LUXKING GROUP HOLDINGS LIMITED
(Incorporated in Bermuda)

FULL YEAR FINANCIAL STATEMENT ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2019

PART I INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

The directors are pleased to announce the unaudited operating results of the Group for the year ended 30 June 2019.

UNAUDITED RESULTS FOR THE YEAR ENDED 30 JUNE 2019

1(a)(i) Income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group Year ended 30.6.2019 RMB'000	Group Year ended 30.6.2018 RMB'000	+ / (-) %
Revenue	376,873	531,837	(29.1%)
Cost of sales	(350,014)	(475,557)	(26.4%)
Gross profit	26,859	56,280	(52.3%)
Other income (Note 1)	860	1,249	(31.1%)
Selling and distribution costs	(16,797)	(15,215)	10.4%
Administrative expenses	(29,280)	(27,690)	5.7%
Other operating expenses	(38,083)	(799)	n/m
Finance costs	(6,426)	(6,860)	(6.3%)
(Loss)/profit before income tax	(62,867)	6,965	n/m
Income tax expense	(1,957)	(3,488)	(43.9%)
(Loss)/profit for the year	(64,824)	3,477	n/m

1(a)(ii) A statement of profit or loss and other comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group Year ended 30.6.2019 RMB'000	Group Year ended 30.6.2018 RMB'000	+ / (-) %
(Loss)/profit for the year	(64,824)	3,477	n/m
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of financial statements of foreign operations	1,273	(1,024)	n/m
Total comprehensive income attributable to the owners of the Company	(63,551)	2,453	n/m

1(a)(iii) (Loss)/profit before income tax is arrived at after charging/(crediting): -

	Group Year ended 30.6.2019 RMB'000	Group Year ended 30.6.2018 RMB'000	+ / (-) %
Property, plant and equipment written-off	4	6	(33.3%)
Fair value gain on investment property	(7)	(8)	(12.5%)
Depreciation of property, plant and equipment	14,651	16,156	(9.3%)
Amortisation of land use rights	111	111	0.0%
Bad debts written-off	-	199	(100.0%)
Impairment of trade receivables	29,207	571	n/m
Inventories write-down	1,070	540	98.1%
Interest expenses	6,426	6,860	(6.3%)
Net foreign exchange loss/(gain)	1,893	(663)	n/m

Note 1:

Other income comprises the following items:

	Group Year ended 30.6.2019 RMB'000	Group Year ended 30.6.2018 RMB'000	+ / (-) %
Fair value gain on investment property	7	8	(12.5%)
Interest income	62	115	(46.1%)
Net gain on sale of raw materials	289	362	(20.2%)
Net foreign exchange gain	-	663	(100.0%)
Write-back of impairment of trade receivables	417	-	n/m
Others	85	101	(15.8%)
	860	1,249	(31.1%)

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	As at 30.6.2019	As at 30.6.2018	As at 30.6.2019	As at 30.6.2018
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	70,243	81,971	-	-
Investment property	435	428	-	-
Land use rights	7,388	3,399	-	-
Interests in subsidiaries	-	-	105,448	105,120
Deposits for acquisition of land use rights	4,100	-	-	-
	82,166	85,798	105,448	105,120
Current assets				
Inventories	53,855	59,198	-	-
Trade and bills receivables	117,815	180,148	-	-
Prepayments, deposits and other receivables	12,378	12,299	12	4
Restricted bank deposits	1,109	1,042	-	-
Cash and bank balances	19,248	18,638	-	-
	204,405	271,325	12	4
TOTAL ASSETS	286,571	357,123	105,460	105,124
EQUITY AND LIABILITIES				
Equity attributable to the owners of the Company				
Share capital	133,557	133,557	133,557	133,557
Reserves	(24,880)	39,046	(29,503)	(29,898)
Total equity	108,677	172,603	104,054	103,659
Current liabilities				
Trade payables	34,073	34,896	-	-
Accrued expenses and other payables	14,221	14,657	1,406	1,465
Bank borrowings, secured	111,998	106,428	-	-
* Other borrowings	12,525	-	-	-
Income tax payables	977	1,039	-	-
	173,794	157,020	1,406	1,465
Non-current liabilities				
* Other borrowings	-	27,500	-	-
Deferred income	4,100	-	-	-
	4,100	27,500	-	-
Total liabilities	177,894	184,520	1,406	1,465
TOTAL EQUITY AND LIABILITIES	286,571	357,123	105,460	105,124

