INTERIM REPORT 2019/2020

LINOCRAFT

Printing Since 1972

LINOCRAFT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8383

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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 RM115.7 million for the six months ended 29 February 2020, increased by approximately 23.2% as compared to that of the same period in 2019.

- The gross profit amounted to approximately RM21.6 million for the six months ended 29 February 2020, increased by approximately 55.6% as compared to that of the same period in 2019.

- The Group recorded a net profit of approximately RM3.5 million for the six months ended 29 February 2020.

- The Board does not recommend the payment of interim dividends for the six months ended 29 February 2020.

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 29 February 2020 (the "**Interim Financial Statements**") together with the comparative figures for the corresponding periods in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 29 February 2020

		Three months ended		Six months ended	
	Notes	29 February 2020 (Unaudited) RM'000	28 February 2019 (Unaudited) RM'000	29 February 2020 (Unaudited) RM'000	28 February 2019 (Unaudited) RM'000
Revenue	4	56,587	44,533	115,733	93,929
Cost of sales		(46,143)	(39,152)	(94,117)	(80,041)
Gross profit		10,444	5,381	21,616	13,888
Other operating income		694	2,893	1,181	3,373
Distribution costs		(2,777)	(1,871)	(6,017)	(4,728)
Administrative expenses		(4,389)	(4,095)	(8,270)	(6,831)
Other operating expenses		—	(87)	(24)	(90)
Profit from operation		3,972	2,221	8,486	5,612
Finance costs		(2,116)	(1,667)	(4,547)	(3,880)
Share of (loss)/profit of a joint venture		—	(5)	2	(5)
Profit before income tax expense	5	1,856	549	3,941	1,727
Income tax expense	7	(204)	(69)	(447)	(205)
Profit for the period		1,652	480	3,494	1,522
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
— Exchange differences on translation to profit or loss		(654)	(1,244)	(551)	120
Total comprehensive income for the period		998	(764)	2,943	1,642
		RM	RM	RM	RM
Earnings per share					
Basic and diluted earnings per share	8	0.21 sen	0.06 sen	0.44 sen	0.19 sen

Financial Results (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 29 February 2020

	Notes	As at 29 February 2020 RM'000	As at 31 August 2019 RM'000
Non-current assets			
Property, plant and equipment	9	**88,735**	116,355
Right-of-use assets		**44,053**	—
Interest in a joint venture		**168**	164
Prepayment for acquisition of property, plant and equipment		**1,708**	1,800
Deferred tax assets		**193**	189
Total non-current assets		**134,857**	118,508
Current assets			
Inventories		**52,413**	48,599
Trade receivables and other receivables	10	**74,320**	73,675
Amounts due from a related company		**82**	44
Tax recoverable		**—**	14
Cash and cash equivalents		**9,906**	18,815
		136,721	141,147
Assets of a disposal group classified as held for sale		**1**	12
Total current assets		**136,722**	141,159
Current liabilities			
Trade and other payables	11	**28,544**	26,293
Bank borrowings		**82,460**	86,214
Amounts due to related companies		**594**	527
Finance lease obligations		**—**	6,235
Lease liabilities		**11,088**	—
Total current liabilities		**122,686**	119,269
Net current assets		**14,036**	21,890
Total assets less current liabilities		**148,893**	140,398

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)

As at 29 February 2020

	Notes	As at 29 February 2020 RM'000	As at 31 August 2019 RM'000
Non-current liabilities			
Bank borrowings		**38,718**	39,771
Finance lease obligations		**—**	15,003
Lease liabilities		**21,622**	—
Deferred tax liabilities		**246**	260
Total non-current liabilities		**60,586**	55,034
Net assets		**88,307**	85,364
Capital and reserves			
Share capital	12	**4,304**	4,304
Reserves		**84,003**	81,060
Total equity		**88,307**	85,364

