdown of sales:

	Group	Group	Increase/ (decrease) %
	6 months ended 31 December	6 months ended 31 December	
	2023	2022	
	RMB'000	RMB'000	
Sales reported for the 1st half year	290,661	263,521	10.3%
Operating profit/(loss) after tax for the 1st half year	13,643	(2,519)	n/m

5. Other income

	Group	
	6 months ended 31 December	
	2023	2022
	RMB'000	RMB'000
Interest income	28	18
Net foreign exchange gain	69	-
Government grants and subsidies	142	448
Others	14	80
	<u>253</u>	<u>546</u>

6. Profit/(loss) before income tax

	Group	
	6 months ended 31 December	
	2023	2022
	RMB'000	RMB'000
Profit/(loss) before income tax is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	5,848	6,872
Depreciation of right-of-use assets	1,757	1,897
Impairment loss of trade receivables	631	350
Impairment loss of inventories	1,030	924
Interest on bank borrowings	2,083	1,535
Interest paid on lease liabilities	32	126
Government grants and subsidies	(142)	(448)
Net foreign exchange gain	(69)	-

7. Taxation

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

	Group	
	6 months ended 31 December	
	2023	2022
	RMB'000	RMB'000
The PRC		
Current Tax	1,871	1,694
Hong Kong		
Current Tax	-	9
	<u>1,871</u>	<u>1,703</u>

8. Dividends

The directors do not recommend the payment of a dividend for the periods ended 31 December 2023 and 31 December 2022.

9. Earnings per share

The calculation of basic earnings per share for the 6 months ended 31 December 2023 is based on the profit attributable to owners of the Company of approximately RMB13,643,000 (6 months ended 31 December 2022: loss of RMB2,519,000) divided by 12,650,000 (6 months ended 31 December 2022: 12,650,000) ordinary shares in issue during the period.

Diluted earnings per share for the 6 months ended 31 December 2023 and 2022 is the same as basic earnings per share, as the Group has no dilutive potential shares during the current and prior period.

10. Net asset value

	Group		Company	
	As at 31.12.2023 RMB	As at 30.6.2023 RMB	As at 31.12.2023 RMB	As at 30.6.2023 RMB
Net assets value per ordinary share	10.80	9.74	6.74	7.08

Net assets value per ordinary share is calculated based on the issued ordinary shares of 12,650,000 ordinary shares as at 31 December 2023 and 2022.

11. Property, plant and equipment

During the 6 months ended 31 December 2023, the Group acquired asset amounting to RMB12,134,000 (6 months ended 31 December 2022: RMB8,541,000).

As at 31 December 2023, the Group has capital commitments of RMB19,286,000 (as at 30 June 2023: RMB3,248,000) which is contracted but not provided for in respect of property, plant and equipment.

12. Bank borrowings, secured

Amount repayable in one year or less, or on demand

As at 31.12.2023		As at 30.6.2023	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
94,962	-	104,808	-

Details of any collateral

The Group's bank borrowings of RMB94,962,000 represent: -

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

As at 31 December 2023, the Group's bank borrowings were secured by Mr Leung Chee Kwong, director of the Company, the pledge of certain of the Group's property, plant and equipment and right-of-use assets, and the land use rights of the Company's substantial shareholder.

As at 31 December 2023, these bank borrowings bear fixed interest rates ranging from 3.5% to 3.8% per annum.

13. Share capital – Group and Company

	31.12.2023		30.6.2023	
	HK\$'000	RMB'000	HK\$'000	HK\$'000
Authorised:				
50,000,000 ordinary shares of HK\$10.00 each	500,000	530,000	500,000	530,000
Issued and full paid:				
12,650,000 ordinary shares of HK\$10.00 each	126,500	133,557	126,500	133,557

(There were no treasury shares)

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

14. Subsequent events

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

OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

1. Review

The Interim statement of financial position of Luxking Group Holdings Limited and its subsidiaries as at 31 December 2023 and the related condensed interim consolidated profit or loss and other comprehensive income for the six-month period then ended, the consolidated Interim statement of changes in equity and the consolidated Interim statement of cash flows for the six months ended 31 December 2023 and certain explanatory notes have not been audited or reviewed.

Review of performance of the Group

HY2024 vs HY2023

Group Revenue

The Group's revenue increased 10.3% from RMB263.5 million in HY2023 to RMB290.7 million in HY2024, as demand conditions improved.

The biaxially oriented polypropylene films ("BOPP films") segment posted relatively stable sales of RMB103.3 million in HY2024 compared to RMB102.0 million in HY2023. While sales volume increased marginally in HY2024, this was partially offset by lower selling prices of the Group's products which reflected the decline in cost of raw materials.

The industrial specialty tapes ("IS tapes") recorded a 17.9% jump in sales from RMB84.8 million in HY2023 to around RMB100.0 million in HY2024. This was lifted mainly by sales of new high-grade, customised IS tapes which the Group developed and introduced to customers during HY2024.

