Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Luxking Group Holdings Limited

Stock code: BKK

Meeting details:
Date: 28 October 2022
Time: 11.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As noted in the message to shareholders, despite the challenging global business conditions, the group achieved a double-digit growth (13.1%) to its topline in FY2022. This was due mainly to adjustments the group made to the selling prices of its products to compensate for the surge in the cost of raw materials.

(i) **What was the increase (or decrease) in the volume of films sold?**

(ii) **Does the group have spare capacity to support further growth in the volume of business?**

(iii) **How does the group acquire new overseas customers in the General tapes and IS tapes business segments?**

As disclosed, the group's gross profit margin eased from 12.8% in FY2021 to 11.6% in FY2022 due to the surge in the cost of raw materials and higher impairment of inventories.

(iv) **Can management help shareholders better understand its strategy to manage rising cost of raw materials? Is the group able to pass on more of the increases in raw material costs?**

In addition, the group recorded a net foreign exchange loss of RMB 1.3 million in FY2022 as compared to a net foreign exchange gain of RMB 2.2 million in FY2021. In Note 30 (b) (page 84 – Risk management objectives and policies: Foreign currency risk), the company stated that the group's transactions are mainly denominated in RMB, US$ and HK$.

(v) **How much of the group's sales and purchases are denominated in US$/HK$? Is there a significant currency mismatch between the group's sales and costs?**

(vi) **What guidance has the board given to management to better manage the group's foreign currency risks?**

Q2. Net cash generated from operating activities was just RMB 1.87 million (Consolidated statement of cash flows; page 48) partly due to higher inventories and decrease in trade and bills payables.

(i) **What are the benefits of using banks' invoice financing facilities for the purchase of raw materials? Would invoice financing by the banks be more costly to the group?**

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As shown in Note 31 (page 88; Capital management), the group's borrowings increased by 47% from RMB 72.2 million as at 30 June 2021 to RMB 106.0 million as at 30 June 2022.

Capital-to-overall financing ratio at reporting date was as follows:

	2022 RMB'000	2021 RMB'000
Capital:		
Total equity	**123,062**	120,510
Overall financing:		
Total equity	**123,062**	120,510
Bank borrowings, secured	**106,002**	72,156
Lease liabilities	**4,700**	7,498
	233,764	200,164
Capital-to-overall financing ratio	**52.6%**	60.2%

(Source: company annual report)

As at 30 June 2022, the group has total equity of RMB 123.1 million and bank borrowings of RMB 106.0 million. In addition, trade and bills payables amount to RM44.1 million with accrued expenses and other payables adding an addition RMB 13.3 million in liabilities.