* The other borrowings balance of RMB27.5 million stated as non-current liabilities as at 30 June 2018 was reduced to RMB11.4 million as at 30 June 2019 which is repayable on 31 December 2019. Therefore, the sum was transferred to current liabilities as at 30 June 2019.

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30.6.2019		As at 30.6.2018	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
113,123	11,400	106,428	-

Amount repayable after one year

As at 30.6.2019		As at 30.6.2018	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	27,500

Details of any collateral

The Group's bank borrowings of RMB111,998,000 represent:

(i) bank loans granted by China Construction Bank and Bank of Communications in the People's Republic of China (the "PRC");
(ii) export finance granted by Industrial and Commercial Bank of China Limited and China Construction Bank in the PRC;
(iii) medium and short-term bank loans granted by CTBC Bank Co. Ltd. in Hong Kong; and
(iv) trust receipt loans granted by CTBC Bank Co. Ltd. in Hong Kong.

As at 30 June 2019, the Group's bank borrowings were secured by corporate guarantees executed by the Company, a subsidiary of the Company and Mr Leung Chee Kwong, director of the Company, the pledge of certain of the Group's property, plant and equipment, the Group's certain land use rights, the Group's restricted bank deposits and an independent third party's land use rights.

These bank borrowings of RMB112.0 million bear fixed interest rates ranging from 3.0% to 5.9% per annum and floating interest rates from 2.8% to 3.7% per annum.

As at 30 June 2019, other borrowings comprise of finance lease liabilities of RMB1.1 million and other borrowings of RMB11.4 million. The Group's finance lease liabilities are secured by the underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default of repayment by the Group. Other borrowings of RMB11.4 million are unsecured.

The finance lease liabilities of RMB1.1 million bears an effective rate of 12.5% per annum. Other borrowings of RMB11.4 million bears interest rate at the prevailing market rate in the PRC plus 1% per annum. The effective interest rate was 6.9% per annum as at 30 June 2019. As at 30 June 2019, the other borrowings of RMB11.4 million is repayable on 31 December 2019.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group Year ended 30.6.2019	Group Year ended 30.6.2018
Cash flows from operating activities		
(Loss)/profit before income tax	(62,867)	6,965
Adjustments for:		
Fair value gain on investment property	(7)	(8)
Interest income	(62)	(115)
Interest expenses	6,426	6,860
Amortisation of land use rights	111	111
Depreciation of property, plant and equipment	14,651	16,156
Bad debts written-off	-	199
Impairment of trade receivables	29,207	571
Inventories write-down	1,070	540
Property, plant and equipment written-off	4	6
Operating (loss)/profit before working capital changes	(11,467)	31,285
Decrease in inventories	4,290	3,649
Decrease/(increase) in trade and bills receivables	33,286	(7,845)
Decrease/(Increase) in prepayments, deposits and other receivables	807	(2,698)
(Decrease)/increase in trade and bills payables	(831)	7,966
Decrease in accrued expenses, deposits received and other payables	(318)	(1,496)
Cash generated from operations	25,767	30,861
Interest received	62	115
Income taxes paid	(2,026)	(3,396)
Net cash generated from operating activities	23,803	27,580
Cash flows from investing activities		
Increase in deposit for acquisition of land use rights	(4,100)	-
(Increase)/decrease in restricted bank deposits	(67)	21
Purchases of property, plant and equipment	(2,779)	(3,038)
Purchase of land use rights	(4,100)	-
Net cash used in investing activities	(11,046)	(3,017)
Cash flows from financing activities		
Interest on bank borrowings and other borrowings	(6,611)	(7,072)
Increase in deferred income	4,100	-
Proceeds from bank borrowings	158,718	143,448
Repayments of bank borrowings	(153,499)	(143,737)
Proceeds from other borrowings	3,000	-
Repayments of other borrowings	(17,975)	(18,000)
Net cash used in financing activities	(12,267)	(25,361)
Net increase/(decrease) in cash and cash equivalents	490	(798)
Cash and cash equivalents at beginning of year	18,638	19,667
Effect of foreign exchange rate changes, net	120	(231)
Cash and cash equivalents at end of year	19,248	18,638
Analysis of balances of cash and cash equivalents		
Cash and bank balances	19,248	18,638

