



Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Email: admin@sias.org.sg
www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: Luxking Group Holdings Limited

Stock code: BKK

Meeting details:

Date: 25 Oct 2024

Time: 9.00 a.m.

Venue: Furama City Centre, Level 2, Heritage Room, 60 Eu Tong Sen Street, Singapore 059804

Q1. For the financial year ended 30 June 2024, the group recognised revenue of RMB553.5 million, driven by stronger demand across all three business segments. With an improved gross profit margin of 15.4% (up from 12.1% in FY2023), the group achieved a net profit of RMB10.3 million, reversing a net loss of RMB(0.9) million in the previous year.

- (i) For the benefit of shareholders, can management clarify the key applications of its products in the following areas:**
 - a. In the core customer markets of smartphones, consumer electronics and home appliances for industrial specialty (IS) tapes,**
 - b. In the automotive industry, particularly regarding the new products being developed, and**
 - c. Of high-end biaxially oriented polypropylene films (BOPP)-films?**
- (ii) How differentiated are the group's products, and to what extent are they susceptible to commoditisation?**

The group has commenced operations at the Hubei plant, with the first two manufacturing lines focusing on PE-extrusion coating and silicone coating, alongside ongoing developments for a multi-use complex and additional production lines etc. With RMB21 million already invested in capital expenditure, the group projects a further RMB9.5 million in FY2025.

- (iii) To what extent is the Hubei plant automated, and how has this reduced reliance on manpower?**
- (iv) What is the total floor space available at the Hubei plant, and how much further expansion can it accommodate?**
- (v) Has the Hubei plant been designed to improve cost efficiency, and if so, what impact does management expect on future profit margins?**
- (vi) What strategic objectives guide the group's expansion into the northern region of China? Can management specify the key industries and customers targeted in these markets?**
- (vii) Has the board considered the global trends of "reshoring", "nearshoring" and "friendshoring" and what are the strategic implications of these trends for the group's long-term growth plans?**

Q2. The “net realisable value of inventories” is a key audit matter (KAM) highlighted by the independent auditors in their report on the audit of the financial statements. Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As noted in the KAM, the group’s inventories amounted to RMB94.6 million which represents 39.1% of the current assets of the group as at 30 June 2024. The group’s warehousing footprint spans approximately 16,000 square meters across its headquarters in Zhongshan, the Hubei plant and the Hangzhou branch office.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

16. INVENTORIES – GROUP

	2024 RMB'000	2023 RMB'000
Raw materials	47,644	44,279
Work-in-progress	30,256	25,009
Finished goods	22,618	20,948
	100,518	90,236
Less: Write-down for inventory obsolescence	(5,911)	(6,014)
	94,607	84,222

For the year ended 30 June 2024, the Group recognised inventory write-down of RMB1,101,000 (2023: RMB2,999,000) in profit or loss. The Group has also recognised a reversal of RMB1,204,000 (2023: RMB285,000), being part of an inventory write-down made in previous financial years, as the inventories were sold above the carrying amounts during the year.

(Source: company annual report)

- (i) **Could management provide insights into the inventory turnover trends over the past 2-3 years?**
- (ii) **With the expansion to a second Hubei plant, what specific strategies have been implemented to optimise inventory management? Does the board foresee inventory levels increasing proportionally, or are there efficiency measures (such as demand forecasting, just-in-time inventory etc) in place to mitigate such growth?**

- (iii) **What specific guidance or performance benchmarks has the board set for management to enhance inventory turnover and optimise working capital, especially in light of the inventory balance representing 39% of current assets?**

Q3. At the conclusion of the annual general meeting, Mr Chng Hee Kok will step down as the lead independent non-executive director of the company. Mr Chng Hee Kok was first appointed to the board on 17 June 2005. SGX has updated its rules to limit the tenure of independent directors to 9 years.

- (i) **Could the board provide a breakdown of the company's total shareholder return over the past 5, 10, and 20 years?**
Resolution 5 of the notice of annual general meeting dated 3 October 2024 seeks shareholders' approval on the payment of a one-time ex-gratia payment of \$28,000 to the director. Explanatory Note (ii) states that the proposed one-off ex-gratia payment is a token of appreciation and recognises the director's contribution to the group.
- (ii) **Can the board/director help shareholders better understand the specific contributions and achievements of the director? How do these contributions align with the company's performance, particularly with respect to TSR?**
- (iii) **How does the board reconcile this ex-gratia payment with shareholder value creation?**
- (iv) **Is it common practice for the company to offer one-time ex-gratia payments upon the retirement of directors? Can the board elaborate on how this aligns with corporate governance best practices?**
- (v) **Has the board considered if this is in line with corporate governance best practices?**
- (vi) **How was the amount for the ex-gratia payment determined? Was it based on a pre-existing formula, peer comparison, or was it a discretionary decision made by the board?**



Separately, Ms Kwok Meei Ying, Monica was appointed as an independent director on 6 September 2024.

CHANGE - ANNOUNCEMENT OF APPOINTMENT::APPOINTMENT OF INDEPENDENT DIRECTOR

Date Of Appointment

06/09/2024

Name Of Person

Kwok Meei Ying, Monica

Age

51

Country Of Principal Residence

Singapore

The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process)

The Board of Directors (the "Board"), having considered the assessment and recommendation by the Nominating Committee, and having reviewed and considered the qualification and experiences of Ms Kwok Meei Ying, Monica ("Monica Kwok"), as well as the composition and diversity of gender and skillsets of the Board, is of the view that Ms Monica Kwok possess the requisite qualification and experience to be appointed as an Independent Director of the Company and as such, has approved her appointment.

The Board has considered Ms Monica Kwok to be independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Whether appointment is executive, and if so, the area of responsibility

Non-Executive

Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)

Independent Director

Professional qualifications

Master of Business Administration - Southern Cross University

Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or any of its principal subsidiaries

Nil

(Source: <https://links.sgx.com/1.0.0/corporate-announcements/0DGEU3OIVJ4J0QFF/0a7d13feca9df8ff2f6864bb7988b36f7e6964431546132851c045c8b3fad8b5>)

- (vii) **Would the nominating committee elaborate further on the rationale, selection criteria and the search and nomination process, that led to the nomination and appointment of Ms Kwok Meei Ying, Monica, as required in the SGX template?**



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