

LUXKING GROUP HOLDINGS LIMITED
(Incorporated in Bermuda)

Half Year Financial Statement Announcement for the Six Months Ended 31 December 2017

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 six months ended 31 December 2017.

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	<u>Group</u>	<u>Group</u>	
	<u>Six months</u>	<u>Six months</u>	
	<u>ended</u>	<u>ended</u>	
	<u>31.12.2017</u>	<u>31.12.2016</u>	<u>+ / (-)</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>%</u>
Revenue	266,482	264,075	0.9%
Cost of sales	<u>(238,157)</u>	<u>(235,731)</u>	1.0%
Gross profit	28,325	28,344	(0.1%)
Other income (Note)	691	358	93.0%
Selling and distribution costs	(8,036)	(8,121)	(1.0%)
Administrative and other operating expenses	(13,094)	(13,774)	(4.9%)
Finance costs	<u>(3,610)</u>	<u>(4,043)</u>	(10.7%)
Profit before income tax	4,276	2,764	54.7%
Income tax expense	<u>(1,913)</u>	<u>(1,184)</u>	61.6%
Profit for the period	2,363	1,580	49.6%
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of financial statements of foreign operations	<u>(552)</u>	<u>1,467</u>	n/m
Total comprehensive income attributable to the owners of the Company	<u><u>1,811</u></u>	<u><u>3,047</u></u>	(40.6%)

1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the note to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year:-

Profit before income tax is arrived at after charging:

	<u>Group</u> <u>Six months</u> <u>ended</u> <u>31.12.2017</u> <u>RMB'000</u>	<u>Group</u> <u>Six months</u> <u>ended</u> <u>31.12.2016</u> <u>RMB'000</u>	<u>+ / (-)</u> <u>%</u>
Depreciation of property, plant and equipment	8,004	8,715	(8.2%)
Amortisation of land use rights	56	56	-
Interest expenses	3,610	4,043	(10.7%)
Net foreign exchange (gain)/loss	(525)	709	n/m

Note:

Other income comprises the following items:

	<u>Group</u> <u>Six months</u> <u>ended</u> <u>31.12.2017</u> <u>RMB'000</u>	<u>Group</u> <u>Six months</u> <u>ended</u> <u>31.12.2016</u> <u>RMB'000</u>	<u>+ / (-)</u> <u>%</u>
Profit on sales of raw materials	155	350	(55.7%)
Interest income	11	8	37.5%
Net foreign exchange gain	<u>525</u>	<u>-</u>	n/m
	<u><u>691</u></u>	<u><u>358</u></u>	93.0%

n/m = not meaningful

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	As at	As at	As at
	31.12.2017	30.6.2017	31.12.2017	30.6.2017
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Non-current assets				
Property, plant and equipment	89,619	89,641	-	-
Investment properties	420	420	-	-
Land use rights	3,453	3,510	-	-
Deposits for acquisition of property, plant and equipment	-	5,560	-	-
Interests in subsidiaries	-	-	104,992	112,435
	<u>93,492</u>	<u>99,131</u>	<u>104,992</u>	<u>112,435</u>
Current assets				
Inventories	64,247	63,384	-	-
Trade receivables	168,107	173,314	-	-
Prepayments, deposits and other receivables	10,455	10,310	2	6
Restricted bank deposits	1,026	1,063	-	-
Cash and bank balances	18,983	19,667	-	-
	<u>262,818</u>	<u>267,738</u>	<u>2</u>	<u>6</u>
Total assets	<u>356,310</u>	<u>366,869</u>	<u>104,994</u>	<u>112,441</u>
Equity and liabilities				
Equity attributable to the owners of the Company				
Share capital	133,557	133,557	133,557	133,557
Reserves	38,404	36,593	(29,051)	(22,933)
Total equity	<u>171,961</u>	<u>170,150</u>	<u>104,506</u>	<u>110,624</u>
Current liabilities				
Trade and bills payables	30,770	26,972	-	-
Accrued expenses, deposits received and other payables	15,787	16,419	488	1,817
Bank borrowings, secured	101,314	106,878	-	-
Income tax payable	1,478	950	-	-
	<u>149,349</u>	<u>151,219</u>	<u>488</u>	<u>1,817</u>
Non-current liability				
Other loan	35,000	45,500	-	-
	<u>35,000</u>	<u>45,500</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>184,349</u>	<u>196,719</u>	<u>488</u>	<u>1,817</u>
Total equity and liabilities	<u>356,310</u>	<u>366,869</u>	<u>104,994</u>	<u>112,441</u>

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.