Sales of general purpose tapes ("General tapes") were also up 13.8% from RMB76.8 million in HY2023 to RMB87.4 million in HY2024. The increase was attributed mainly to higher selling prices of the Group's products as a result of a rise in cost of raw materials.

As a result, the BOPP segment's revenue contribution moderated to 35.5% (HY2023: 38.7%) while the IS tapes segment accounted for a larger 34.4% of Group revenue in HY2024 (HY2023: 32.2%). General tape segment's revenue contribution increased slightly to 30.1% in HY2024 (HY2023: 29.1%).

In terms of revenue by geographical markets, sales in the domestic market gained 10.5% from RMB231.4 million in HY2023 to RMB255.8 million in HY2024. Sales to overseas markets also recovered 8.6% from RMB32.1 million in HY2023 to RMB34.9 million in HY2024. These increases were attributed mainly to better sales performances of the IS tapes and General tapes segments during HY2024. As a result, the domestic market accounted for 88.0% of Group revenue in HY2024 (HY2023: 87.8%) and the remaining 12.0% of revenue was derived from overseas markets (HY2023: 12.2%).

Group Gross Profit and Gross Profit Margin

The Group registered gross profit of RMB49.3 million in HY2024, up 59.8% from RMB30.9 million in HY2023. Gross profit margin expanded to 17.0% in HY2024 from 11.7% in HY2023, despite higher cost of raw materials for the IS tapes and General tapes segments, as well as an impairment of RMB1.0 million for inventories with age of more than one year. These cost increases were offset mainly by a change in IS tapes sales mix which helped to lift profit margin, and cost efficiencies arising from the Group's vertically-integrated capabilities at its Hubei plant. During FY2023, the Hubei plant began production of PE-coated paper and release liners which resulted in cost savings as these materials are used internally for the manufacture of IS tapes and General tapes.

Other Income

Other income decreased from RMB0.5 million in HY2023 to RMB0.3 million in HY2024, attributed mainly to lower government grants and subsidies.

Selling and Distribution Costs, Administrative and Other Operating Expenses

Selling and distribution costs increased 10.4% from RMB11.1 million in HY2023 to RMB12.2 million in HY2024 in tandem with higher sales and transportation cost for export of products to overseas markets. Administrative expenses remained stable at RMB19.1 million in HY2024. The Group incurred higher other operating expenses of RMB0.6 million in HY2024 compared to RMB0.4 million in HY2023, owing to higher impairment for expected credit loss of trade receivables.

Finance Costs

Finance costs climbed 27.3% from RMB1.7 million in HY2023 to RMB 2.1 million in HY2024 due mainly to higher interest rates.

Income Tax

Income tax expense increased 9.9% from RMB1.7 million in HY2023 to RMB1.9 million in HY2024 in tandem with the increase in the Group's taxable income.

Group Net Profit/Loss

As a result of the above, the Group recorded net profit of RMB13.6 million in HY2024, reversing the net loss of RMB2.5 million in HY2023.

Review of Financial Position as at 31 December 2023

Non-current assets increased from RMB85.7 million as at 30 June 2023 to RMB90.2 million as at 31 December 2023. This was due mainly to an increase in property, plant and equipment for the Hubei plant and Zhongshan factory, offset partially by depreciation expenses and reduction in right-of-use assets.

Inventories decreased from RMB84.2 million as at 30 June 2023 to RMB83.4 million as at 31 December 2023 due mainly to inventory impairment.

Trade receivables increased from RMB77.8 million as at 30 June 2023 to RMB95.9 million as at 31 December 2023 in tandem with higher sales. Debtor turnover lengthened to 60 days for HY2024 compared to 57 days for FY2023.

Prepayments, deposits and other receivables decreased from RMB22.7 million as at 30 June 2023 to RMB20.4 million as at 31 December 2023. This was attributed mainly to the declines in deposits paid to suppliers, and value-added tax receivables arising from the purchase of raw materials.

Cash and bank balances decreased from RMB24.0 million as at 30 June 2023 to RMB19.2 million as at 31 December 2023, due mainly to purchases of property, plant and equipment and net repayment of bank borrowings. Total borrowings decreased from RMB104.8 million as at 30 June 2023 to RMB95.0 million as at 31 December 2023 due to repayments of borrowings.

Trade and bills payables increased from RMB35.1 million as at 30 June 2023 to RMB45.3 million as at 31 December 2023 in line with higher level of sales.

Accrued expenses and other payables increased from RMB16.8 million as at 30 June 2023 to RMB18.9 million as at 31 December 2023, due mainly to higher accruals for salaries and increase in deposits received from customers.

The Group recognised lease liabilities of RMB0.4 million as at 31 December 2023 compared to RMB2.0 million as at 30 June 2023 due to a reduction in right-of-use assets and repayment of lease liabilities.