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 29 February 2020

	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 2018 (Audited)	4,304	35,967	8,548	(1,132)	31,056	78,743
Profit for the period	—	—	—	—	1,522	1,522
Other comprehensive income	—	—	—	120	—	120
Total comprehensive income	—	—	—	120	1,522	1,642
Balance at 28 February 2019 (Unaudited)	4,304	35,967	8,548	(1,012)	32,578	80,385
Balance at 1 September 2019 (Audited)	4,304	35,967	8,548	(1,145)	37,690	85,364
Profit for the period	—	—	—	—	3,494	3,494
Other comprehensive income	—	—	—	(551)	—	(551)
Total comprehensive income	—	—	—	(551)	3,494	2,943
Balance at 29 February 2020 (Unaudited)	4,304	35,967	8,548	(1,696)	41,184	88,307

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 29 February 2020

	Six months ended	
	29 February 2020 RM'000	28 February 2019 RM'000
Net cash (used in)/generated from:		
Operating activities	**10,020**	(13,579)
Investing activities	**(5,121)**	(1,160)
Financing activities	**(15,471)**	(3,478)
Net decrease in cash and cash equivalents	**(10,572)**	(18,217)
Effects of exchange rate changes on cash and cash equivalents	**(614)**	(361)
Cash and cash equivalents at beginning of period	**10,871**	14,915
Cash and cash equivalents at end of period	**(315)**	(3,663)

An analysis of balances of cash and cash equivalents

	Six months ended	
	29 February 2020 RM'000	28 February 2019 RM'000
Bank and cash balances	**9,906**	9,781
Bank overdrafts	**(10,221)**	(13,444)
	(315)	(3,663)

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 the 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 2019 ("**2019 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 2019. Except described below, 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)

HKFRS 16 — Leases

HKFRS 16 superseded HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

As at 31 August 2019, the Group has non-cancellable operating lease commitments of approximately RM5,450,000. The Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 August 2019. As permitted by the transitional provision of HKFRS 16, the corresponding comparative figures were not restated. The weighted average lessee's incremental borrowing rates applied by relevant entities to the lease liabilities on 1 September 2019 ranged 4.56% to 9.3%.

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

Adoption of new or revised HKFRSs (Continued)

HKFRS 16 — Leases (Continued)

The carrying amount of right-of-use assets as at 1 September 2019 comprises the following:

	RM'000
Right-of-use assets relating to operating leases recognised upon initial application of HKFRS16	10,434
Leased assets recognised previously under finance leases that reclassified from "Property, plant and equipment"	26,652
Right-of-use assets as at 1 September 2019	37,086

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

Adoption of new or revised HKFRSs (Continued)

HKFRS 16 — Leases (Continued)

The reconciliation of operating lease commitment to lease liabilities is set out below:

	RM'000
Operating lease commitments as at 31 August 2019	5,450
Less:	
Lease liabilities discounted at relevant incremental borrowing rate at the date of initial application	(1,534)
Low value leases recognised on a straight-line basis as expense	(1,364)
Future interest charges	(2,241)
Add:	
Payments for optional extension periods not recognised as at 31 August 2019	7,070
Finance lease obligations recognised as at 31 August 2019	23,479
Lease liabilities as at 1 September 2019	30,860

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 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 17	Insurance Contracts[4]

1 Effective for annual periods beginning on or after 1 January 2020

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted

3 Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

4 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 2019 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	
	29 February 2020 (Unaudited) RM'000	28 February 2019 (Unaudited) RM'000	**29 February 2020 (Unaudited) RM'000**	28 February 2019 (Unaudited) RM'000
Malaysia	**37,660**	36,929	**79,229**	74,482
Singapore	**2,174**	934	**3,783**	2,246
Philippines	**16,753**	6,670	**32,721**	17,201
	56,587	44,533	**115,733**	93,929

3. SEGMENT INFORMATION (Continued)

(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	
	29 February 2020 (Unaudited) RM'000	28 February 2019 (Unaudited) RM'000	**29 February 2020 (Unaudited) RM'000**	28 February 2019 (Unaudited) RM'000
Customer A	**12,718**	13,032	**28,141**	24,744
Customer B	**8,019**	*	**15,182**	*
Customer F	**23,371**	6,769	**32,730**	17,223

* Representing contributed less than 10% of the Group's revenue during the reporting periods.