- (a) **Amount repayable in one year or less, or on demand;**
 (b) **Amount repayable after one year; and**
 (c) **whether the amounts are secured or unsecured**

Amount repayable in one year or less, or on demand

As at 31.12.2017		As at 30.6.2017	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
101,314	-	106,878	-

Amount repayable after one year

As at 31.12.2017		As at 30.6.2017	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	35,000	-	45,500

(d) Details of any collateral

The Group's bank borrowings of RMB101,314,000 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, China Construction Bank and Bank of Communications in the PRC;
- (iii) medium and short term bank loans granted by CTBC Bank Co. Ltd. in Hong Kong.

As at 31 December 2017, 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 entire land use rights, certain of the Group's trade receivables, the Group's restricted bank deposits and an independent third party's land use rights.

As at 31 December 2017, these bank borrowings bear fixed interest rates ranging from 3.2% to 5.7% per annum and floating interest rates ranging from 3.3% to 3.9% per annum.

Other loans are unsecured and interest bearing at the prevailing market rate in the PRC plus 1% per annum. The effective interest rate was 6.9% per annum as at 31 December 2017. Written consent with the lender was made on 6 December 2017 that the loan repayment date was extended from 2019 to 2020.

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	Group
	Six months	Six months
	ended	ended
	31.12.2017	31.12.2016
	RMB'000	RMB'000
Operating activities		
Profit before income tax	4,276	2,764
Adjustments for:		
Amortisation of land use rights	56	56
Depreciation of property, plant and equipment	8,004	8,715
Interest expenses	3,610	4,043
Interest income	(11)	(8)
Operating profit before working capital changes	15,935	15,570
Increase in inventories	(863)	(9,234)
Decrease in trade receivables	4,799	4,856
(Increase)/decrease in prepayments, deposits and other receivables	(145)	633
Increase in trade and bills payables	3,841	1,080
Decrease in accrued expenses, deposits received and other payables	(580)	(1,136)
Cash generated from operations	22,987	11,769
Interest received	11	8
Income taxes paid	(1,381)	(1,449)
Net cash generated from operating activities	21,617	10,328
Investing activities		
Decrease/(increase) in restricted bank deposits	37	(50)
Decrease/(increase) in deposits for acquisition of property, plant and equipment	5,560	(4,654)
Purchases of property, plant and equipment	(8,116)	(219)
Net cash used in investing activities	(2,519)	(4,923)
Financing activities		
Repayment of capital element of finance lease liabilities	-	(34)
Repayments of other loan	(10,500)	(8,500)
Interest paid	(3,610)	(4,043)
Net repayment of bank borrowings	(5,285)	(5,645)
Net cash used in financing activities	(19,395)	(18,222)
Net decrease in cash and cash equivalents	(297)	(12,817)
Cash and cash equivalents at beginning of period	19,667	25,021
Effect of foreign exchange rate changes, net	(387)	376
Cash and cash equivalents at end of period	18,983	12,580
Analysis of balances of cash and cash equivalents		
Cash and bank balances	18,983	12,580

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 earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1.7.2016	133,557	33,961	10,216	(16,189)	4,929	166,474
Profit for the period	-	-	-	-	1,580	1,580
Other comprehensive income, net of income tax						
- Exchange gain on translation of financial statements of foreign operations	-	-	-	1,467	-	1,467
Total comprehensive income for the period	-	-	-	1,467	1,580	3,047
At 31.12.2016	<u>133,557</u>	<u>33,961</u>	<u>10,216</u>	<u>(14,722)</u>	<u>6,509</u>	<u>169,521</u>
At 1.7.2017	133,557	33,961	10,910	(15,807)	7,529	170,150
Profit for the period	-	-	-	-	2,363	2,363
Other comprehensive income, net of income tax						
- Exchange loss on translation of financial statements of foreign operations	-	-	-	(552)	-	(552)
Total comprehensive income for the period	-	-	-	(552)	2,363	1,811
At 31.12.2017	<u>133,557</u>	<u>33,961</u>	<u>10,910</u>	<u>(16,359)</u>	<u>9,892</u>	<u>171,961</u>

