

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

Linocraft Holdings Limited
東駿控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8383)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED
(THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**”) of Linocraft Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

FINANCIAL HIGHLIGHTS

- The Group's total revenue amounted to approximately RM133.3 million for the six months ended 28 February 2022, increased by approximately 4.0% as compared to that of the same period in 2021.
- The gross profit amounted to approximately RM25.4 million for the six months ended 28 February 2022, decreased by approximately 0.7% as compared to that of the same period in 2021.
- The Group recorded a net profit of approximately RM6.5 million for the six months ended 28 February 2022.
- The Board does not recommend the payment of interim dividends for the six months ended 28 February 2022.

FINANCIAL RESULTS

The board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months and six months ended 28 February 2022 (the “**Interim Financial Statements**”) together with the comparative figures for the corresponding periods in 2021 as follows:

Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 28 February 2022

	Notes	Three months ended 28 February		Six months ended 28 February	
		2022 (Unaudited) RM'000	2021 (Unaudited) RM'000	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000
Revenue	4	58,267	55,057	133,345	128,167
Cost of sales		<u>(48,880)</u>	<u>(44,242)</u>	<u>(107,914)</u>	<u>(102,549)</u>
Gross profit		9,387	10,815	25,431	25,618
Other operating income		1,729	(283)	2,844	74
Distribution costs		(3,734)	(3,144)	(7,394)	(6,090)
Administrative expenses		(4,625)	(4,583)	(9,620)	(9,619)
Other operating expenses		<u>—</u>	<u>418</u>	<u>(5)</u>	<u>(63)</u>
Profit from operation		2,757	3,223	11,256	9,920
Finance costs		(1,542)	(1,752)	(3,387)	(4,192)
Share of loss of a joint venture		<u>—</u>	<u>—</u>	<u>(4)</u>	<u>(4)</u>
Profit before income tax expense	5	1,215	1,471	7,865	5,724
Income tax expense	7	<u>(300)</u>	<u>(273)</u>	<u>(1,400)</u>	<u>(607)</u>
Profit for the period		915	1,198	6,465	5,117
Other comprehensive income, net of tax					
<i>Items that may be reclassified subsequently to profit or loss</i>					
— Exchange differences on translation to profit or loss		<u>260</u>	<u>842</u>	<u>679</u>	<u>631</u>
Total comprehensive income for the period		<u>1,175</u>	<u>2,040</u>	<u>7,144</u>	<u>5,748</u>
		<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
Earnings per share					
Basic and diluted earnings per share	8	<u>0.11 sen</u>	<u>0.15 sen</u>	<u>0.81 sen</u>	<u>0.64 sen</u>

Condensed Consolidated Statements of Financial Position

As at 28 February 2022

		As at 28 February 2022 <i>RM'000</i>	As at 31 August 2021 <i>RM'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	96,648	101,311
Right-of-use assets		36,080	34,861
Interest in a joint venture		162	162
Rental deposits		405	405
Deferred tax assets		<u>3,115</u>	<u>3,048</u>
Total non-current assets		<u>136,410</u>	<u>139,787</u>
Current assets			
Inventories		82,766	87,283
Trade receivables and other receivables	10	80,145	74,066
Amounts due from a related company		82	39
Derivative financial instruments		5	—
Cash and cash equivalents		<u>15,556</u>	<u>12,143</u>
Total current assets		178,554	173,531
Current liabilities			
Trade and other payables	11	32,885	37,630
Bank borrowings		127,209	120,725
Amounts due to related companies		1,011	827
Derivative financial instruments		—	233
Lease liabilities		10,794	11,767
Tax payables		<u>2,775</u>	<u>2,167</u>
Total current liabilities		<u>174,674</u>	<u>173,349</u>
Net current assets		<u>3,880</u>	<u>182</u>
Total assets less current liabilities		<u>140,290</u>	<u>139,969</u>

		As at 28 February 2022 <i>RM'000</i>	As at 31 August 2021 <i>RM'000</i>
	<i>Notes</i>		
Non-current liabilities			
Bank borrowings		24,411	30,263
Lease liabilities		8,946	10,024
Deferred tax liabilities		4,806	4,699
		<u>38,163</u>	<u>44,986</u>
Total non-current liabilities		38,163	44,986
Net assets		102,127	94,983
Capital and reserves			
Share capital	<i>12</i>	4,304	4,304
Reserves		97,823	90,679
		<u>102,127</u>	<u>94,983</u>
Total equity		102,127	94,983

Condensed Consolidated Statement of Changes in Equity

For the six months ended 28 February 2022

	Share capital RM'000	Share premium RM'000	Merger reserve RM'000	Exchange reserve RM'000	Retained earnings RM'000	Total RM'000
Balance at 1 September 2020 (Audited)	4,304	35,967	8,548	(1,766)	40,713	87,766
Profit for the period	—	—	—	—	5,117	5,117
Other comprehensive income	—	—	—	631	—	631
Total comprehensive income	—	—	—	631	5,117	5,748
Balance at 28 February 2021 (Unaudited)	<u>4,304</u>	<u>35,967</u>	<u>8,548</u>	<u>(1,135)</u>	<u>45,830</u>	<u>93,514</u>
Balance at 1 September 2021 (Audited)	4,304	35,967	8,548	(1,864)	48,028	94,983
Profit for the period	—	—	—	—	6,465	6,465
Other comprehensive income	—	—	—	679	—	679
Total comprehensive income	—	—	—	679	6,465	7,144
Balance at 28 February 2022 (Unaudited)	<u>4,304</u>	<u>35,967</u>	<u>8,548</u>	<u>(1,185)</u>	<u>54,493</u>	<u>102,127</u>

