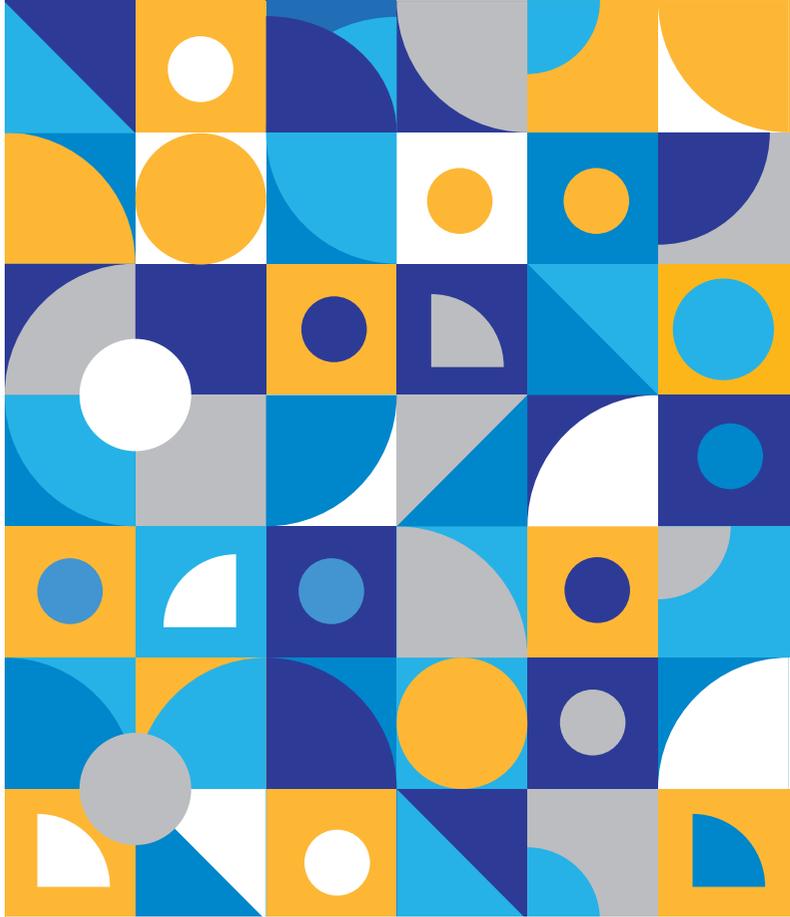


LINOCRAFT

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# THIRD QUARTERLY REPORT

# 2021/2022

LINOCRAFT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8383

[www.linocraftprinters.com](http://www.linocraftprinters.com)

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This report, 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 report 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 report misleading.





## Financial Highlights

- The Group's total revenue amounted to approximately RM196.2 million for the nine months ended 31 May 2022, slightly decreased by approximately 0.2% as compared to that of the same period in 2021.
- The gross profit amounted to approximately RM37.4 million for the nine months ended 31 May 2022, decreased by approximately 0.2% as compared to that of the same period in 2021.
- The Group recorded a net profit of approximately RM13.0 million for the nine months ended 31 May 2022.
- The Board does not recommend the payment of interim dividends for the nine months ended 31 May 2022.

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 nine months ended 31 May 2022 (the “**Third Quarterly 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 nine months ended 31 May 2022

|  | Notes | Three months ended<br>31 May  |                               | Nine months ended<br>31 May   |                               |
|--|-------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|  |       | 2022<br>(Unaudited)<br>RM'000 | 2021<br>(Unaudited)<br>RM'000 | 2022<br>(Unaudited)<br>RM'000 | 2021<br>(Unaudited)<br>RM'000 |
| <b>Revenue</b>   | 4     | <b>62,869</b>                 | 68,527                        | <b>196,214</b>                | 196,694                       |
| Cost of sales  |       | <b>(50,908)</b>               | (56,666)                      | <b>(158,822)</b>              | (159,215)                     |
| <b>Gross profit</b>  |       | <b>11,961</b>                 | 11,861                        | <b>37,392</b>                 | 37,479                        |
| Other operating income   |       | <b>3,057</b>                  | 3,591                         | <b>5,901</b>                  | 3,665                         |
| Distribution costs   |       | <b>(2,513)</b>                | (3,751)                       | <b>(9,907)</b>                | (9,841)                       |
| Administrative expenses  |       | <b>(3,200)</b>                | (4,419)                       | <b>(12,820)</b>               | (14,038)                      |
| Other operating expenses   |       | <b>(36)</b>                   | (2)                           | <b>(41)</b>                   | (65)                          |
| <b>Profit from operation</b>   |       | <b>9,269</b>                  | 7,280                         | <b>20,525</b>                 | 17,200                        |
| Finance costs  |       | <b>(1,540)</b>                | (1,980)                       | <b>(4,927)</b>                | (6,172)                       |
| Share of loss of a joint venture   |       | <b>—</b>                      | —                             | <b>(4)</b>                    | (4)                           |
| <b>Profit before income tax expense</b>                                  | 5     | <b>7,729</b>                  | 5,300                         | <b>15,594</b>                 | 11,024                        |
| Income tax expense   | 7     | <b>(1,200)</b>                | (391)                         | <b>(2,600)</b>                | (998)                         |
| <b>Profit for the period</b>   |       | <b>6,529</b>                  | 4,909                         | <b>12,994</b>                 | 10,026                        |
| <b>Other comprehensive income,<br/>net of tax</b>                        |       |                               |                               |                               |                               |
| <i>Items that may be reclassified<br/>subsequently to profit or loss</i> |       |                               |                               |                               |                               |
| — Exchange differences on<br>translation to profit or loss               |       | <b>(456)</b>                  | (524)                         | <b>223</b>                    | 107                           |
| <b>Total comprehensive income<br/>for the period</b>                     |       | <b>6,073</b>                  | 4,385                         | <b>13,217</b>                 | 10,133                        |
|  |       | <b>RM</b>                     | RM                            | <b>RM</b>                     | RM                            |
| <b>Earnings per share</b>  |       |                               |                               |                               |                               |
| Basic and diluted earnings per share                                     | 8     | <b>0.82 sen</b>               | 0.61 sen                      | <b>1.62 sen</b>               | 1.25 sen                      |

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 May 2022

|  | Share<br>capital<br>RM'000 | Share<br>premium<br>RM'000 | Merger<br>reserve<br>RM'000 | Exchange<br>reserve<br>RM'000 | Retained<br>earnings<br>RM'000 | Total<br>RM'000 |
|--|----------------------------|----------------------------|-----------------------------|-------------------------------|--------------------------------|-----------------|
| <b>Balance at 1 September 2020</b><br><b>(Audited)</b> | 4,304                      | 35,967                     | 8,548                       | (1,766)                       | 40,713                         | 87,766          |
| Profit for the period                                  | —                          | —                          | —                           | —                             | 10,026                         | 10,026          |
| Other comprehensive income                             | —                          | —                          | —                           | 107                           | —                              | 107             |
| <b>Total comprehensive income</b>                      | —                          | —                          | —                           | 107                           | 10,026                         | 10,133          |
| <b>Balance at 31 May 2021</b><br><b>(Unaudited)</b>    | 4,304                      | 35,967                     | 8,548                       | (1,659)                       | 50,739                         | 97,899          |
| <b>Balance at 1 September 2021</b><br><b>(Audited)</b> | 4,304                      | 35,967                     | 8,548                       | (1,864)                       | 48,028                         | 94,983          |
| Profit for the period                                  | —                          | —                          | —                           | —                             | 12,994                         | 12,994          |
| Other comprehensive income                             | —                          | —                          | —                           | 223                           | —                              | 223             |
| <b>Total comprehensive income</b>                      | —                          | —                          | —                           | 223                           | 12,994                         | 13,217          |
| <b>Balance at 31 May 2022</b><br><b>(Unaudited)</b>    | 4,304                      | 35,967                     | 8,548                       | (1,641)                       | 61,022                         | 108,200         |

## 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, 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 "**Share(s)**") 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.

### 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

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 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 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.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

### Adoption of new or revised HKFRSs (Continued)

#### 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 Annual Improvements to HKFRSs 2018–2020 Cycle          | Onerous Contracts — Cost of Fulfilling a Contract <sup>1</sup><br>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 <sup>1</sup> |
| Amendments to HKFRS 3<br>Amendments to HKAS 1 and HK Interpretation 5 (2020) | Reference to be the Conceptual Framework <sup>2</sup><br>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 <sup>2</sup>               |
| Amendments to HKAS 1 and HKFRS Practice Statement 2                          | Disclosure of Accounting Policies <sup>3</sup>  |
| Amendments to HKAS 8<br>Amendments to HKAS 12                                | Definition of Accounting Estimates <sup>3</sup><br>Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>  |
| Amendments to HKFRS 17<br>Amendments to HKFRS 10 and HKAS 28                 | Insurance Contracts <sup>3</sup><br>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>  |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>2</sup> 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.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>4</sup> 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.