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group

	Share capital	Share premium	Other reserves	Exchange reserve	Retained profits/ (Accumulated losses)	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1.7.2017	133,557	33,961	10,910	(15,807)	7,529	170,150
Profit for the year	-	-	-	-	3,477	3,477
Other comprehensive income, net of income tax						
- Exchange loss on translation of financial statements of foreign operations	-	-	-	(1,024)	-	(1,024)
Total comprehensive income for the year	-	-	-	(1,024)	3,477	2,453
Appropriation to other reserves	-	-	689	-	(689)	-
At 30.6.2018	133,557	33,961	11,599	(16,831)	10,317	172,603
At 1 July 2018 as originally presented	133,557	33,961	11,599	(16,831)	10,317	172,603
Initial application of IFRS 9	-	-	-	-	(375)	(375)
Restated balance at 1 July 2019	133,557	33,961	11,599	(16,831)	9,942	172,228
Loss for the year	-	-	-	-	(64,824)	(64,824)
Other comprehensive income, net of income tax						
- Exchange gain on translation of financial statements of foreign operations	-	-	-	1,273	-	1,273
Total comprehensive income for the year	-	-	-	1,273	(64,824)	(63,551)
At 30.6.2019	133,557	33,961	11,599	(15,558)	(54,882)	108,677

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Company

	Share capital	Share premium	Exchange reserve	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1.7.2017	133,557	33,961	(31,576)	(25,318)	110,624
Loss for the year	-	-	-	(3,794)	(3,794)
Other comprehensive income, net of income tax					
- Exchange loss on translation of the Company's financial statements to RMB	-	-	(3,171)	-	(3,171)
Total comprehensive income for the year	-	-	(3,171)	(3,794)	(6,965)
At 30.6.2018 and 1.7.2018	133,557	33,961	(34,747)	(29,112)	103,659
Loss for the year	-	-	-	(4,012)	(4,012)
Other comprehensive income, net of income tax					
- Exchange gain on translation of the Company's financial statements to RMB	-	-	4,407	-	4,407
Total comprehensive income for the year	-	-	4,407	(4,012)	395
At 30.6.2019	133,557	33,961	(30,340)	(33,124)	104,054

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Not applicable

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	Ordinary shares	
	As at 30.6.2019	As at 30.6.2018
Total number of issued shares	12,650,000	12,650,000

(There were no treasury shares)

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in item 5 below, the same accounting policies and methods of computations used in the audited financial statements for the year ended 30 June 2018 have been applied to the financial statements for the current year.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

During the year, the Group has adopted all the new and amended IFRSs which are first effective for the reporting year and relevant to the Group as follows:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 15	Revenue from Contracts with Customers (Clarifications to IFRS 15)
Amendments to IAS 40	Transfers of Investment Property
IFRIC–Int 22	Foreign Currency Transactions and Advance Consideration

Except as explained below, the adoption of these new and amended IFRSs did not result in material changes to the Group's accounting policies.