Condensed Consolidated Statement of Cash Flows

For the six months ended 28 February 2022

	Six months ended 28 February	
	2022	2021
	RM'000	RM'000
Net cash (used in)/generated from:		
Operating activities	13,923	23,394
Investing activities	(2,074)	(2,506)
Financing activities	<u>(12,331)</u>	<u>(16,416)</u>
Net (decrease)/increase in cash and cash equivalents	(482)	4,472
Effects of exchange rate changes on cash and cash equivalents	(1,049)	628
Cash and cash equivalents at beginning of period	<u>3,704</u>	<u>14,746</u>
Cash and cash equivalents at end of period	<u><u>2,173</u></u>	<u><u>19,846</u></u>

An analysis of balances of cash and cash equivalents

	Six months ended 28 February	
	2022	2021
	RM'000	RM'000
Bank and cash balances	15,556	24,009
Bank overdrafts	<u>(13,383)</u>	<u>(4,163)</u>
	<u><u>2,173</u></u>	<u><u>19,846</u></u>

NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 13 April 2017 under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business in Hong Kong and Malaysia are located at Unit 1302, 13/F, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Central, Hong Kong and Lot 1769, Jalan Belati, Off Jalan Kempas Lama, Taman Perindustrian Maju Jaya, 81300 Johor Bahru, Johor Darul Takzim, Malaysia, respectively.

The shares of the Company (the “**Shares**”) was listed on GEM on 15 September 2017 by way of share offer (the “**Share Offer**”). The Group is a well-established integrated offset printing and packaging solutions provider based in Malaysia.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (the “**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of the GEM Listing Rules. They have been prepared under the historical cost convention.

The functional currency of the Company is Hong Kong dollars (“**HK\$**”), while the unaudited condensed consolidated financial statements are presented in Malaysian Ringgit (“**RM**”), which is the functional currency of the Company's major subsidiaries. The Directors consider that it is more appropriate to adopt RM as the Group's and the Company's presentation currency. All values are rounded to the nearest thousand except when otherwise indicated.

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 unaudited condensed financial statements do not include all the information and disclosures required in the annual financial statements and thereby should be read in conjunction with the annual financial statements for the year ended 31 August 2021 (“**2021 Financial Statements**”) which have been prepared in accordance with the accounting policies which conforms to the HKFRSs.

Adoption of new or revised HKFRSs

In the current period, the Group has applied all the amendments to HKFRSs issued by the HKICPA that are relevant to its operations and effective for the Group's financial period beginning on 1 September 2021. The adoption of these amendments to HKFRSs had no material effect on the results and financial position of the Group and/or disclosures set out in these unaudited condensed consolidated financial statements for the current and/or prior accounting periods.

New or revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ¹
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendments to HKFRS 1 First-time Adoption of International Financial Reporting Standards, HKFRS 9 Financial Instruments, Illustrative Examples accompanying HKFRS 16 Leases, HKAS 41 Agriculture ¹
Amendments to HKFRS 3	Reference to be the Conceptual Framework ²
Amendments to HKAS 1 and HK Interpretation 5 (2020)	Classification of Liabilities as Current or Non-current and Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKFRS 17	Insurance Contracts ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

¹ Effective for annual periods beginning on or after 1 January 2022.

² 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 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

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.

The Directors are currently assessing the possible impact of these new or revised standards on the Group's result and financial position in the first year of application.

Accounting estimates and assumptions are used in the preparation of financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates and assumptions. In preparing these unaudited condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2021 Financial Statements.

3. SEGMENT INFORMATION

(a) Business segment

The Group has been operating in one operating and reportable segment, being printing and manufacture of instruction manuals, insert, packaging products and printed paper labels. The chief operating decision maker make decisions based on the historical financial information of the Group prepared in accordance with HKFRS about resources allocation and performance assessment.

(b) **Geographic information**

The following table provides an analysis of the Group's revenue from external customers.

	Three months ended		Six months ended	
	28 February		28 February	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000
Malaysia	34,392	37,064	79,891	87,956
Singapore	3,113	1,604	5,279	3,136
Philippines	20,762	16,389	48,175	37,075
	<u>58,267</u>	<u>55,057</u>	<u>133,345</u>	<u>128,167</u>

(c) **Information about major customers**

Revenue from external customers individually contributing 10% or more of the Group's revenue are as follow:

	Three months ended		Six months ended	
	28 February		28 February	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000
Customer A	3,747	14,107	15,697	32,413
Customer B	N/A	5,109	N/A*	14,004
Customer C	6,506	N/A	13,852	N/A*
Customer F	16,563	16,131	39,617	36,472

* the corresponding customer did not contribute more than 10% of total revenue of the Group during the period.