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		Six months ended	
	29 February 2020 (Unaudited) RM'000	28 February 2019 (Unaudited) RM'000	**29 February 2020 (Unaudited) RM'000**	28 February 2019 (Unaudited) RM'000
Sales of productions products:				
— Packaging	**34,262**	20,821	**65,758**	53,366
— Insert	**15,435**	12,259	**35,968**	24,225
— Instruction manual	**6,871**	11,402	**13,965**	16,177
— Label	**19**	51	**42**	161
	56,587	44,533	**115,733**	93,929

5. PROFIT BEFORE INCOME TAX EXPENSE

	Three months ended		Six months ended	
	29 February 2020 (Unaudited) RM'000	28 February 2019 (Unaudited) RM'000	**29 February 2020 (Unaudited) RM'000**	28 February 2019 (Unaudited) RM'000
Profit before income tax expense is arrived at after charging:				
Cost of inventories sold*	**46,143**	39,152	**94,117**	80,041
Depreciation of property, plant and equipment				
— Owned	**1,512**	990	**2,730**	1,974
— Held under finance leases	**—**	929	**—**	1,845
Employee costs	**10,274**	9,079	**19,392**	18,526
Lease payments under short term operating lease				
— Rental of equipment	**216**	177	**396**	333
— Rental of premises	**58**	992	**322**	1,854
Depreciation of right-of-use assets	**1,852**	—	**3,902**	—

* For the period ended 29 February 2020 and 28 February 2019, cost of inventories sold comprise approximately RM19.7 million and RM16.9 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 29 February 2020 (2019: 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	
	29 February 2020 (Unaudited) RM'000	28 February 2019 (Unaudited) RM'000	**29 February 2020 (Unaudited) RM'000**	28 February 2019 (Unaudited) RM'000
Current tax — Corporate income tax — charge for the period	**204**	69	**447**	205
Deferred tax	**—**	—	**—**	—
Income tax expense	**204**	69	**447**	205

Hong Kong profit tax is calculated at tiered rate of 8.25% on the first HK$2 million and 16.5% for the remainder on the estimated assessable profits of subsidiaries operating in Hong Kong for the six months ended 29 February 2020 and 28 February 2019. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

7. INCOME TAX EXPENSE (Continued)

Corporate income tax in Malaysia is calculated at the statutory rate of 24% (2019: 24%) of the estimated taxable profit for the six months ended 29 February 2020. Companies incorporated in Malaysia with paid up capital of RM2,500,000 below can enjoy lower corporate tax rate in Malaysia of 17% (2019: 18%) on the first RM600,000 (2019: RM500,000) taxable profit and 24% on the taxable profit in excess of RM600,000 and RM500,000 for the six months ended 29 February 2020 and 28 February 2019 respectively.

Subsidiary located in Philippines was subject to Philippines income tax at the rate of 30% (2019: 30%) on the estimated taxable income during the six months ended 29 February 2020. 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% (2019: 30%) regular corporate income tax ("**RCIT**") on taxable income and the 2% (2019: 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.

8. EARNINGS PER SHARE (Continued)

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

	Three months ended		Six months ended	
	29 February 2020 (Unaudited) RM'000	28 February 2019 (Unaudited) RM'000	**29 February 2020 (Unaudited) RM'000**	28 February 2019 (Unaudited) RM'000
Earnings				
Profit for the period attributable to owners of the Company	**1,652**	480	**3,494**	1,522
	Number of Shares			
Shares				
Weighted average number of Shares in issue during the periods	**800,000,000**	800,000,000	**800,000,000**	800,000,000

Diluted earnings per share were the same as the basic earnings per share as the Group had no dilutive potential shares during the six months ended 29 February 2020 and 28 February 2019.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 29 February 2020, the Group acquired items of property, plant and equipment with cost of approximately RM7.4 million (2019: approximately RM4.3 million). Items of plant and machinery with a net book value of RM0.8 million were disposed of during the six months ended 29 February 2020 (2019: Nil).