### 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Adoption of new or revised HKFRSs (Continued)

#### New or revised HKFRSs that have been issued but are not yet effective (Continued)

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.

### 3. SEGMENT INFORMATION (Continued)

#### (b) Geographic information

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

|             | Three months ended<br>31 May  |                               | Nine months ended<br>31 May   |                               |
|-------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|             | 2022<br>(Unaudited)<br>RM'000 | 2021<br>(Unaudited)<br>RM'000 | 2022<br>(Unaudited)<br>RM'000 | 2021<br>(Unaudited)<br>RM'000 |
| Malaysia    | 37,383                        | 50,685                        | 117,274                       | 138,641                       |
| Singapore   | 3,093                         | 1,748                         | 8,372                         | 4,884                         |
| Philippines | 22,393                        | 16,094                        | 70,568                        | 53,169                        |
|             | 62,869                        | 68,527                        | 196,214                       | 196,694                       |

#### (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<br>31 May  |                               | Nine months ended<br>31 May   |                               |
|------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|            | 2022<br>(Unaudited)<br>RM'000 | 2021<br>(Unaudited)<br>RM'000 | 2022<br>(Unaudited)<br>RM'000 | 2021<br>(Unaudited)<br>RM'000 |
| Customer A | N/A*                          | 18,067                        | N/A*                          | 50,480                        |
| Customer C | 6,965                         | N/A*                          | 20,817                        | N/A*                          |
| Customer F | 17,763                        | 15,823                        | 57,380                        | 52,295                        |

\* 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<br>31 May  |                               | Nine months ended<br>31 May   |                               |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   | 2022<br>(Unaudited)<br>RM'000 | 2021<br>(Unaudited)<br>RM'000 | 2022<br>(Unaudited)<br>RM'000 | 2021<br>(Unaudited)<br>RM'000 |
| Sales of productions<br>products transferred<br>at a point in time: |                               |                               |                               |                               |
| — Packaging   | 45,522                        | 47,121                        | 139,049                       | 130,283                       |
| — Insert  | 13,239                        | 14,196                        | 42,126                        | 40,384                        |
| — Instruction manual  | 4,000                         | 7,207                         | 14,739                        | 26,008                        |
| — Label   | 108                           | 3                             | 300                           | 19                            |
|   | <b>62,869</b>                 | 68,527                        | <b>196,214</b>                | 196,694                       |

## 5. PROFIT BEFORE INCOME TAX EXPENSE

|  | Three months ended<br>31 May  |                               | Nine months ended<br>31 May   |                               |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|  | 2022<br>(Unaudited)<br>RM'000 | 2021<br>(Unaudited)<br>RM'000 | 2022<br>(Unaudited)<br>RM'000 | 2021<br>(Unaudited)<br>RM'000 |
| Profit before income tax<br>expense is arrived at<br>after charging: |                               |                               |                               |                               |
| Cost of inventories sold   | <b>50,908</b>                 | 56,666                        | <b>158,822</b>                | 159,215                       |
| Depreciation of<br>property, plant and<br>equipment                  | <b>1,822</b>                  | 1,861                         | <b>5,565</b>                  | 4,985                         |
| Depreciation of right-<br>of-use assets                              | <b>2,192</b>                  | 2,097                         | <b>6,413</b>                  | 5,666                         |
| Employee costs   | <b>11,429</b>                 | 11,426                        | <b>35,943</b>                 | 34,349                        |
| Fair value loss on<br>derivative financial<br>instruments            | <b>274</b>                    | —                             | <b>36</b>                     | —                             |

## 6. DIVIDENDS

The Board does not recommend the payment of interim dividends for the nine months ended 31 May 2022 (2021: nil).