4. REVENUE

An analysis of disaggregation of the Group's revenue from contract with customers are as follows:

	Three months ended		Six months ended	
	28 February		28 February	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000
Sales of productions products transferred at a point in time:				
— Packaging	41,765	34,888	93,527	83,162
— Insert	12,005	11,728	28,887	26,188
— Instruction manual	4,402	8,434	10,739	18,801
— Label	95	7	192	16
	<u>58,267</u>	<u>55,057</u>	<u>133,345</u>	<u>128,167</u>

The following table provides information about trade receivables from contracts with customers.

	As at	As at
	28 February	31 August
	2022	2021
	Unaudited	Audited
	RM'000	RM'000
Receivable (<i>Note 10</i>)	<u>65,785</u>	<u>63,687</u>

All sales of goods are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. PROFIT BEFORE INCOME TAX EXPENSE

	Three months ended		Six months ended	
	28 February		28 February	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000
Profit before income tax expense is arrived at after charging/(crediting):				
Cost of inventories sold*	48,880	44,242	107,914	102,549
Depreciation of property, plant and equipment	1,878	1,612	3,743	3,124
Depreciation of right-of-use assets	2,167	1,834	4,221	3,569
Employee costs	11,744	11,191	24,514	22,923
The fair value gain on derivative financial instruments	(19)	—	(238)	—

* For the six months ended 28 February 2022 and 2021, cost of inventories sold comprise approximately RM24.2 million and RM22.1 million relating to employee benefit expenses and depreciation charges, which are also included in the respective total amounts disclosed separately above.

6. DIVIDENDS

The Board does not recommend the payment of interim dividends for the six months ended 28 February 2022 (2021: nil).

7. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statements of comprehensive income represents:

	Three months ended		Six months ended	
	28 February		28 February	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000
Current tax — Corporate income tax — charge for the period	300	273	1,400	607
Deferred tax	—	—	—	—
Income tax expense	300	273	1,400	607

The Company was incorporated in the Cayman Islands that is tax-exempted as no business is carried out in the Cayman Islands under the laws of the Cayman Islands.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 28 February 2022, the Group acquired items of property, plant and equipment with cost of approximately RM4.3 million (2021: approximately RM5.4 million) and transferred property, plant and equipment to right-of-use assets with carrying amount of approximately RM4.4 million. Items of plant and machinery with a net book value of RM0.01 million were disposed of during the six months ended 28 February 2022 (2021: nil).

10. TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade receivables are trade debtors (net of impairment losses) with the following aging analysis, based on invoice dates, as at 28 February 2022 and 31 August 2021:

	As at 28 February 2022 Unaudited RM'000	As at 31 August 2021 Audited RM'000
Within 1 month	17,035	20,193
1 to 2 months	22,459	20,801
2 to 3 months	19,137	18,067
Over 3 months	<u>7,154</u>	<u>4,626</u>
	65,785	63,687
Deposit and prepayments	14,106	9,893
Loan and advances	<u>254</u>	<u>486</u>
	<u><u>80,145</u></u>	<u><u>74,066</u></u>

The Group usually grants credit period ranging from 0 to 90 days (31 August 2021: 0 to 90 days) to its trade customers.

At the end of each of the reporting periods, the Group reviews trade receivables for evidence of impairment on both individual and collective basis. The provision of expected credit losses (“ECL”) for receivables is recognised based on the credit history of its customers, indication of financial difficulties, default in payments, and current market conditions. Based on the impairment assessment, no impairment loss has been recognized for the six months ended 28 February 2022 and 2021. The Group did not hold any collateral as security or other credit enhancement over the trade receivables.

11. TRADE PAYABLES AND OTHER PAYABLES

Trade payables are non-interest bearing. The Group is normally granted credit terms ranging from 0 to 90 days from the invoice date.

Included in trade payables are trade creditors with the following aging analysis, based on invoice dates, as at 28 February 2022 and 31 August 2021:

	As at 28 February 2022 RM'000	As at 31 August 2021 RM'000
Current or less than 1 month	7,167	8,082
1 to 3 months	7,208	8,794
More than 3 months but less than 12 months	5,590	5,533
More than 12 months	<u>687</u>	<u>1,182</u>
	20,652	23,591
Other payables, accruals and deposit received	<u>12,233</u>	<u>14,039</u>
	<u>32,885</u>	<u>37,630</u>

12. SHARE CAPITAL

	Number of Shares	Amount RM'000	Amount HK\$'000
Ordinary Shares of HK\$0.01 each			
Authorised:			
At 1 September 2020 and 28 February 2021	<u>5,000,000,000</u>	<u>27,284</u>	<u>50,000</u>
At 1 September 2021 and 28 February 2022	<u>5,000,000,000</u>	<u>27,284</u>	<u>50,000</u>
	Number of Shares	Amount RM'000	Amount HK\$'000
Issued and fully paid:			
At 1 September 2020 and 28 February 2021	<u>800,000,000</u>	<u>4,304</u>	<u>8,000</u>
As 1 September 2021 and 28 February 2022	<u>800,000,000</u>	<u>4,304</u>	<u>8,000</u>