IFRS 9 Financial Instruments

(i) Classification and measurement of financial instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of IFRS 9 from 1 July 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The following tables summarised the impact, net of tax, of transition to IFRS 9 on the opening balance of retained profits as of 1 July 2018 as follows:

	RMB'000
Retained profits as at 30 June 2018	10,317
Increase in expected credit losses ("ECLs") on trade receivables	(375)
Restated retained profits as at 1 July 2018	9,942

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at fair value through profit or loss ("FVTPL"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of IFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under IFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with IFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under IFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under IFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The following table summarises the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 July 2018:

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Carrying amount as at 1 July 2018 under IAS 39	Carrying amount as at 1 July 2018 under IFRS 9
			RMB'000	RMB'000
Trade receivables	Loans and receivables	Amortised cost	180,148	179,773
Prepayments, deposits and other receivables	Loans and receivables	Amortised cost	12,299	12,299
Restricted bank deposits	Loans and receivables	Amortised cost	1,042	1,042
Cash and bank balances	Loans and receivables	Amortised cost	18,638	18,638

(ii) Impairment of financial assets

The adoption of IFRS 9 has changed the Group's impairment model by replacing the IAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". IFRS 9 requires the Group to recognised ECL for trade receivables and other financial assets at amortised costs earlier than IAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under IFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using IFRS 9 simplified approach and has calculated 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.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date.

However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECL model

As mentioned above, the Group applies the IFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance as at 1 July 2018 was determined as follows for trade receivables as follows:

1 July 2018	Current	Less than 30 days past due	More than 30 days past due	More than 90 days past due	Individual assessment	Total
Expected credit loss rate	**0.13%**	**0.57%**	**0.88%**	**4.31%**	**100%**	
Gross carrying amount (RMB'000)	**156,413**	**13,311**	**10,372**	**52**	**571**	**180,719**
Loss allowance (RMB'000)	**206**	**76**	**91**	**2**	**571**	**946**

The increase in loss allowance for trade receivables upon the transition to IFRS 9 as of 1 July 2018 were RMB375,000. The loss allowances further increased to RMB29,736,000 for trade and bills receivables during the year ended 30 June 2019.

(iii) Hedge accounting

Hedge accounting under IFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in IFRS 9 such that IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 30 June 2018, but are recognised in the statement of financial position on 1 July 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained profits as at 1 July 2018. Accordingly, the information presented for 2018 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

The determination of the business model within which a financial asset is held have been made on the basis of the facts and circumstances that existed at the date of initial application of IFRS 9.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. IFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.
The Group has adopted IFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained profits at the date of initial application (that is, 1 July 2018). As a result, the financial information presented for 2018 has not been restated.

The adoption of IFRS 15 does not have a material impact on the amounts reported to the consolidated financial statements of the Group based on the existing business model of the Group. However, upon the adoption of IFRS 15, amount previously presented as "deposits received" as at 30 June 2018 has been reclassified as "contract liabilities" on 1 July 2018. These contract liabilities mainly relate to advance considerations received from customers and arose from sales of goods. The Group may take certain deposits from customers on acceptance of the order, with the remainder of the consideration payable upon the delivery of the finished goods. If the customer cancels the order, then the Group immediately refund the deposits less costs incurred, if any, to customers.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group Year ended 30.6.2019 RMB	Group Year ended 30.6.2018 RMB
Basic (loss)/earnings per ordinary share	(5.12)	0.27

Basic loss per ordinary share for year ended 30 June 2019 are calculated based on the loss attributable to the owners of the Company of approximately RMB64,824,000 (2018: profit of RMB3,477,000) divided by 12,650,000 (2018: 12,650,000) ordinary shares in issue during the year.

Diluted (loss)/earnings per share for the years ended 30 June 2019 and 2018 are the same as the basic (loss)/earnings per share, as the Group has no dilutive potential shares during both years.

7. Net assets value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the: -

(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	As at 30.6.2019	As at 30.6.2018	As at 30.6.2019	As at 30.6.2018
	RMB	RMB	RMB	RMB
Net assets value per ordinary share	8.59	13.64	8.23	8.19

Net assets value per ordinary share is calculated based on the issued ordinary shares of 12,650,000 ordinary shares as at 30 June 2019 and 30 June 2018.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: -

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

(a) review of profit and loss

FY2019 vs FY2018

Group Revenue

Group revenue decreased 29.1% from RMB531.8 million in FY2018 to RMB376.9 million in FY2019. This was due mainly to the biaxally oriented polypropylene films ("BOPP films") segment which recorded a substantial drop in sales of 51.3% from RMB318.1 million in FY2018 to RMB155.0 million in FY2019.

