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 PERIOD ENDED 31 DECEMBER 2022

The Board of Directors (the "**Board**") of Luxking Group Holdings Limited ("**Company**") refers to the following queries raised by the SGX-ST on 21 March 2023 and would like to provide additional information in relation to the Company's unaudited financial statements for the financial period ended 31 December 2022 (the "**HY2023**"), as follows:

SGX Query 1:

Trade receivables increased from RMB78.0 million as at 30 June 2022 to RMB81.9 million as at 31 December 2022 as the settlement of invoices by customers was hampered by the pandemic situation in China. