

LUXKING GROUP HOLDINGS LIMITED
(Incorporated in Bermuda)

**RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED
("SGX-ST") ON THE UNAUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

The Board of Directors (the "**Board**") of Luxking Group Holdings Limited (the "**Company**") refers to the following queries raised by the SGX-ST on 31 August 2021 and would like to provide additional information in relation to the Company's unaudited financial statements for the financial year ended 30 June 2021 ("**FY2021**"), as follows:

SGX Query (a):

It is disclosed on page 1 of the Financial Statements that there is an impairment loss of trade receivables reversed of RMB 5,414,000. Please provide the background for the impairment loss and the basis for the reversal of impairment loss.

Company's Response (a):

For the impairment assessment of trade receivables, the Group measures loss allowances for trade receivable using IFRS 9 simplified approach and has calculated expected credit losses ("ECLs") based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

During FY2021, the Group recognised reversal of RMB5.414 million impairment loss of trade receivables due to the following:

- a. The actual receipt of RMB2.102 million from long outstanding receivables (due over 1 year as per the Group's policy) which was fully impaired in prior years; and
- b. Decrease in expected credit loss for those non-credit impaired receivables of RMB3.312 million in view of improvement in default rate of the Group on the past five years' historical credit loss experience and speedy recovery of PRC's economy from COVID-19 pandemic.

SGX Query (b):

Given the Group's significant short-term liabilities of RMB150,117,000 and cash and bank balance of only RMB18,850,000, please disclose the Board's assessment on (i) whether the Company's current assets are adequate to meet the Company's short term liabilities of RMB150,117,000, including its bases of assessment; and (ii) how the Company intends to fulfil its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.

Company's Response (b):

- (i) As announced in the Company's unaudited financial statements for FY2021, the Company's current assets consisted of trade and bills receivables of RMB87.8 million as at 30 June 2021.

As of this announcement date, the debtor turnover of the Group's trade receivables is in a healthy position and no significant bad debt or impairment of trade receivables is expected. In FY2021, the debtor turnover days on an annualised basis has shortened to 63 days, as compared to 84 days in FY2020. The Group is expected to receive timely payment from trade debtors to meet the Company's short-term liabilities.

In addition, all of the Group's banking facilities are short-term and of a revolving nature. As of this announcement date, the utilisation rate of the Group's total available banking facilities is less than 50%. The availability of the unutilised banking facilities provides flexibility for the Group to obtain short term financing when needed.

Based on the above, the Board is of the opinion that the Group is able to meet the short-term liabilities when they fall due.

- (ii) As announced in the Company's unaudited financial statements for FY2021, the Company's current liabilities mainly consisted of the bank borrowings of RMB72.1 million and trade payables of RMB59.1 million as at 30 June 2021. As of this announcement date, the Group is able to meet its payment obligation when they fall due.

There is no debt repayment plan. Management performs frequent review of the Group's cashflow position, and repay its bank borrowings as and when appropriate. The Group's total borrowings has declined from RMB91.2 million in FY2020 to RMB72.2 million in FY2021.

Based on the on-going review, the Company does not foresee any issue to fulfil its debt obligations in the next 12 months.

By Order of the Board

Leung Chee Kwong
Executive Chairman and Chief Executive Officer

2 September 2021