Linocraft Holdings Limited
東駿控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8383)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 MAY 2019

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 main board of 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 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 RM147.6 million for the nine months ended 31 May 2019, increased by approximately 18.9% as compared to that of the same period in 2018.
- The gross profit amounted to approximately RM23.0 million for the nine months ended 31 May 2019, decreased by approximately 22.4% as compared to that of the same period in 2018.
- The Group recorded a net profit of approximately RM5.9 million for the nine months ended 31 May 2019.
- The Board does not recommend the payment of interim dividend for the nine months ended 31 May 2019.

FINANCIAL RESULTS

The board of Directors (the "**Board**") is pleased to present the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the three months and nine months ended 31 May 2019 (the "**Third Quarterly Financial Statements**") together with the comparative figures for the corresponding periods in 2018 as follows:

Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 31 May 2019

		Three months ended 31 May		**Nine months ended 31 May**	
		2019	2018	**2019**	2018
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	Notes	***RM'000***	*RM'000*	***RM'000***	*RM'000*
Revenue	*4*	**53,677**	38,132	**147,606**	124,124
Cost of sales		**(44,614)**	(27,882)	**(124,655)**	(94,539)
Gross profit		**9,063**	10,250	**22,951**	29,585
Other operating income/(loss)		**3,397**	874	**6,770**	3,247
Distribution costs		**(1,660)**	(3,138)	**(6,388)**	(11,033)
Administrative expenses		**(3,904)**	(3,823)	**(10,735)**	(10,637)
Other operating expenses		**(401)**	(19)	**(491)**	(24)
Profit from operation		**6,495**	4,144	**12,107**	11,138
Finance costs		**(2,022)**	(1,321)	**(5,902)**	(3,444)
Share of (loss)/profit of a joint venture		**—**	—	**(5)**	1
Profit before income tax expense	*5*	**4,473**	2,823	**6,200**	7,695
Income tax expense	*7*	**(88)**	(88)	**(293)**	(302)
Profit for the period		**4,385**	2,735	**5,907**	7,393
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
— Exchange differences on translation to profit or loss		**830**	341	**950**	(832)
Total comprehensive income for the period		**5,215**	3,076	**6,857**	6,561
		RM	*RM*	***RM***	*RM*
Earnings per share					
Basic and diluted earnings per share	*8*	**0.55 sen**	0.34 sen	**0.74 sen**	0.94 sen

Condensed Consolidated Statement of Changes in Equity

For the nine months ended 31 May 2019

	Share capital (Note 12) 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 2017 (Audited)	*	—	8,548	(240)	24,044	32,352
Profit for the period	—	—	—	—	7,393	7,393
Other comprehensive income	—	—	—	(832)	—	(832)
Total comprehensive income	—	—	—	(832)	7,393	6,561
Issue of ordinary share for share offer *(note i)*	1,076	41,964	—	—	—	43,040
Transaction costs attributable to issue of new shares *(note ii)*	—	(2,769)	—	—	—	(2,769)
Capitalisation issue *(note i)*	3,228	(3,228)	—	—	—	—
Balance at 31 May 2018 (Unaudited)	4,304	35,967	8,548	(1,072)	31,437	79,184
Balance at 1 September 2018 (Audited)	4,304	35,967	8,548	(1,132)	31,056	78,743
Profit for the period	—	—	—	—	5,907	5,907
Other comprehensive income	—	—	—	950	—	950
Total comprehensive income	—	—	—	950	5,907	6,857
Balance at 31 May 2019 (Unaudited)	4,304	35,967	8,548	(182)	36,963	85,600

* Represents amount less than RM1,000

Notes:

i. On 14 September 2017, the Company issued a total of 200,000,000 ordinary shares of HK$0.01 (the "**Shares**") each at a price of HK$0.4 per share as a result of the completion of the share offer (the "**Share Offer**"). The gross proceeds from Share Offer of RM43,040,000 (or HK$80,000,000 equivalent) representing the par value of RM1,076,000 (or HK$2,000,000 equivalent) credited to the Company's share capital, and share premium of RM41,964,000 (or HK$78,000,000 equivalent), which can be used for deduction of share issuance expenses. After the share premium account of the Company being credited as a result of the Share Offer, RM3,228,000 (or HK$6,000,000 equivalent) was capitalised from the share premium account and applied in paying up in full 599,999,955 Shares. The Company's total number of issued Shares was increased to 800,000,000 Shares upon completion of Share Offer.

ii. The share issuance expenses, which amounted to RM2,769,000, were deducted from share premium account.

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, PO 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 was listed on the GEM (the "**Listing**") on 15 September 2017 by way of 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 2018 ("**2018 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 of 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 2018. 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.

Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3 Business Combinations, HKFRS 11 Joint Arrangements, HKAS 12 Income Taxes and HKAS 23 Borrowing Costs[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associate and Joint Ventures[1]
HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over income tax treatments[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
HKFRS 17	Insurance Contracts[3]

1 Effective for annual periods beginning on or after 1 January 2019

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

3 Effective for annual periods beginning on or after 1 January 2021

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 different 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 2018 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 31 May		Nine months ended 31 May	
	2019	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RM'000	*RM'000*	***RM'000***	*RM'000*
Malaysia	**39,390**	32,169	**113,872**	105,350
Singapore	**1,438**	873	**3,684**	2,729
Philippines	**12,849**	5,090	**30,050**	16,045
	53,677	38,132	**147,606**	124,124

(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 31 May		Nine months ended 31 May	
	2019	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RM'000	*RM'000*	***RM'000***	*RM'000*
Customer A	**13,425**	6,422	**38,169**	23,852
Customer E	*	5,169	*	17,058
Customer F	**12,795**	5,090	**30,018**	15,855
Customer C	*	4,523	*	14,794
Customer B	*	3,785	*	13,739
Customer D	*	7,730	*	17,432

* Representing contributed less than 10% of the Group's revenue during the nine months ended 2019 and 2018.

4. REVENUE

Revenue includes the net invoiced value of goods sold earned by the Group. The amounts of revenue recognised during the period are as follows:

	Three months ended 31 May		**Nine months ended 31 May**	
	2019	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RM'000	*RM'000*	***RM'000***	*RM'000*
Sales of productions products:				
— Packaging	**28,151**	18,154	**81,517**	60,656
— Insert	**15,349**	10,672	**39,574**	35,771
— Instruction manual	**10,121**	9,136	**26,298**	27,147
— Label	**56**	170	**217**	550
	53,677	38,132	**147,606**	124,124

5. PROFIT BEFORE INCOME TAX EXPENSE

	Three months ended 31 May		**Nine months ended 31 May**	
	2019	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RM'000	*RM'000*	***RM'000***	*RM'000*
Profit before income tax expense is arrived at after charging:				
Cost of inventories sold*	**44,614**	27,882	**124,655**	94,539
Depreciation of property, plant and equipment				
— Owned	**1,220**	909	**3,194**	2,550
— Held under finance leases	**880**	303	**2,725**	905
Employee costs	**6,164**	7,554	**24,690**	25,636
Minimum lease payments under operating lease				
— Rental of equipment	**285**	307	**618**	1,040
— Rental of premises	**843**	821	**2,697**	2,128
Listing expenses (including professional fees and other expenses)	**—**	—	**—**	576

* For the nine months ended 31 May 2019 and 2018, cost of inventories sold comprise approximately RM25.9 million and RM18.1 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 dividend for the nine months ended 31 May 2019 (2018: nil).

7. INCOME TAX EXPENSE

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

	Three months ended 31 May		**Nine months ended 31 May**	
	2019	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RM'000	*RM'000*	***RM'000***	*RM'000*
Current tax — Corporate income tax in Malaysia				
— charge for the period	**88**	88	**293**	302
Deferred tax	**—**	—	**—**	—
Income tax expense	**88**	88	**293**	302

Hong Kong profit tax is calculated on the basis at 8.25% of the estimated assessable profits up to HK$2,000,000 and 16.5% on any part of the estimated assessable profit over HK$2,000,000 for the nine months ended 31 May 2019 (2017: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

Corporate income tax in Malaysia is calculated at the statutory rate of 24% (2018: 24%) of the estimated taxable profit for the nine months ended 31 May 2019.

Certain companies of the Group in Malaysia with a paid up capital of RM2,500,000 and below can enjoy lower corporate tax rate in Malaysia of 17% (2018: 18%) on the first RM500,000 taxable profit. Statutory rate as above shall be charged on chargeable income in excess of RM500,000 taxable profit.

Subsidiary located in Philippines was subject to Philippines income tax at the rate of 30% (2018: 30%) on the estimated taxable income during the period. Starting from the fourth taxable year after the year the business operations commenced, entities incorporated in the Philippines are required to pay tax equivalent to the higher of 30% (2017: 30%) regular corporate income tax ("**RCIT**") on taxable income and the 2% (2017: 2%) minimum corporate income tax ("**MCIT**") on gross income. Gross income is equivalent to revenue less direct costs. Any excess of the MCIT over RCIT can be carried forward and credited against RCIT for three succeeding taxable years.

8. EARNINGS PER SHARE

The calculation of earnings per share is based on the earnings attributable to owners of the Company and the weighted average number of ordinary Shares in issue during the respective periods.