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

	<u>Share capital</u>	<u>Share premium</u>	<u>Exchange reserve</u>	<u>Accumulated losses</u>	<u>Total equity</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1.7.2016	133,557	33,961	(33,345)	(21,692)	112,481
Loss for the period	-	-	-	(1,706)	(1,706)
Other comprehensive income, net of income tax					
- Exchange gain on translation of the Company's financial statements to RMB	-	-	5,182	-	5,182
Total comprehensive income for the period	-	-	5,182	(1,706)	3,476
At 31.12.2016	<u>133,557</u>	<u>33,961</u>	<u>(28,163)</u>	<u>(23,398)</u>	<u>115,957</u>
At 1.7.2017	133,557	33,961	(31,576)	(25,318)	110,624
Loss for the period	-	-	-	(2,081)	(2,081)
Other comprehensive income, net of income tax					
- Exchange loss on translation of the Company's financial statements to RMB	-	-	(4,037)	-	(4,037)
Total comprehensive income for the period	-	-	(4,037)	(2,081)	(6,118)
At 31.12.2017	<u>133,557</u>	<u>33,961</u>	<u>(35,613)</u>	<u>(27,399)</u>	<u>104,506</u>

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	As at
	31.12.2017	31.12.2016
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, transfer, 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 2017 have been applied to the financial statements for the current period.

- 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.**

The Group has adopted the applicable new and amended International Financial Reporting Standards ("IFRS") that are effective during the period. The adoption of these new and amended IFRS did not result in significant changes to the Group's accounting policies.

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.**

	<u>Group</u>	<u>Group</u>
	Six months ended	Six months ended
	<u>31.12.2017</u>	<u>31.12.2016</u>
	RMB cents	RMB cents
Basic earnings per ordinary share	<u>18.68</u>	<u>12.49</u>

Basic earnings per ordinary share for the six months ended 31 December 2017 are calculated based on the profit attributable to the owners of the Company of approximately RMB2,363,000 (HY2017: RMB1,580,000) divided by 12,650,000 (HY2017: 12,650,000) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 31 December 2017 and 2016 are the same as the basic 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 the total number of issued shares excluding treasury shares of the issuer at the end of the:-**

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

	<u>Group</u>		<u>Company</u>	
	As at	As at	As at	As at
	<u>31.12.2017</u>	<u>30.6.2017</u>	<u>31.12.2017</u>	<u>30.6.2017</u>
	RMB cents	RMB cents	RMB cents	RMB cents
Net assets value per ordinary share	<u>1,359.38</u>	<u>1,345.06</u>	<u>826.13</u>	<u>874.50</u>

Net assets value per ordinary share is calculated based on the total number of issued shares of 12,650,000 ordinary shares as at 31 December 2017 and 30 June 2017 respectively.

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**

HY2018 vs HY2017

Group Revenue

Group revenue in HY2018 increased slightly to RMB266.5 million from RMB264.1 million in HY2017. This was attributed to higher export sales which increased 6.5% from RMB38.5 million in HY2017 to RMB41.0 million in HY2018. Sales to the domestic market remained stable at RMB225.5 million in HY2018, similar to HY2017.

In terms of revenue by product segments, higher sales of general purpose tapes ("General tapes") offset lower revenue derived from the sale of industrial specialty tapes ("IS tapes") in HY2018, while sales of biaxially oriented polypropylene films ("BOPP films") remained flat compared to HY2017.

Sales of BOPP films in HY2018 totaled RMB158.6 million compared to RMB159.6 million in HY2017. While sales in the domestic market were steady in HY2018, the Group registered lower sales of BOPP films to overseas markets mainly due to lower demand resulting from the appreciation of RMB against US Dollar.

Sales of IS tapes also decreased by 5.9% from RMB62.3 million in HY2017 to RMB58.6 million in HY2018 mainly due to a decline in export sales as a result of the appreciation of RMB against US Dollar. Local sales were flat compared to HY2017.

On the other hand, revenue from General tapes increased 16.8% from RMB42.2 million in HY2017 to RMB49.3 million in HY2018, mainly from export sales. Export sales of general tapes were less affected by the appreciation of RMB against US Dollar. As a result, the overall export sales increased in HY2018.

Group Gross Profit and Gross Profit Margin

The Group recorded stable gross profit of RMB28.3 million in HY2018. Gross profit margin was also steady at 10.6% in HY2018 compared to 10.7% in HY2017. The Group's continual efforts to improve production efficiency and cost management have helped to offset the negative impact arising from higher raw material costs, competitive pressure on average selling prices, as well as the appreciation of RMB against US Dollar.

Other Income

Other income increased from RMB0.4 million in HY2017 to RMB0.7 million in HY2018.

Selling and Distribution Costs, Administrative and Other Operating Expenses

Selling and distribution costs was relatively stable at RMB8.0 million in HY2018 compared to RMB8.1 million in HY2017.

Administrative and other operating expenses also declined 4.9% from RMB13.8 million in HY2017 to RMB13.1 million in HY2018. This was due mainly to the absence of a foreign exchange loss of RMB0.7 million that was incurred in HY2017.

Finance Costs

Finance costs declined 10.7% from RMB4.0 million in HY2017 to RMB3.6 million in HY2018 in line with a net decrease in total borrowings.