13. CAPITAL COMMITMENTS

	As at 28 February 2022 RM'000	As at 31 August 2021 RM'000
Commitments for the acquisition of:		
Investment property	—	1,517
Property, plant and equipment	<u>352</u>	<u>—</u>
	<u>352</u>	<u>1,517</u>

14. RELATED PARTY TRANSACTIONS

(a) The remuneration of executive Directors during the periods were as follows:

	Six months ended	
	28 February 2022 RM'000	2021 RM'000
Wages and salaries	3,128	2,378
Contribution to retirement benefits schemes	<u>192</u>	<u>160</u>
	<u>3,320</u>	<u>2,538</u>

(b) During the periods, the Group entered into the following transactions with related parties:

Related party relationship	Common director	Interest	Name/ Company name	Type of transaction	Six months ended	
					28 February 2022	2021
					RM'000	RM'000
An entity controlled by Mr. Ong Yoong Nyock (“Mr. Ong”)	Mr. Ong	84%	TIONG NAM LOGISTICS SOLUTIONS SDN BHD	(a) Transportation fees paid to a related company	1,368	1,583
An entity controlled by Chua Sui Keng, a director of Linocraft Printers Sdn. Bhd	Chua Sui Keng	25%	GF EQUIPMENT RENTAL SDN BHD	(b) Rental expenses of equipments paid to related companies	325	526
Joint venture	Tan Woon Chay	50% hold by Linocraft Printers Sdn. Bhd.	Linocraft Singapore Pte. Ltd.	(c) Purchases from the Group	836	972

15. EVENTS AFTER THE REPORTING PERIOD

The COVID-19 pandemic (the “**Pandemic**”) since early 2020 has impacted the global business and economic environment. The overall financial effect on the Group in the coming financial year cannot be reasonably estimated for the time being as the pandemic is still continuing. The Group will be watchful of the development and continue to evaluate its impacts on the business, financial position, cash flows and financial performance of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Our Group is a well-established integrated offset printing and packaging solutions provider in Malaysia with more than 49 years of experience. Moreover, the Group has also set foot in the Philippines in June 2016 to set up our printing and packaging production line to better serve our customers in the region.

We principally provide offset printing services and packaging boxes, instruction manuals and inserts to our customers. We continue to focus on strengthening our market position in the offset printing and packaging industry.

Our Group offers a wide range of packaging products to meet our customers' packaging needs. These products can be broadly categorised into (i) packaging; (ii) inserts; (iii) instruction manuals; and (iv) labels.

The following table sets forth the details of our Group's revenue by types of products for the six months ended 28 February 2022 and 2021:

	Six months ended			
	28 February			
	2022		2021	
	(Unaudited)		(Unaudited)	
	RM'000	%	RM'000	%
Sales of production products:				
— Packaging	93,527	70.1	83,162	64.9
— Inserts	28,887	21.7	26,188	20.4
— Instruction manuals	10,739	8.1	18,801	14.6
— Labels	192	0.1	16	0.1
	<u>133,345</u>	<u>100.0</u>	<u>128,167</u>	<u>100.0</u>

Our Group's total revenue amounted to approximately RM133.3 million and RM128.2 million for the six months ended 28 February 2022 and 2021 respectively. Approximate 59.9% (2021: 68.6%) of our revenue was attributable to our customers in Malaysia, with the remaining from Singapore and the Philippines during the reporting periods.

Packaging

Packaging accounts for our largest business segment of our Group's business. Packaging includes the manufacturing of packaging boxes and rigid boxes. Our packaging boxes and rigid boxes are produced with multi-colour sheetfed offset printed materials and manufactured using technologically advanced machines and colour management system of international standards such as Ugra/Fogra Media Wedge

CMYK V3.0 to match the requirements of our customers. Our packaging not only serves as a marketing tool but most importantly as a protection for our customers' products. Our Group also provides product development services to customers who require packaging design for their products. Furthermore, our Group also has the capability to create prototype based on the design that was provided to us or created by our team. We have an industrial cutting machine that can produce such prototype to help customers visualise the packaging before mass production.

Our revenue from the production of packaging were approximately RM93.5 million and RM83.2 million for the six months ended 28 February 2022 and 2021 respectively, representing approximately 70.1% and 64.9% of our total revenue, respectively.

Inserts

The production of inserts is our second largest business segment. Inserts are protective packaging used inside boxes to partition and protect products from damage. It is used to keep the products and accessories in position so that they will be neatly presented to the end consumers. Our Group is involved in designing and die-cutting of corrugated boards into desired shapes to fit and protect the customers' products in the packaging boxes.

Our revenue from the production of inserts were approximately RM28.9 million and RM26.2 million for the six months ended 28 February 2022 and 2021 respectively, representing approximately 21.7% and 20.4% of our total revenue, respectively.

Instruction Manuals

The production of instruction manuals is the third largest segment. Our Group also provides kitting services by packing related printed materials to be grouped together with instruction manuals into a package. This service provides convenience to our customers by enabling them to liaise with one single party for their packaging needs.

Our revenue from the production of instruction manuals were approximately RM10.7 million and RM18.8 million for the six months ended 28 February 2022 and 2021 respectively, representing approximately 8.1% and 14.6% of our total revenue, respectively.