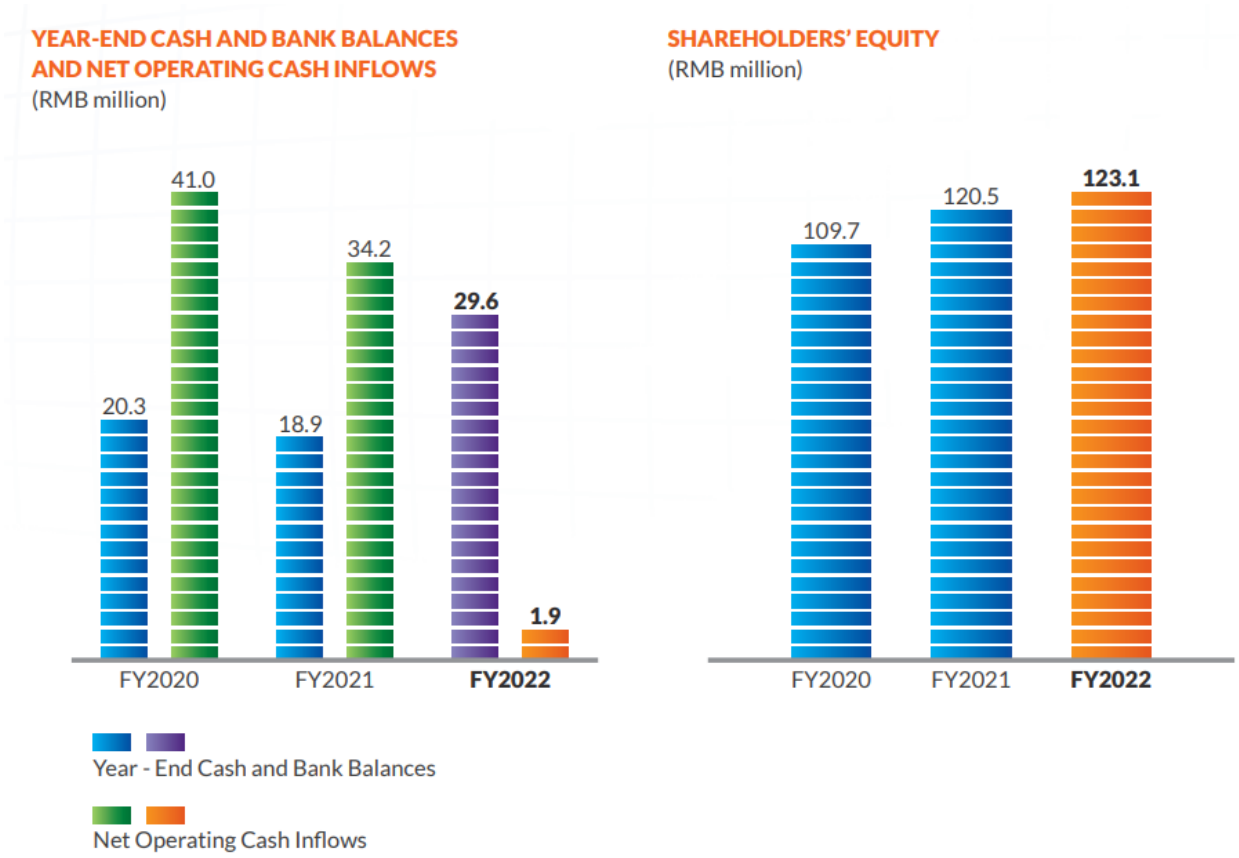
(ii) **Does the group have the appropriate capital structure and sufficient resources to support its growth? Has the board set a limit to the group's leverage?**

From the consolidated statement of cash flows, the group has spent more than RMB17.1 million and RMB 6.3 million in FY2022 and FY2021 respectively on property, plant and equipment.

(iii) **What is the expected capital expenditure for the upgrade of the Zhongshan factory? Are there immediate plans to further expand the new Hubei plant? How will the group be financing the capital expenditure?**

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On the other hand, shareholders' equity has increased to RMB123.1 million (Financial highlights; page 10; shown below).



(Source: company annual report)

(iv) **Did the board deliberate on how the company can support its growth and, at the same time, provide returns to shareholders in the form of dividends?** The company last paid a dividend (of RMB 0.01) to shareholders in 2009.

Q3. In the corporate governance report, it was disclosed that the company outsources its internal audit function to Weide Certified Public Accountants Guangdong ("IA"). The IA has adopted a risk-based auditing approach in the internal audit review carried out in the financial year.

It was further disclosed that the IA reports its findings and recommendations to management. A finalised report incorporating management's response is then submitted to the audit committee (AC) for review and discussion on a half-yearly basis.

(i) **How was the scope of the internal audit plan determined? What role did the AC play in determining the scope of the IA?**

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(ii) **What is the length of the internal audit cycle?**

(iii) **Were the scope and effectiveness of the IA impaired in the past two years due to pandemic-related travel restrictions in China?**

(iv) It appears that the IA currently reports its findings to management. **Is this in line with international standards/best practices? Would the AC consider having the IA report its findings and recommendations direct to the AC?**

(v) **Please also disclose the key findings and recommendations by the IA.**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)