### 7. INCOME TAX EXPENSE

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

|                         | Three months ended<br>31 May  |                               | Nine months ended<br>31 May   |                               |
|-------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|                         | 2022<br>(Unaudited)<br>RM'000 | 2021<br>(Unaudited)<br>RM'000 | 2022<br>(Unaudited)<br>RM'000 | 2021<br>(Unaudited)<br>RM'000 |
| Current tax —           |                               |                               |                               |                               |
| Corporate income tax    |                               |                               |                               |                               |
| — charge for the period | 1,200                         | 391                           | 2,600                         | 998                           |
| Deferred tax            | —                             | —                             | —                             | —                             |
| Income tax expense      | 1,200                         | 391                           | 2,600                         | 998                           |

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.

Hong Kong profits tax is calculated at tiered rates of 8.25% on the first HK\$2 million and 16.5% for the remainder (2021: 16.5%) on the estimated assessable profits of subsidiaries operating in Hong Kong for the nine months ended 31 May 2022 and 2021. Taxes on profits assessable elsewhere have been calculated at the prevailing tax rates in the countries/jurisdictions in which the Group operates.

Corporate income tax in Malaysia is calculated at the statutory rate of 24% (2021: 24%) of the estimated taxable profit for the nine months ended 31 May 2022.

Companies in Malaysia with a paid up capital of RM2,500,000 and below can enjoy lower corporate tax rate in Malaysia of 17% (2021: 17%) on the first RM600,000 (2021: RM600,000) taxable profit and remaining balance of the estimated taxable profit at tax rate of 24% (2021: 24%).

## 7. INCOME TAX EXPENSE (Continued)

Subsidiary located in the Philippines was subject to Philippines income tax at the rate of 30% (2021: 30%) on the estimated taxable income during the nine months ended 31 May 2022. 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% (2021: 30%) regular corporate income tax (“RCIT”) on taxable income and the 2% (2021: 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<br>31 May  |                               | Nine months ended<br>31 May   |                               |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   | 2022<br>(Unaudited)<br>RM'000 | 2021<br>(Unaudited)<br>RM'000 | 2022<br>(Unaudited)<br>RM'000 | 2021<br>(Unaudited)<br>RM'000 |
| <b>Earnings</b>   |                               |                               |                               |                               |
| Profit for the period attributable to owners of the Company   | 6,529                         | 4,909                         | 12,994                        | 10,026                        |
| <b>Number of Shares</b>                                       |                               |                               |                               |                               |
| <b>Shares</b>   |                               |                               |                               |                               |
| Weighted average number of Shares in issue during the periods | 800,000,000                   | 800,000,000                   | 800,000,000                   | 800,000,000                   |

### 8. EARNINGS PER SHARE (Continued)

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 2022 and 2021.

### 9. 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.

## BUSINESS REVIEW

Our Group is a well-established integrated offset printing and packaging solutions provider in Malaysia with more than 50 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 2022 and 2021:

|                               | Nine months ended 31 May      |              |                               |       |
|-------------------------------|-------------------------------|--------------|-------------------------------|-------|
|                               | 2022<br>(Unaudited)<br>RM'000 |              | 2021<br>(Unaudited)<br>RM'000 |       |
|                               |                               | %            |                               | %     |
| Sales of production products: |                               |              |                               |       |
| — Packaging                   | 139,049                       | 70.9         | 130,283                       | 66.2  |
| — Insert                      | 42,126                        | 21.5         | 40,384                        | 20.5  |
| — Instruction manual          | 14,739                        | 7.5          | 26,008                        | 13.2  |
| — Labels                      | 300                           | 0.1          | 19                            | 0.1   |
|                               | <b>196,214</b>                | <b>100.0</b> | 196,694                       | 100.0 |

Our Group's total revenue amounted to approximately RM196.2 million and RM196.7 million for the nine months ended 31 May 2022 and 2021 respectively. Approximate 59.8% (2021: 70.5%) 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 RM139.0 million and RM130.3 million for the nine months ended 31 May 2022 and 2021 respectively, representing approximately 70.9% and 66.2% 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 RM42.1 million and RM40.4 million for the nine months ended 31 May 2022 and 2021 respectively, representing approximately 21.5% and 20.5% 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 RM14.7 million and RM26.0 million for the nine months ended 31 May 2022 and 2021 respectively, representing approximately 7.5% and 13.2% 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 RM0.3 million and RM0.1 million for the nine months ended 31 May 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.