The calculation on basic and diluted earnings per share is based on the following information:

	Three months ended 31 May		**Nine months ended 31 May**	
	2019	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RM'000	*RM'000*	***RM'000***	*RM'000*
Earnings				
Profit for the period attributable to owners of the Company	**4,385**	2,735	**5,907**	7,393
	Number of Shares			
Shares				
Weighted average number of Shares in issue during the periods	**800,000,000**	800,000,000	**800,000,000**	790,476,190

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary Shares in issue during the respective periods. The weighted average number of ordinary Shares used for such purpose has been retrospectively adjusted for the effects of the issue of Shares in connection with the reorganisation and the capitalisation issue of 599,999,955 Shares, as if these Shares had been issued throughout the period ended 31 May 2018.

Diluted earnings per share were the same as the basic earnings per share as the Group had no dilutive potential shares during the nine months ended 31 May 2019 and 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Our Group is a well-established integrated offset printing and packaging solutions provider in Malaysia with more than 47 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 nine months ended 31 May 2019 and 2018:

	Nine months ended 31 May			
	2019		2018	
	(Unaudited)		(Unaudited)	
	RM'000	*%*	*RM'000*	*%*
Sales of production products:				
— Packaging	**81,517**	**55.2**	60,656	48.87
— Insert	**39,574**	**26.8**	35,771	28.82
— Instruction manual	**26,298**	**17.8**	27,147	21.87
— Labels	**217**	**0.2**	550	0.44
	147,606	**100.0**	124,124	100.0

Our Group's total revenue amounted to approximately RM147.6 million and RM124.1 million for the nine months ended 31 May 2019 and 2018 respectively. Approximate 77.1% (2018: 84.9%) 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 RM81.5 million and RM60.7 million for the nine months ended 31 May 2019 and 2018 respectively, representing approximately 55.2% and 48.87% 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 RM39.6 million and RM35.8 million for the nine months ended 31 May 2019 and 2018 respectively, representing approximately 26.8% and 28.82% 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 RM26.3 million and RM27.1 million for the nine months ended 31 May 2019 and 2018 respectively, representing approximately 17.8% and 21.87% 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 RM0.5 million for the nine months ended 31 May 2019 and 2018 respectively, representing approximately 0.2% and 0.44% of our total revenue, respectively.

FUTURE PROSPECTS AND OUTLOOK

Our Group continues to focus strengthening its market position in the offset printing and packaging industry. Currently, we are negotiating with a number of reputable international brands from different industries to grow our business in Malaysia and the Philippines.

Our Group has set up a production plant, performing post-press processes, namely laminating and diecutting, in the Philippines, which has commenced production since October 2017. To support the growing business in Philippines, our Group has purchased one KBA Rapida 164, a VVLF offset printing press for our another new production plant and it has started production. Other than the printing press, the Group has also acquired a Heidelberg Polar Cutter, a new stitching machine name Muller Martini Presto II Saddle Stitcher and an Auto Diecut machine.

On March 2019, the Group has moved out from the existing production plant performing the post-press processes to the new production plant. By centralizing the production machinery, this can help the Group to achieve a better efficiency in operation and reducing transportation cost between the two production plants.

Currently, the orders from a contract manufacturer in the Philippines are fulfilled by our local production plant and partially supported by production plant in Malaysia.

In view of the positive progress in packaging printing market, our Directors expect the trends to have a positive impact on our Group's overall business in Malaysia and the Philippines.

FINANCIAL REVIEW

Revenue

Revenue for the nine months ended 31 May 2019 increased by approximately 18.9% or approximately RM23.5 million as compared to that of the previous period in 2018. The increase in revenue was mainly due to the increase in sales of packaging, where there was an increase in demand derived from a major customer in Philippines. The revenue contributed by the top five customers increased from approximately RM89.0 million for the nine months ended 31 May 2018 to RM110.2 million for the nine months ended 31 May 2019, which accounted for 71.7% and 74.7% of our total revenue for the corresponding periods, respectively.

Cost of Sales

	Nine months ended 31 May	
	2019	2018
	(Unaudited)	(Unaudited)
	RM'000	*RM'000*
Material costs	**85,438**	61,565
Direct labour	**20,270**	19,437
Manufacturing overhead	**18,947**	13,537
	124,655	94,539

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

In line with the increase in revenue, the cost of sales for the nine months ended 31 May 2019 increased by approximately 31.8% or RM30.1 million as compared to that of the previous period in 2018. The increase in cost of sales was due to (i) increase in cost of materials consumed; and (ii) increase in manufacturing overhead as a result of increase in depreciation, cost of foreign workers and repair and maintenance.