Demand for BOPP films contracted considerably in FY2019 as the escalating trade tensions between the PRC and USA, coupled with a slowdown in the PRC economy, had an adverse impact on the business activities for some of the Group's customers.

However, sales of industrial specialty tapes ("IS tapes") increased 8.1% from RMB118.0 million in FY2018 to RMB127.6 million in FY2019, driven mainly by expanded customer base in the domestic market and wider product range. Sales of general purpose tapes ("General tapes") dipped marginally from RMB95.7 million in FY2018 to RMB94.3 million in FY2019.
As a result of the above, the BOPP films segment's revenue contribution decreased to 41.1% in FY2019 (59.8% in FY2018). The IS tapes segment accounted for 33.8% of total sales in FY2019 (22.2% in FY2018). Revenue contribution from the General tapes segment increased to 25.0% (18.0% in FY2018).

In terms of revenue by geographical markets, sales to the domestic market fell 35.0% from RMB449.9 million to RMB292.4 million in FY2019, attributed mainly to lower sales of the

BOPP films segment. Domestic market accounted for 77.6% of Group revenue in FY2019 (84.6% in FY2018). Sales to overseas markets improved slightly by 3.2% from RMB81.9 million in FY2018 to RMB84.5 million in FY2019 on the back of higher export sales of IS tapes and General tapes.

Group Gross Profit and Gross Profit Margin

The Group's gross profit declined 52.2% from RMB56.3 million to RMB26.9 million in FY2019. Correspondingly, gross profit margin narrowed to 7.1% in FY2019 from 10.6% in FY2018. This was attributed mainly to the substantial reduction in revenue which resulted in under-absorption of fixed overheads and intensified competition amid the economic slowdown which led to significant pressure on average selling prices.

Other Income

Other income decreased from RMB1.2 million to RMB0.9 million in FY2019, due mainly to a net foreign exchange loss incurred for FY2019 as compared to a net foreign exchange gain in FY2018. The net foreign exchange loss was reflected in administrative expenses.

Selling and Distribution Costs, Administrative and Other Operating Expenses

Selling and distribution costs increased 10.4% from RMB15.2 million in FY2018 to RMB16.8 million in FY2019, due mainly to higher transportation costs and export fees in tandem with increased sales to overseas markets, higher staff costs and marketing-related expenses.

Administrative expenses increased 5.7% from RMB27.7 million in FY2018 to RMB29.3 million in FY2019, attributed mainly to a net foreign exchange loss of approximately RMB1.9 million as a result of the depreciation of the Renminbi.

Other operating expenses incurred in FY2019 amounted to RMB38.1 million compared to RMB0.8 million in FY2018. This increase was attributed mainly to:

1) impairment of trade receivables of RMB28.0 million in relation to outstanding amounts that are long past overdue from four customers whose businesses had closed abruptly or were severely affected by the trade tensions and economic slowdown. An impairment of RMB17.4 million arose from a longstanding customer of 16 years that had absconded after shutting down its factory in Guangzhou and removing all assets (Please refer to the Company's announcements on 3 April 2019 and 26 April 2019). An impairment of RMB3.5 million was also recognised from a customer who had been trading regularly with the Group for 7 years and after unsuccessful negotiations for settlement, the Company has proceeded with legal claims against the customer. In addition, an impairment for an aggregate amount of RMB6.8 million was made for outstanding receivables from two other long standing customers who are encountering cash-flow problems due to the negative impact of the trade tensions on their businesses. The Company is currently in active discussions with these two customers to establish a repayment plan.
2) provision for ECLs of RMB1.4 million for collectively assessed trade receivables in line with the adoption of IFRS 9. Details of ECLs assessment are shown on "Impact of the ECL model" in section 5.
3) compensation to customers amounting to RMB8.8 million for certain batches of higher grade BOPP films that had quality issues as a result of a production signal glitch in the manufacturing equipment. In order to maintain good business relationships with these customers, the Group had reached amicable agreements with them.