Income tax payables increased from RMB0.5 million as at 30 June 2023 to RMB1.6 million as at 31 December 2023. Deferred income as at 31 December 2023 stood at RMB11.8 million, which arose from a local government grant for the Group's manufacturing plant in Hubei.

Group Cash Flows

Net cash generated from operating activities during HY2024 amounted to RMB21.6 million. This was derived primarily from operating profit before working capital changes of RMB26.7 million, offset partially by net working capital outflows of around RMB4.5 million and income taxes paid of RMB0.8 million. Net cash used in investing activities amounted to RMB12.6 million in HY2024, attributed mainly to purchases of property, plant and equipment for the Hubei plant and Zhongshan factory. Net cash used in financing activities in HY2024 was RMB13.6 million, due mainly to interest payments, net repayment of bank borrowings and repayment of lease liabilities.

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

The Group's financial results for HY2024 are in line with the profit guidance announcement released on 19 January 2024.

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.

Looking towards the second half of FY2024 ("2H2024"), the Group expects the business backdrop to remain challenging due to operating cost pressures and higher raw material prices as a result of the inflationary environment, as well as potential supply chain dislocation and greater uncertainty in overseas markets caused by the geopolitical tensions in Europe and the Middle East.

In view of a highly competitive operating landscape and market uncertainties that could hinder the recovery of the global economy, the Group maintains a cautious outlook for 2H2024. To drive long term growth and ensure it is able to withstand potential challenges, the Group intends to focus on these key strategies -- Maintain competitiveness of its products through R&D and customisation; Strengthen customer relationships through active engagements to better understand their needs and keep abreast of market trends; Expand customer network by building stronger sales teams and participating in trade shows; Continually raise production efficiency and operational costs through appropriate equipment investments and upgrades.

For its BOPP films segment, the Group plans to adopt a flexible sales approach by aligning the production mix of its standard and high-end BOPP films to prevailing market demand as it remains mindful of growing competitive pressures and volatile raw material prices.

With respect to the Group's IS tapes and General tapes businesses, the market sentiment in 2H2024 is expected to be similar to HY2024 albeit with increasing competition, barring any unforeseen circumstances.

For the IS tapes segment, the Group intends to leverage its reputation and maintain its competitive advantages in the smartphone and home appliances industries, which are its major customer segments, by developing and tailoring new products to cater to customers' requirements. At the same time, the Group will be focusing its R&D work on the development of new products to help deepen its market penetration of the automotive industry.

For the General tapes business, the Group will continue to focus on improving its cost efficiency to raise the competitiveness of its products, while pursuing opportunities to expand its customer pool and gain a larger market share.

To support its future plans, the Group is continuing with the development of its second manufacturing plant in Hubei Province, while raising the production capacity and efficiency at its factory in Zhongshan, Guangdong Province.

Following the commencement of operations for the first two manufacturing lines at the Hubei plant during FY2023, the Group is continuing to carry out interior works for the production units and build new ancillary facilities to prepare for IS tape production. The Group has also purchased production systems for making adhesives. Trial production of IS tapes at Hubei plant is expected to commence in FY2025.

In addition, construction works for a Multi-use Complex (the “Complex”) and a new warehouse (“Warehouse”), as well as development of peripheral facilities and systems remain in progress. In total, the Group incurred capital expenditure of around RMB9.7 million during HY2024 for the aforesaid developments at Hubei plant.

For the current calendar year 2024, the Group will be working on the completion of the Complex, construction of new warehouses and installation of supporting facilities as required. It also plans to purchase various equipment and machinery to support IS tape production activities at the Hubei plant. The Group plans to continue developing the infrastructure of its Hubei plant in phases according to the market situation.

For its Zhongshan factory, the Group has acquired two new coating lines to expand the production capacity for IS tapes and GP tapes. These lines are expected to be installed in 2H2024. Besides this, the Group has continued to upgrade existing equipment and machinery at its Zhongshan factory to enhance production flow, efficiency, capacity and quality. For HY2024, the Group invested around RMB2.4 million for the new coating lines and upgrades.

4. Dividend information

- (a) Current financial period reported on
No dividend has been declared or recommended for the current financial period reported on.
- (b) Corresponding period of the immediate preceding financial year
No dividend has been declared or recommended for the corresponding period of the immediate preceding financial period.
- (c) Date payable
Not applicable
- (d) Book closure date
Not applicable
- (e) If no dividend has been declared (recommended), a statement to that effect and the reasons for the decision.
No dividend has been declared or recommended for the six months ended 31 December 2023 as the Group wants to conserve fund for working capital purpose during this challenging business conditions.

5. Interested person transactions

There was no IPT mandate has been obtained under Rule 920(1)(a)(ii) for the six months ended 31 December 2023.

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

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

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

To the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited half year financial results of the Group as at 31 December 2023 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Lisa Cheng
Company Secretary

1 February 2024