## Management Discussion and Analysis

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, other countries have not been able to achieve the rate to achieve 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 nine months ended 31 May 2022, the revenue slightly decreased by approximately 0.2% or RM0.5 million as compared to that of the same period in 2021. The decrease 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 offset by the decrease in sales of instruction manual. The revenue contributed by the top five customers decreased from approximately RM153.2 million for the nine months ended 31 May 2021 to RM129.2 million for the nine months ended 31 May 2022, which accounted for approximately 77.9% and 65.9% of our total revenue for the corresponding periods, respectively.

### Cost of Sales

|                        | <b>Nine months ended</b> |             |
|------------------------|--------------------------|-------------|
|                        | <b>31 May</b>            |             |
|                        | <b>2022</b>              | 2021        |
|                        | <b>(Unaudited)</b>       | (Unaudited) |
|                        | <b>RM'000</b>            | RM'000      |
| Material costs         | <b>108,400</b>           | 109,144     |
| Direct labour          | <b>25,194</b>            | 23,791      |
| Manufacturing overhead | <b>25,228</b>            | 26,280      |
|                        | <b>158,822</b>           | 159,215     |

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).

The cost of sales for the nine months ended 31 May 2022 slightly decreased by approximately 0.2% or RM0.4 million as compared to that of the previous period in 2021. The decrease in cost of sales was mainly from the decrease in material costs and manufacturing overhead, which was partially offset by the increase in labour costs.

### Gross Profit and Gross Profit Margin

Our gross profit decreased about 0.2% from RM37.5 million for the nine months ended 31 May 2021 to RM37.4 million for the nine months ended 31 May 2022. Our overall gross profit margin remained stable at 19.1% for the nine months ended 31 May 2022 and 2021.

### Distribution Costs

Our distribution costs 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 costs increased about 0.7% from RM9.8 million for the nine months ended 31 May 2021 to RM9.9 million for the nine months ended 31 May 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 RM12.8 million for the nine months ended 31 May 2022 (2021: RM14.0 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 nine months ended 31 May 2022 and 2021, financial costs amounted to approximately RM4.9 million and RM6.2 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 nine months ended 31 May 2022 (2021: RM4,000).



## Management Discussion and Analysis

### Net Profit and Earnings per Share

As a result of the foregoing, our Group's net profit was approximately RM13.0 million for the nine months ended 31 May 2022 (2021: RM10.0 million). The Group's earnings per Share for the nine months ended 31 May 2022 was RM1.62 sen (2021: RM1.25 sen).

### DIVIDENDS

The Board does not recommend the payment of interim dividends for the nine months ended 31 May 2022 (2021: nil).

## 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 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

| Name of Directors                                 | Nature of interest                   | Number of Shares held <sup>(1)</sup> | Percentage of shareholding |
|---|--------------------------------------|--------------------------------------|----------------------------|
| Mr. Ong Yoong Nyock<br>(“Mr. Ong”) <sup>(2)</sup> | 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.

## Other Information

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

| Name of Directors      | Name of associated corporation | Capacity  | Number of Shares | Percentage of shareholding |
|------------------------|--------------------------------|---|------------------|----------------------------|
| Mr. Ong <sup>(1)</sup> | 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 31 May 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 31 May 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 <sup>(1)</sup> | Percentage of shareholding |
|--|--------------------------------------|------------------------------------|----------------------------|
| Linocraft Investment                             | Beneficial owner                     | 408,000,000 (L)                    | 51.00%                     |
| Charlecote <sup>(2)</sup>                        | Interest of controlled corporation   | 408,000,000 (L)                    | 51.00%                     |
| Mrs. Ong <sup>(3)</sup>                          | Interest of spouse                   | 408,000,000 (L)                    | 51.00%                     |
| Stan Cam Holdings Limited<br>("Stan Cam")        | Beneficial owner                     | 120,000,000 (L)                    | 15.00%                     |
| Ralex Investment Holdings Limited <sup>(4)</sup> | Interest of a controlled corporation | 120,000,000 (L)                    | 15.00%                     |
| Mr. Gan Ker Wei<br>("Mr. Gan") <sup>(5)</sup>    | Interest of a controlled corporation | 120,000,000 (L)                    | 15.00%                     |
| Mrs. Amy Ong Lai Fong <sup>(6)</sup>             | 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.

## Other Information

- (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 31 May 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 nine months ended 31 May 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 nine months ended 31 May 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 nine months ended 31 May 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.

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 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 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, 14 July 2022

*As at the date of this report, 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.*