Finance Costs

Finance costs declined 6.3% from RMB6.9 million in FY2018 to RMB6.4 million in FY2019 due mainly to a decrease in other borrowings.

Income Tax

Income tax expense of RMB2.0 million for FY2019 included payment of certain taxes allocated by the local provincial government.

Group Net Profit / Loss

The result of the foregoing is that the Group recorded a significant loss after tax of RMB64.8 million in FY2019, compared to a profit of RMB3.5 million in FY2018.

(b) Review of Financial Position as at 30 June 2019

Non-current assets decreased from RMB85.8 million as at 30 June 2018 to RMB82.2 million as at 30 June 2019, due mainly to the net effect of depreciation of property, plant and equipment and the acquisition of land use rights in Hubei, PRC.

Inventories decreased from RMB59.2 million as at 30 June 2018 to RMB53.9 million as at 30 June 2019 in tandem with slower demand. Trade and bills receivables decreased from RMB180.1 million as at 30 June 2018 to RMB117.8 million as at 30 June 2019 due to lower sales and impairment of trade receivables. Debtor turnover days shortened to around 114 days compared to 121 days in FY2018. Prepayments, deposits and other receivables increased slightly to RMB12.4 million as at 30 June 2019 from RMB12.3 million as at 30 June 2018.

Cash and bank balances increased from RMB18.6 million as at 30 June 2018 to RMB19.2 million as at 30 June 2019 due mainly to net cash generated from operating activities of RMB23.8 million, which was offset partially by net cash used in investing activities, interest payment and net repayment of other borrowings. Total borrowings including other borrowings declined from RMB133.9 million as at 30 June 2018 to RMB124.5 million as at 30 June 2019, due mainly to repayment of other borrowings of RMB18.0 million.

Trade payables decreased marginally from RMB34.9 million as at 30 June 2018 to RMB34.1 million as at 30 June 2019. Accrued expenses and other payables decreased from RMB14.7 million to RMB14.2 million as at 30 June 2019 due to settlement of outstanding expenses and payables. Income tax payables were steady at RMB1.0 million as at 30 June 2019. The Group recorded deferred income of RMB4.1 million as at 30 June 2019 which arose from a local government grant for its new plant in Hubei, the PRC.

Group Cash Flows

Net cash generated from operating activities in FY2019 amounted to RMB23.8 million. This was derived primarily from net working capital inflows of around RMB37.2 million, which offset the operating loss before working capital changes of around RMB11.5 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The Group's financial results for FY2019 are in line with the profit guidance announcements on 21 January 2019, 3 April 2019, 26 April 2019 and 16 August 2019.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The business environment is expected to remain challenging as the global economic outlook is clouded by uncertainty amid escalating trade tensions between the USA and the PRC and the economic slowdown in the PRC. These factors have taken a toll on the business activities of some of the Group's customers, which led to a steep fall in demand for the Group's BOPP film products in FY2019. Against this backdrop, the Group will have to contend with increased competition and price pressures. The Group's profit margins are also subject to changes in material costs, operating expenses, environmental compliance costs as well as volatility in foreign currency exchange rates.

Notwithstanding the current difficult operating conditions, the Group intends to stay focused on its long term business strategy to optimise its revenue mix by further developing sales of its higher grade of IS tapes and BOPP films products. It will concurrently work on improving production efficiency and maximising production yield, as well as ensuring a tight watch on operational costs, in a bid to mitigate continual price and cost pressures.

To improve its competitive position and remain relevant to customers, the Group will continue with its research & development efforts to expand and enhance its product range of IS tapes and BOPP films. The Group is also developing new IS tapes to penetrate new industries such as electronic displays, automotive and medical to broaden its customer and revenue base. To cater for customers' demands, two additional IS tapes production lines have come on-stream during FY2019.