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group has certain leased assets of approximately RM26.7 million which previously were classified as finance leases under HKAS 17. Such property, plant and equipment were reclassified as right-of-use assets upon adoption of HKFRS16 from 1 September 2019.

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 29 February 2020 Unaudited RM'000	As at 31 August 2019 Audited RM'000
Within 1 month	**18,403**	41,854
1 to 2 months	**20,225**	13,594
2 to 3 months	**17,895**	1,058
Over 3 months	**3,938**	2,630
	60,461	59,136
Deposit and prepayments	**10,047**	8,041
Loan and advances	**2,713**	4,805
GST recoverable	**1,099**	1,693
	74,320	73,675

At the end of each of the reporting periods, the Group reviews trade receivables for evidence of impairment on both individual and collective basis. Based on the impairment assessment, no impairment loss has been recognised as at 29 February 2020 and 31 August 2019. 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 29 February 2020 RM'000	As at 31 August 2019 RM'000
Current or less than 1 month	**8,522**	8,581
1 to 3 months	**6,542**	7,946
More than 3 months but less than 12 months	**442**	906
More than 12 months	**380**	93
	15,886	17,526
Other payables, accruals and deposit received	**12,658**	8,767
	28,544	26,293

12. SHARE CAPITAL

	Number of Shares	Amount RM'000	Amount HK$'000
Ordinary Shares of HK$0.01 each			
Authorised:			
At 1 September 2018 and 28 February 2019	5,000,000,000	27,284	50,000
At 1 September 2019 and 29 February 2020	**5,000,000,000**	**27,284**	**50,000**

	Number of Shares	Amount RM'000	Amount HK$'000
Issued and fully paid:			
At 1 September 2018 and 28 February 2019	800,000,000	4,304	8,000
As 1 September 2019 and 29 February 2020	**800,000,000**	**4,304**	**8,000**

13. OPERATING LEASES

Operating short term lease payments represent rentals payable by the Group for certain of its lease properties. Leases are negotiated for terms between 1 year and 5 years at fixed rentals.

13. OPERATING LEASES (Continued)

At 31 August 2019, the Group had operating lease commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 August 2019 RM'000
Rented premises	
Not later than one year	3,415
Later than one year and not later than two years	1,690
Later than two years and not later than five years	69
	5,174
Plant, machinery and equipment	
Not later than one year	116
Later than one year and not later than two years	95
Later than two years and not later than five years	44
Later than five years	21
	276
	5,450

The Group has certain leased assets which were previously as operating leases under HKAS 17. The Group has applied HKFRS 16 using the cumulative effect approach. Under this approach, the Group adjusted the opening balances at 1 September 2019 to recognised lease liabilities relating to these leases (see note 2). From 1 September 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position.

14. CAPITAL COMMITMENTS

	As at 29 February 2020 RM'000	As at 31 August 2019 RM'000
Commitments for the acquisition of:		
Investment property	**4,081**	3,067
Property, plant and equipment	**1,867**	2,680
	5,948	5,747

15. RELATED PARTY TRANSACTIONS

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

	Six months ended 29 February 2020 RM'000	Six months ended 28 February 2019 RM'000
Wages and salaries	**1,964**	2,113
Contribution to retirement benefits schemes	**139**	212
	2,103	2,325