Labels

The production of paper-based labels is a small segment of our Group's business, primarily for food and beverage sector. Such labels are mainly used for branding of canned/bottled products. The printing of labels has become a smaller business segment of our Group due to our Group's expansion into other business segments.

Our revenue from the production of labels were approximately RM0.2 million and RM0.01 million for the six months ended 28 February 2022 and 2021 respectively, representing approximately 0.1% and 0.1% of our total revenue, respectively.

FUTURE PROSPECTS AND OUTLOOK

Our Group continues to focus on strengthening its market position in the offset printing and packaging industry as well as approaching reputable international brands from different industries to grow our business in Malaysia and the Philippines.

As disclosed in the 2021 Financial Statements, our Group acquired an additional Auto Diecut machine and also in the process of acquiring two units of Manual Diecut machines that can cater for large format packaging.

Our Group further acquired a new Automatic Rigid Box Making machine which will increase production speed and output resulting in operational efficiency and cost savings. On moving towards more in-house production, our Group has acquired one Fully Auto OPP Lamination machine, one Automatic Magnet Pasting machine and one Double Side Adhesive Tape Pasting machine. This will reduce our reliance on external subcontractors and increase production efficiency by reducing manual processes. In addition, one Single Facer machine and one High Speed Spot UV/IR Coating machine were acquired for the purpose of supporting in-house production.

In conjunction with the acquisition of the new machines, our Group conducted a relocation exercise and enhanced the necessary facilities in our factory in Malaysia. The re-layout has enabled us to achieve better efficiency in terms of production lead time and output and also increase efficiency between processes for overall synergy.

We had also transferred the KBA Rapida 5 Colour Sheet-Fed Offset Press machine to our Philippines plant to increase their printing capacity.

At the time of writing, there remains significant uncertainty on the extent of the impact from the Pandemic. In spite of the high vaccination rate in Malaysia and certain countries, no conclusive evidence shows any of these countries has successfully achieved herd immunity. This will result in uncertainties in the global economy and we expect financial year 2021/2022 to remain challenging to the Group.

The Directors will focus its efforts to closely monitor and review its business strategies and strive to create long term sustainable value for our Company and shareholders of the Company (the “**Shareholders**”) in spite of the Pandemic.

FINANCIAL REVIEW

Revenue

The management has adopted proactive strategies and policies to cope with the Pandemic including developing and obtaining new customers and streamlining manufacturing processes in the plant to improve cost efficiency. Meanwhile, relationships with existing customers have been enhanced and the management will closely monitor and remain alert for disruptions due to Pandemic and other potential issues.

During the six months ended 28 February 2022, the revenue increased by approximately 4.0% or RM5.2 million as compared to that of the same period in 2021. The increase in revenue was mainly due to the increase in sales of packaging and insert, where there was an increase in demand derived from major customers, which was partially offset by the decrease in sales of instruction manual. The revenue contributed by the top five customers decreased from approximately RM101.3 million for the six months ended 28 February 2021 to RM91.4 million for the six months ended 28 February 2022, which accounted for 79.0% and 68.5% of our total revenue for the corresponding periods, respectively.

Cost of Sales

	Six months ended	
	28 February	
	2022	2021
	(Unaudited)	(Unaudited)
	RM'000	RM'000
Material costs	73,841	68,197
Direct labour	16,622	15,865
Manufacturing overhead	17,451	18,487
	<u>107,914</u>	<u>102,549</u>

Cost of sales comprises mainly (i) material costs (paper, facer, glue, chemical and plates); (ii) direct labour; and (iii) manufacturing overheads (utilities costs, depreciation expenses, subcontracting fee and repair and maintenance costs).

In line with the increase in revenue, the cost of sales for the six months ended 28 February 2022 increased by approximately 5.2% or RM5.4 million as compared to that of the same period in 2021. The increase in cost of sales was mainly from the increase in material costs and labour costs, which was partially offset by the decrease in manufacturing overhead.

Gross Profit and Gross Profit Margin

Our gross profit decreased about 0.7% from RM25.6 million for the six months ended 28 February 2021 to RM25.4 million for the six months ended 28 February 2022. Our overall gross profit margin decreased by 0.9% from approximately 20.0% for the six months ended 28 February 2021 to approximately 19.1% for the six months ended 28 February 2022.

Distribution Costs

Our distribution expenses mainly consist of (i) salary expenses and staff benefit which mainly represents the expenses in salary and staff benefits payable to our marketing department; (ii) sales commission; (iii) entertainment and promotional expenses; and (iv) travelling and transport expenses.

Our distribution expenses increased about 21.4% from RM6.1 million for the six months ended 28 February 2021 to RM7.4 million for the six months ended 28 February 2022, which was mainly caused by the increase in transport expenses due to increase in demand from our customers.

Administrative Expenses

The administrative expenses were approximately RM9.6 million for the six months ended 28 February 2022 (2021: RM9.6 million). Our administrative expenses mainly consist of (i) salary expenses and staff benefits which mainly represents the expenses in salary and staff benefits payable to our administrative staff including our Directors; (ii) professional and consultant fees; and (iii) others such as repair and maintenance for office equipment, bank charges and depreciation which mainly represents the depreciation expenses for the property, plant and equipment as well as the depreciation of right-of-use assets.

Finance Costs

Finance costs represented interest on bank overdraft, bank borrowings and lease liabilities. For the six months ended 28 February 2022 and 2021, financial costs amounted to approximately RM3.4 million and RM4.2 million, respectively.

Share of Loss of a Joint Venture

Our Group has 50% equity interest in Linocraft Singapore Pte. Ltd, which engages in trading business for packaging and printing related products. The share of loss of a joint venture was RM4,000 for the six months ended 28 February 2022 (2021: RM4,000).

Net Profit and Earnings per Share

As a result of the foregoing, our Group's net profit was RM6.5 million for the six months ended 28 February 2022 (2021: RM5.1 million). The Group's earnings per Share for the six months ended 28 February 2022 was RM0.81 sen (2021: RM0.64 sen).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 28 February 2022,

- (a) the Group's net current assets were approximately RM3.9 million (31 August 2021: RM0.2 million) and the Group had cash and cash equivalents of approximately RM15.6 million (31 August 2021: RM12.1 million), most of cash and cash equivalents were denominated in Malaysian Ringgit (RM), United States Dollar (USD), Philippines Peso (Peso) and Hong Kong Dollar (HK\$);
- (b) the Group had bank borrowings and lease liabilities of approximately RM151.6 million (31 August 2021: RM151.0 million) and RM19.7 million (31 August 2021: RM21.8 million); bank borrowings and lease liabilities were denominated in RM, USD, Peso and HK\$;

- (c) the Group's current ratio was approximately 1.0 times (31 August 2021: 1.0 times). The gearing ratio is calculated based on the net debt divided by the adjusted capital plus net debt as the respective periods end. The Group's gearing ratio was approximately 65.9% (31 August 2021: 68.5%); and
- (d) the Group's total equity attributable to owners of the Company amounted to RM102.1 million (31 August 2021: RM95.0 million). The capital of the Company mainly comprises share capital and reserves.

DIVIDENDS

The Board does not recommend the payment of interim dividends for the six months ended 28 February 2022 (2021: nil).

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group has no significant investments, material acquisitions or disposal of subsidiaries and associated companies for the six months ended 28 February 2022.

CAPITAL COMMITMENTS

As at 28 February 2022, the capital commitments of the Group are related to purchase of property, plant and equipment of approximately RM0.4 million (31 August 2021: RM1.5 million).

PLEDGE OF ASSETS

At the 28 February 2022, certain of the Group's right-of-use assets and property, plant and equipment with net carrying amount of RM27.7 million and RM64.0 million (31 August 2021: RM26.7 million and RM63.0 million) were pledged as security.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in section headed "Comparison of business objectives and strategies with actual business progress" of this announcement and the prospectus of the Company dated 31 August 2017 (the "**Prospectus**"), the Group does not have any concrete plan for material investments or capital assets for the coming year.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 28 February 2022 and 31 August 2021.

FOREIGN CURRENCY RISK

The Group operates mainly in Malaysia and the Philippines, and is exposed to foreign currency risks arising from various currency exposures, mainly with respect to USD, Peso and SGD. The Group derives majority of our revenue in RM, Peso and a portion of that in USD and SGD, as some of our customers are companies headquartered in the US and Singapore, who prefer to use their local currencies to settle payment. Most of our Group's major customers are contract manufacturers based in Malaysia and the Philippines and settles payment in RM and Peso. Quotations from suppliers and payments made to them are generally in RM, Peso and USD. There is no assurance that the foreign exchange rate will go in the direction that is favourable to our Group and may result in foreign exchange loss and negatively affect our Group's results of operations and other comprehensive income.

The management will monitor foreign currency exposure of the Group and will consider undertaking foreign exchange hedging activities to reduce the impact of foreign exchange rate movements on the Group's operating result. As at 28 February 2022, our Group had derivative financial instruments assets at fair value of approximately RM5,000 (31 August 2021: derivative financial instruments liabilities at fair value of approximately RM233,000). The fair value gain on derivative financial instruments under the foreign exchange forward contracts were RM238,000 for the six months ended 28 February 2022 (2021: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 28 February 2022, the Group had a total of 963 (31 August 2021: 946) employees. The Group recognises that our success in the printing and packaging industry is dependent on our employees. Our Group recruits our employees based on their working attitude, industry experience, educational background and interpersonal skills. The Group generally pays our employees a fixed salary and discretionary performance-based bonus that is paid yearly, subject to individual performance. Certain level of our staff qualify for sales target-based monthly incentives. For the six months ended 28 February 2022, the Group's staff costs, including Directors' emoluments, were approximately RM24.5 million (2021: RM22.9 million). The Group reviews the performance of our employees and such review results will be taken into account during the annual salary review and promotion appraisal period.

COMPARISON OF BUSINESS OBJECTIVES AND STRATEGIES WITH ACTUAL BUSINESS PROGRESS

As set out in the Prospectus, the business objectives and strategies of the Group are (i) Diversified customer industry; (ii) Product line expansion; (iii) Geographical expansion; (iv) Repayment of bank loan; and (v) General working capital.