Gross Profit and Gross Profit Margin

Our gross profit decreased about 22.4% from RM29.6 million for the nine months ended 31 May 2018 to RM23.0 million for the nine months ended 31 May 2019. Our overall gross profit margin decreased by 8.3% from approximately 23.8% for the nine months ended 31 May 2018 to approximately 15.5% for the nine months ended 31 May 2019.

The decrease in our gross profit and gross profit margin was mainly attributable to the increase in material costs and manufacturing overhead.

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 decreased about 42.1% from RM11.0 million for the nine months ended 31 May 2018 to RM6.4 million for the nine months ended 31 May 2019, which was mainly caused by the decrease in transport expenses for the transportation of products to fulfil orders of the contract manufacturer in the Philippines.

Administrative Expenses

The administrative expenses were approximately RM10.7 million for the nine months ended 31 May 2019 (2018: RM10.6 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 fees such as legal consultancy fees; and (iii) others such as repair and maintenance for office equipment, bank charges and depreciation which mainly represents the depreciation expenses for our office equipment.

Finance Costs

Finance costs represented interest on bank overdraft, bank borrowings, finance lease and borrowings from related companies. For the nine months ended 31 May 2019 and 2018, financial cost amounted to approximately RM5.9 million and RM3.4 million, respectively. The increase was mainly due to higher amounts of bank borrowings and finance lease during the reporting period.

Share of (Loss)/Profit of a Joint Venture

Our Group has 50% equity interest in Linocraft Singapore Pte. Ltd ("**Linocraft Singapore**"), which engages in trading business for packaging and printing related products. The share of loss of a joint venture was RM5,000 for the nine months ended 31 May 2019 (2018: profit of RM1,000).

Net Profit and Earnings per Share

As a result of the foregoing, our Group's net profit was RM5.9 million for the nine months ended 31 May 2019 (2018: RM7.4 million). The Group's earnings per share for the nine months ended 31 May 2019 was RM0.74 sen (2018: RM0.94 sen).

DIVIDEND

The Board does not recommend the payment of interim dividend for the nine months ended 31 May 2019 (2018: nil).

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 31 May 2019, 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*

Name of Director	Nature of interest	Number of Shares held[1]	Percentage of shareholding
Mr. Ong Yoong Nyock ("**Mr. Ong**")[2]	Interest of a controlled corporation	408,000,000(L)	51.00%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Mr. Ong beneficially owns 50% of Charlecote Sdn. Bhd., 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*

Name of Directors	Name of associated corporation	Capacity	Number of Shares	Approximate percentage of shareholding
Mr. Ong[1]	Linocraft Investment	Beneficial owner and interest of a controlled corporation	8,050	80.50%
	Charlecote Sdn. Bhd.	Beneficial owner	2	100.00%
Mr. Tan Woon Chay	Linocraft Investment	Beneficial owner	1,950	19.50%

Note:

(1) Charlecote Sdn. Bhd., which holds 70% of Linocraft Investment, is held as to 50% by Mr. Ong and 50% by Mrs. Ong. By virtue of the SFO, Mr. Ong is deemed to be interested in all the shares in Charlecote Sdn. Bhd. and the shares of Linocraft Investment held by Charlecote Sdn. Bhd..

Save as disclosed above, as at 31 May 2019, 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 31 May 2019, 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 Sdn. Bhd.[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%
Ralexi Investment Holdings Limited[4]	Interest of controlled corporation	120,000,000(L)	15.00%
Mr. Gan Ker Wei ("**Mr. Gan**")[5]	Interest of 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 Sdn. Bhd. holds 70% of the issued share capital of Linocraft Investment, which in turn owns 51% of our Company. By virtue of the SFO, Charlecote Sdn. Bhd. 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 Sdn. Bhd. and Mr. Ong.

(4) Stan Cam is owned as to 75% by Ralexi Investment Holdings Limited. By virtue of the SFO, Ralexi Investment Holdings Limited is deemed to be interested in the Shares held by Stan Cam.

(5) Stan Cam is owned as to 75% by Ralexi Investment Holdings Limited. Ralexi 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 31 May 2019, 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 nine months ended 31 May 2019, 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 nine months ended 31 May 2019.

Compliance Adviser's Interests

As at 31 May 2019, neither Ample Capital Limited, the compliance adviser of the Company, nor any of its directors, employees or close associates has any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to Rule 6A.32 of the GEM Listing Rules.

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 nine months ended 31 May 2019.

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**") 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.

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 nine months ended 31 May 2019.

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 18 January 2019 due to his other prior engagement. Mr. Ong invited Mr. Tan Woon Chay, an executive Director and chief executive officer 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. At present, the Audit Committee of our Company 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 Third Quarterly 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 July 2019

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 http://www.hkgem.com for a minimum period of seven days from the date of its publication and on the Company's website at http://www.linocraftprinters.com.