Besides seeking business opportunities with existing customers, the Group also plans to drive expansion of its customer base. The Group has set up a new manufacturing facility in Hubei, the PRC, to enable the Group to improve its local support to its existing customers in the Northern region, as well extend its market penetration for new prospective customers. The new plant in Hubei is currently in the early planning stage and the target is to complete the plant by 2022.

11. If a decision regarding dividend has been made: -

(a) Whether an interim (final) ordinary dividend has been declared (recommended).

No dividend has been declared or recommended for the current financial period reported on.

(b)	(i)	Amount per share	:	Not applicable
	(ii)	Previous corresponding period	:	Not applicable

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable

(d) The date the dividend is payable.

Not applicable

(e) The date on which Registrable Transfers received by the company (up to 5:00 pm) will be registered before entitlements to the dividend are determined.

Not applicable

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared or recommended for the year ended 30 June 2019 since the Group incurred loss for the year.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

There was no IPT in FY2019.

14. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1)

Pursuant to Rule 720(1) of the Listing Manual, the Company has procured undertakings from all its directors and executive officers.

PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)

15. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

	2019					
	Manufacture of General Tapes RMB'000	Manufacture of Industrial Tapes RMB'000	Manufacture of BOPP films RMB'000	Trading of tapes and BOPP films RMB'000	Eliminations RMB'000	Group RMB'000
Revenue from external customers	41,306	96,142	154,976	84,449	-	376,873
Other income	76	86	127	-	-	289
Inter-segment sales	50,629	30,074	-	-	(80,703)	-
Reportable segment revenue	92,011	126,302	155,103	84,449	(80,703)	377,162
Reportable segment results	(17,428)	3,427	(42,098)	3,097	-	(53,002)

	2018					
	Manufacture of General Tapes RMB'000	Manufacture of Industrial Tapes RMB'000	Manufacture of BOPP films RMB'000	Trading of tapes and BOPP films RMB'000	Eliminations RMB'000	Group RMB'000
Revenue from external customers	44,994	87,525	317,425	81,893	-	531,837
Other income	69	68	225	-	-	362
Inter-segment sales	48,871	28,860	619	-	(78,350)	-
Reportable segment revenue	93,934	116,453	318,269	81,893	(78,350)	532,199
Reportable segment results	(11,031)	11,693	13,701	3,167	-	17,530

	Revenue from external customers	
	2019	2018
	RMB'000	RMB'000
The PRC	**292,424**	449,944
Hong Kong	**877**	736
Other countries	**83,572**	81,157
	376,873	**531,837**

16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Not applicable

17. A breakdown of sales.

	Group Year ended 30.6.2019 RMB'000	Group Year ended 30.6.2018 RMB'000	+ / (-) %
Revenue reported for the 1st half year	199,612	266,482	(25.1%)
Operating (loss)/profit after tax for the 1st half year	(9,339)	2,363	n/m
Revenue reported for the 2nd half year	177,261	265,355	(33.2%)
Operating (loss)/profit after tax for the 2nd half year	(55,485)	1,114	n/m

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

	Year ended 30.6.2019 RMB'000	Year ended 30.6.2018 RMB'000
Ordinary	NIL	NL
Total	NIL	NL

19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family Relationship with any Director and/or Chief Executive Officer and/or Substantial Shareholder	Current position and duties, and the year position was first held	Details of changes in duties and position held, if any, during the year
Leung Hi Man	38	Daughter of Mr Leung Chee Kwong, Chief Executive Director and Executive Chairman	Executive Director since 1 September 2017. Ms Leung Hi Man is responsible for assisting the Executive Chairman in overseeing the finance department, and the formulation and execution of overall business strategies and policies of the Group. She is also Assistant Sales Manager in the Sales and Marketing Department of the Hong Kong subsidiary, Luxking International Chemicals Limited, since October 2005. In addition, she is also responsible for the Sales and Marketing Department of Hong Kong subsidiary, China King International Trading Limited, since October 2006.	Ms Leung Hi Man was appointed as an Executive Director of the Company with effect from 1 September 2017.

BY ORDER OF THE BOARD

Lisa Cheng
Company Secretary

27 August 2019