An analysis comparing the future plans and use of proceeds contained in the Prospectus with the Group’s actual business progress for the period from the date of Listing to 28 February 2022(the “**Relevant Period**”) is set out below:

Business strategy	Implementation activities	Actual business progress during the Relevant Period
1. Diversified customer industry-continue to expand business in other industries such as fast moving consumer goods, medical & cosmetics and food & beverage	— Recruitment of brand manager in Malaysia	The Group has recruited the brand manager during mid of June 2018.
	— Additional warehouse for Malaysia operations (Phase 1)	The Phase 1 construction of additional warehouse has completed by September 2019.
	— Additional warehouse for Malaysia operations (Phase 2)	The Phase 2 construction of additional warehouse has completed by September 2019.
	— Expansion of design and solutions and quality assurance facilities in Malaysia	The expansion of design and solutions is yet to commence while the quality assurance facilities are partially completed while the remaining work are targeted to complete in third quarter of 2022.
2. Product line expansion — develop new products/services to increase revenue stream	— Development of new product line — adhesive labels in Malaysia	The Group is in the mid of sourcing the adhesive labels machine.
	— Setting up of low dust facilities in Malaysia for medical and cosmetics, and food and beverage packaging products (phase 1)	The setup has completed.
	— Renovation and improvement of factory in Malaysia	The renovation and improvement have completed.

Business strategy	Implementation activities	Actual business progress during the Relevant Period
	— Setting up of low dust facilities in Malaysia for medical and cosmetics, and food and beverage packaging products (phase 2)	The low dust facilities have completed.
	— Setting up of sample show room in Malaysia	Yet to commence.
	— Replacement of equipment for Malaysia operations	The Company has acquired a new stitching machine to replace the old machine.
	— Purchase of new printing machines	The Company has acquired the printing machine and it's up and running now.
	— Expansion of rigid box assembly line in Malaysia	Already completed.
3. Geographical expansion — gain access to new markets	— Setting up full production facilities at Production Plant 2	The full production facilities at Production Plant 2 have completed.
	— Renovation of Production Plant 2 at Light Industry & Science Park III in the Philippines	Renovation of Production Plant 2 at Light Industry & Science Park III has completed.
	— Balance payment for VVLF offset printing press for Philippine operations	Balance of the payment has been paid.
	— Purchase of lorries for Philippine operations	The lorry has been acquired in September 2018.
	— Recruitment of staff for Philippine team	Additional 6 staff have been recruited.
	— Hostel for Philippine team	The hostel has been rented for Philippine team.
	— Setting up of plant in northern part of Malaysia, with post-press production facilities (finishing only)	Yet to commence.

USE OF PROCEEDS

The net proceeds from the Share Offer were approximately HK\$61.0 million, after deducting the listing related expenses. As at 28 February 2022, all of the unutilized proceeds (the “**Unutilized Proceeds**”) were deposited in the licensed bank in Hong Kong or Malaysia. During the Relevant Period, the net proceeds from the Share Offer has been applied as follows:

	Planned use of net proceeds as stated in the Prospectus		Actual use of proceeds used up to 31 August 2021	Balance of Unutilized Proceeds as at 31 August 2021	Actual use of proceeds during the six months ended 28 February 2022	Balance of Unutilized Proceeds as at 28 February 2022	Expected timeline for Unutilized Proceeds
Diversified customer industry — expansion into other industries	10.1	6.0	5.0	1.0	0.2	0.8	31 August 2023
Product line expansion	23.3	14.2	10.4	3.8	0.1	3.7	31 August 2023
Geographical expansion	45.8	28.1	23.1	5.0	—	5.0	31 August 2023
Repayment of bank loan	11.7	7.1	7.1	—	—	—	
General working capital	9.1	5.6	5.6	—	—	—	
	<u>100.0</u>	<u>61.0</u>	<u>51.2</u>	<u>9.8</u>	<u>0.3</u>	<u>9.5</u>	

OTHER INFORMATION

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation

As at 28 February 2022, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules (“Model Code”) relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange were as follows:

(i) *Interests in the Company*

<u>Name of Directors</u>	<u>Nature of interest</u>	<u>Number of Shares held⁽¹⁾</u>	<u>Percentage of shareholding</u>
Mr. Ong ⁽²⁾	Interest of a controlled corporation	408,000,000 (L)	51.00%
Mr. Tan Woon Chay	Beneficial owner	1,500,000 (L)	0.19%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Mr. Ong beneficially owns 50% of Charlecote Sdn. Bhd. (“Charlecote”) which in turn owns 70% of the issued share capital of Linocraft Investment Pte Limited (“Linocraft Investment”). Linocraft Investment owns 51% of the issued share capital of our Company. By virtue of the SFO, Mr. Ong is deemed to be interested in the Shares held by Linocraft Investment.