Group Net Profit

As a result of the aforesaid, the Group's net profit increased by 49.6% from RMB1.6 million in HY2017 to RMB2.4 million in HY2018.

(b) Review of Financial Position as at 31 December 2017

Non-current assets decreased from RMB99.1 million as at 30 June 2017 to RMB93.5 million as at 31 December 2017 due mainly to the depreciation of RMB8.0 million for property, plant and equipment and offset by the addition of property, plant and equipment of RMB8.1 million less deposit paid in FY2017 of RMB5.6 million.

Inventories increased slightly from RMB63.4 million as at 30 June 2017 to RMB64.2 million as at 31 December 2017 to ensure sufficient stock to meet customer orders before the Lunar New Year holiday season.

Trade receivables decreased from RMB173.3 million as at 30 June 2017 to RMB168.1 million as at 31 December 2017. Debtor turnover days (annualised) shortened to 115 days from 123 days for FY2017.

Prepayments, deposits and other receivables were stable at RMB10.5 million as at 31 December 2017 compared to RMB10.3 million as at 30 June 2017.

Cash and bank balances decreased from RMB19.7 million as at 30 June 2017 to RMB19.0 million as at 31 December 2017.

Total borrowings also declined from RMB152.4 million as at 30 June 2017 to RMB136.3 million mainly due to repayment of other loans of RMB10.5 million and a net reduction in bank borrowings during HY2018.

Trade and bills payables increased from RMB27.0 million as at 30 June 2017 to RMB30.8 million as at 31 December 2017 due mainly to the increase in purchases from suppliers on credit terms. Accrued expenses, deposits received and other payables decreased from RMB16.4 million as at 30 June 2017 to RMB15.8 million as at 31 December 2017 due mainly to the settlement of accrued directors' fees and audit fee.

Income tax payables increased slightly from RMB1.0 million as at 30 June 2017 to RMB1.5 million as at 31 December 2017 in line with higher operating profit.

Group Cash Flows

Net cash generated from operating activities in HY2018 amounted to RMB21.6 million. This was derived primarily from operating profit before working capital changes of RMB15.9 million and net working capital inflows of RMB7.1 million, offset by payment of income taxes of RMB1.4 million.

Net cash used in investing activities during HY2018 was RMB2.5 million, attributed mainly to the purchase of plant and equipment to set up new IS tapes production lines.

Net cash used in financing activities amounted to RMB19.4 million, due mainly to interest payments, repayments of other loans as well as a net reduction of bank borrowings.

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

Not applicable.

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.

While there are signs of a gradual recovery in global economic activity for 2018, the Group is maintaining a cautious stance as it expects the operating environment for its industry to remain challenging mainly due to continuing pressure on product selling prices, intense competition, tight labour market conditions, strict compliance with environmental policies, and foreign currency rates.

To manage these challenges, the Group's strategy is to focus its efforts on the development and sales of higher value IS tapes and higher grade BOPP films that command better profit margins, while expanding its business opportunities with existing and new customers. At the same time, the Group will continue to focus on production efficiency improvements and cost optimisation measures to mitigate the impact of price and cost pressures on its profit margins. In addition, the Group will continue to monitor the impact of foreign currency rates on export sales and adjust its selling prices accordingly.

Luxking has established an excellent track record and reputation as a reliable supplier of a wide range of IS tapes to major brands of smartphones and other handheld consumer devices, as well as for home appliances. The Group constantly keeps abreast of its customers' projects and leverages on its strong in-house research and development expertise to develop and introduce IS tapes that will suit the requirements and specifications for their new products.

In response to customers' need for higher quality products and more stringent manufacturing standards, the Group continually invests to improve its production facilities. To support the long-term growth of its IS tapes business, it has installed clean-room facilities for two new IS tapes production lines. These new lines which cost RMB8.1 million are currently on trial production runs and expected to be fully operational around the middle of 2018.

The Group also intends to increase sales of its higher grade BOPP films which have higher transparency, greater flexibility and strength and are used in a wide range of applications from paper laminations to industrial packaging uses. To achieve this, the Group will continue to shift the sales mix of its BOPP business towards these premium products. It

will also continue to maintain and enhance its BOPP films manufacturing line to achieve optimal quality and production efficiency.

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 statements to that effect.

No dividend has been declared or recommended for the six months ended 31 December 2017.

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 IPTs for the six months ended 31 December 2017.

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.

Negative assurance confirmation on the interim financial results under Rule 705(5)

To the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited half year financial results of the Group as at 31 December 2017 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

**Lisa Cheng
Company Secretary**

13 February 2018