15. RELATED PARTY TRANSACTIONS (Continued)

(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 29 February 2020 RM'000	Six months ended 28 February 2019 RM'000
An entity controlled by Mr. Ong	Mr. Ong	70%	TIONG NAM LOGISTICS SOLUTIONS SDN BHD	(a)	Transportation fees paid to a related company	**1,383**	1,345
Chua Sui Keng, a director of Linocraft Malaysia, being a director of the entity	Chua Sui Keng	N/A	TN EQUIPMENT RENTAL (JB) SDN BHD	(b)	Rental expenses of equipments paid to related companies	**—**	9
An entity controlled by Chua Sui Keng, a director of Linocraft Malaysia	Chua Sui Keng	25%	GF EQUIPMENT RENTAL SDN BHD			**331**	278
An entity controlled by Chua Sui Keng, a director of Linocraft Malaysia	Chua Sui Keng	25%	G-FORCE EQUIPMENT SERVICES SDN BHD			**—**	16
						331	303
Joint venture	Tan Woon Chay	50% hold by Linocraft Printers Sdn. Bhd.	Linocraft Singapore Pte. Ltd.	(c)	Purchases from the Group	**1,000**	995

16. EVENTS AFTER THE REPORTING PERIOD

The sudden and rapid spread of the novel coronavirus disease (COVID-19) (the "**Pandemic**") across the global in early 2020, a series of precautionary and control measures by the local government have been and continued to be implemented covering Hong Kong, Malaysia and the Philippines.

In order to control the spread and reduce the scale of infection within Malaysia, the Malaysia government announced the implementation of "Movement Control Order" (also known as "**MCO**") on 16th March 2020, the said MCO was to implement from 18th March 2020 to 31st March 2020 and it was further extended to 28th April 2020 according to the latest announcement made on 10th April 2020. During the MCO period, most of the business and factory are not allowed to operate except for those involved in essential services (including water, electricity, energy, telecommunications, postal, transportation, irrigation, oil, gas, fuel, lubricants, broadcasting, finance, banking, health, pharmacy, fire, prison, port, airport, safety, defense, cleaning, retail and food supply) as well as packaging and ink which form part of the essential for supply chain are being exempted and allowed to operate. However, the exemption are not automatic while each individual company are required to apply for the exemption Ministry of International Trade and Industry ("**MITI**") and it's subject to the approval. Hence, our Malaysia plant has announced the business closure on 18th March and only resume the operation with skeletal workforce upon receiving the approval from MITI on 28th March 2020. Currently, the Malaysia plant are operating to supply the packaging products to customer which involved in foods and medical aspect. Meanwhile, the Malaysia plant also implemented the standard operating procedure and take extra preventive measure which including, checking body temperature of all employees and visitors, enhancement of medical attention for foreign workers, increase frequency of disinfection within the company premises, increase the list of panel clinic as well as practicing the social distancing within the working area.

16. EVENTS AFTER THE REPORTING PERIOD (Continued)

Similarly at Philippines, the local government has declared a partial lockdown on 12th March 2020 and then expanded to total lockdown on the entire Luzon area on 16th March 2020. Although PEZA (Philippines Economic Zone Authority) headquarter published a memo on 13th March 2020 mentioning PEZA related services will continue to resume and company registered under PEZA shall remain operation with skeletal force or work-from-home basis. The Philippines plant also take the similar preventive measure as Malaysia plant to ensure the health of the workforce while resuming the operation. However, our Group anticipated the lock down still form an impact to the business, such as difficulty on delivery for raw material from our supplier due to road closure.

Due to disruption of business activities mentioned above and weakened sentiment in the customer consumption, it might adversely affect our operation and performance for the second half year. The Group is closely monitoring the market situation and continuously evaluating the impact of the Pandemic on the Group's operation and financial performance. Save as the above, the Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 29 February 2020 and up to the date of this report.

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 six months ended 29 February 2020 and 28 February 2019:

	Six months ended			
	29 February 2020		28 February 2019	
	(Unaudited)		(Unaudited)	
	RM'000	**%**	RM'000	%
Sales of production products:				
— Packaging	**65,758**	**56.8**	53,366	56.8
— Insert	**35,968**	**31.1**	24,225	25.8
— Instruction manual	**13,965**	**12.0**	16,177	17.2
— Labels	**42**	**0.1**	161	0.2
	115,733	**100.0**	93,929	100.0