(ii) *Interests in associated corporation of our Company*

<u>Name of Directors</u>	<u>Name of associated corporation</u>	<u>Capacity</u>	<u>Number of Shares</u>	<u>Percentage of shareholding</u>
Mr. Ong ⁽¹⁾	Linocraft Investment	Beneficial owner and interest of a controlled corporation	8,050	80.50%
	Charlecote	Beneficial owner	2	100.00%
Mr. Tan Woon Chay	Linocraft Investment	Beneficial owner	1,950	19.50%

Note:

- (1) Charlecote, which holds 70% of Linocraft Investment, is held as to 50% by Mr. Ong and 50% by Ms. Yong Kwee Lian (“**Mrs. Ong**”). By virtue of the SFO, Mr. Ong is deemed to be interested in all the shares in Charlecote and the shares of Linocraft Investment held by Charlecote.

Save as disclosed above, as at 28 February 2022, none of the Directors or chief executives of the Company had, or was deemed to have, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Model Code.

Substantial Shareholders' Interests and Other Persons' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 28 February 2022, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholders	Nature of interest	Interests in Shares ⁽¹⁾	Percentage of shareholding
Linocraft Investment	Beneficial owner	408,000,000 (L)	51.00%
Charlecote ⁽²⁾	Interest of controlled corporation	408,000,000 (L)	51.00%
Mrs. Ong ⁽³⁾	Interest of spouse	408,000,000 (L)	51.00%
Stan Cam Holdings Limited ("Stan Cam")	Beneficial owner	120,000,000 (L)	15.00%
Ralex Investment Holdings Limited ⁽⁴⁾	Interest of a controlled corporation	120,000,000 (L)	15.00%
Mr. Gan Ker Wei ("Mr. Gan") ⁽⁵⁾	Interest of a controlled corporation	120,000,000 (L)	15.00%
Mrs. Amy Ong Lai Fong ⁽⁶⁾	Interest of spouse	120,000,000 (L)	15.00%

Notes:

- (1) The letter "L" denotes long position in the Shares.
- (2) Charlecote holds 70% of the issued share capital of Linocraft Investment, which in turn owns 51% of our Company. By virtue of the SFO, Charlecote is deemed to be interested in the Shares held by Linocraft Investment.
- (3) Mrs. Ong is the spouse of Mr. Ong. By virtue of the SFO, Mrs. Ong is deemed to be interested in the Shares held by Charlecote Bhd. and Mr. Ong.
- (4) Stan Cam is owned as to 75% by Ralex Investment Holdings Limited. By virtue of the SFO, Ralex Investment Holdings Limited is deemed to be interested in the Shares held by Stan Cam.
- (5) Stan Cam is owned as to 75% by Ralex Investment Holdings Limited. Ralex Investment Holdings Limited is wholly-owned by Mr. Gan. By virtue of the SFO, Mr. Gan is deemed to be interested in the Shares held by Stan Cam.
- (6) Mrs. Amy Ong Lai Fong is the spouse of Mr. Gan. By virtue of the SFO, she is deemed to be interested in the Shares held by Mr. Gan.

Save as disclosed above, as at 28 February 2022, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Share Option Scheme

The Company has not adopted any share option scheme.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 28 February 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

Competing Interests

As confirmed by the Directors, the Controlling Shareholders and their respective close associates do not have any interests in any business, apart from the business operated by members of the Group, which competes or is likely to compete, directly or indirectly, with the business of the Group during the six months ended 28 February 2022.

Directors' Securities Transactions

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the six months ended 28 February 2022.

Corporate Governance Code

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company's corporate governance practices are based on the principles of good corporate governance as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules (the "**CG Code**") effective on or before 31 December 2021 and in relation to, among others, our Directors, Chairman and Chief Executive Officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with the shareholders of the Company (the "**Shareholders**").

To the best knowledge of the Board, save for the deviation from the code provision E.1.2 as explained below, the Company had complied with the code provisions in the CG Code during the six months ended 28 February 2022.

Pursuant to code provision E.1.2 of the CG Code, the chairman of the Board (the "**Chairman**") should attend the annual general meeting (the "**AGM**"). However, Mr. Ong Yoong Nyock, being the Chairman, was unable to attend the AGM held on 19 January 2022 due to his other prior engagement. Mr. Ong invited Mr. Liew Weng Keat, an independent non-executive Director to chair and answer questions from Shareholders at the AGM.

Audit Committee

Our Company established an Audit Committee pursuant to a resolution of our Directors passed on 25 August 2017 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C.3.3 of the CG Code has been adopted. The primary duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and relationship with external auditors, and arrangements to enable employees of the Company to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters of the Company and performing the Company's corporate governance functions.

The Audit Committee consists of three members who are Mr. Liew Weng Keat, Mr. Teoh Cheng Tun and Mr. Choy Wing Keung David. Mr. Choy Wing Keung David is the chairman of the Audit Committee. The Interim Financial Statements have not been audited by the Company's auditor, but have been reviewed by the Audit Committee.

By order of the Board
Linocraft Holdings Limited
Tan Woon Chay
Executive Director

Hong Kong, 12 April 2022

As at the date of this announcement, the executive Directors are Mr. Ong Yoong Nyock and Mr. Tan Woon Chay and the independent non-executive Directors are Mr. Choy Wing Keung David, Mr. Liew Weng Keat and Mr. Teoh Cheng Tun.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for a minimum period of seven days from the date of its publication and on the Company's website at www.linocraftprinters.com.