Our Group's total revenue amounted to approximately RM115.7 million and RM93.9 million for the six months ended 29 February 2020 and 28 February 2019 respectively. Approximate 68.5% (2019: 79.3%) 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 RM65.8 million and RM53.4 million for the six months ended 29 February 2020 and 28 February 2019 respectively, representing approximately 56.8% and 56.8% 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 RM36.0 million and RM24.2 million for the six months ended 29 February 2020 and 28 February 2019 respectively, representing approximately 31.1% and 25.8% 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 RM14.0 million and RM16.2 million for the six months ended 29 February 2020 and 28 February 2019 respectively, representing approximately 12.0% and 17.2% 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 RM0.1 million and RM0.2 million for the six months ended 29 February 2020 and 28 February 2019 respectively, representing approximately 0.1% and 0.2% 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. In March 2019, the Group has moved out from the former production plant performing the post-press processes to the then existing 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. The existing production plant also come with a new warehouse which the size is approximately 45,000 square feet ("**sqf**"). 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.

Our Philippines factory is fully equipped with completed production line to meet the requirements for production of packaging. This including one KBA 164 printing press, one CTP machine, two Auto Diecut machines, two Manual Diecut machines, one Stitching Machine, one Polar Cutter, one Laminating machine and one ECT test machine for QA laboratory use.

Moreover, the new warehouse for Malaysia plant is officially completed and has begun to operate. The size of the new warehouse is approximately 72,000 sqf which equipped with 16 loading bays. It help us to reduce the reliance on external warehouse and enhance the efficiency of inventory management.

Despite of the Pandemic, Directors are staying positive to the business of the Company, strive to create long term sustainable value for our Company and shareholders.

FINANCIAL REVIEW

Revenue

Revenue for the six months ended 29 February 2020 increased by approximately 23.2% or approximately RM21.8 million as compared to that of the previous period in 2019. 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. The revenue contributed by the top five customers increased from approximately RM69.1 million for the six months ended 28 February 2019 to RM94.9 million for the six months ended 29 February 2020, which accounted for 73.6% and 82.0% of our total revenue for the corresponding periods, respectively.

Cost of Sales

	Six months ended	
	29 February 2020 (Unaudited) RM'000	28 February 2019 (Unaudited) RM'000
Material costs	**63,268**	54,554
Direct labour	**13,481**	13,244
Manufacturing overhead	**17,368**	12,244
	94,117	80,041

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, subcontracting fee and repair and maintenance costs).

In line with the increase in revenue, the cost of sales for the six months ended 29 February 2020 increased by approximately 17.6% or RM14.1 million as compared to that of the previous period in 2019. The increase in cost of sales was due to (i) increase in cost of materials consumed; and (ii) increase in subcontracting works and manufacturing overhead as a result of increase in depreciation, cost for foreign workers and repair and maintenance.

Gross Profit and Gross Profit Margin

Our gross profit increased about 55.6% from RM13.9 million for the six months ended 28 February 2019 to RM21.6 million for the six months ended 29 February 2020. Our overall gross profit margin increased by 3.9% from approximately 14.8% for the six months ended 28 February 2019 to approximately 18.7% for the six months ended 29 February 2020.

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 27.3% from RM4.7 million for the six months ended 28 February 2019 to RM6.0 million for the six months ended 29 February 2020. The increase in distribution costs was in line with the increase in revenue during the reporting period.

Administrative Expenses

The administrative expenses were approximately RM8.3 million for the six months ended 29 February 2020 (2019: RM6.8 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 of property, plant and equipment which mainly represents the depreciation expenses for our office equipment as well as the depreciation of right-of-use assets.

Finance Costs

Finance costs represented interest on bank overdraft, bank borrowings, finance lease and lease liabilities. For the six months ended 29 February 2020 and 28 February 2019, financial cost amounted to approximately RM4.5 million and RM3.9 million, respectively. The increase was mainly due to the initial measurement of the interest on lease liabilities during the reporting period.

Share of Profit 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 profit of a joint venture was RM2,000 for the six months ended 29 February 2020 (2019: loss of RM5,000).

Net Profit and Earnings per Share

As a result of the foregoing, our Group's net profit was RM3.5 million for the six months ended 29 February 2020 (2019: RM1.5 million). The Group's earnings per share for the six months ended 29 February 2020 was RM0.44 sen (2019: RM0.19 sen).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 29 February 2020,

(a) the Group's net current assets was approximately RM14.0 million (31 August 2019: RM21.9 million) and the Group had cash and cash equivalents of approximately RM9.9 million (31 August 2019: RM18.8 million);

(b) the Group had bank borrowings and lease liabilities of approximately RM121.2 million (31 August 2019: RM126.0 million) and RM32.7 million (31 August 2019: finance lease obligations of RM21.2 million);

(c) the Group's current ratio was approximately 1.1 times (31 August 2019: 1.2 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 66.3% (31 August 2019: 64.6%); and

(d) the Group's total equity attributable to owners of the Company amounted to RM88.3 million (31 August 2019: RM85.4 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 29 February 2020 (2019: 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 29 February 2020.

CAPITAL COMMITMENTS

As at 29 February 2020, the capital commitments of the Group are related to purchase of property, plant and equipment of approximately RM5.9 million (31 August 2019: RM5.7 million).

PLEDGE OF ASSETS

At the 29 February 2020, certain of the Group's property, plant and equipment with net carrying amount of RM70.7 million (31 August 2019: RM48.1 million) were pledged as security for borrowings.

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 report 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 29 February 2020 and 31 August 2019.

FOREIGN CURRENCY RISK

The Group operates mainly in Malaysia, and is exposed to foreign currency risks arising from various currency exposures, mainly with respect to USD and SGD. The Group derives majority of our revenue in RM 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 settles payment in RM. Quotations from suppliers and payments made to them are generally in RM 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 29 February 2020 and 31 August 2019, our Group did not use any derivative financial instrument.

EMPLOYEES AND REMUNERATION POLICY

As at 29 February 2020, the Group had a total of 783 (31 August 2019: 755) 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 29 February 2020, the Group's staff costs, including Directors' emoluments, were approximately RM19.4 million (28 February 2019: RM18.5 million, respectively. 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 29 February 2020 (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 ("**FMCG**"), 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	Yet to commence.

Business strategy	Implementation activities	Actual business progress during the Relevant Period
2. Product line expansion — develop new products/services to increase revenue stream	— Development of new product line — adhesive labels in Malaysia	Yet to commence.
	— 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 has completed.
	— Setting up of low dust facilities in Malaysia for medical and cosmetics, and food and beverage packaging products (phase 2)	Yet to commence.
	— Setting up of sample show room in Malaysia	Yet to commence.
	— Replacement of equipment for Malaysia operations	Company has acquired a new stitching machine to replace the old machine.
	— Purchase of new printing machines(s)	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 has been set up.
	— 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

As disclosed in the Prospectus, the net proceeds from the Share Offer were approximately HK$61 million, after deducting the listing related expenses. As at 29 February 2020, all of the unused 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 during the Relevant Period		**Actual use of proceeds during the Relevant Period**
	%	HK$ million	HK$ million
Diversified customer industry — expansion into other industries	10.1	6.0	5.0
Product line expansion	23.3	14.2	10.1
Geographical expansion	45.8	28.1	23.1
Repayment of bank loan	11.7	7.1	7.1
General working capital	9.1	5.6	5.6
	100.0	61.0	50.9

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 29 February 2020, 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[1]	Percentage of shareholding
Mr. Ong Yoong Nyock ("**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

Name of Directors	Name of associated corporation	Capacity	Number of Shares	Percentage of shareholding
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 29 February 2020, 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 29 February 2020, 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%
Ralexi 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 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 29 February 2020, 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 29 February 2020, 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 29 February 2020.

COMPLIANCE ADVISER'S INTERESTS

As at 29 February 2020, 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 six months ended 29 February 2020.

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 six months ended 29 February 2020.

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 9 January 2020 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.

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, 14 April 2020

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.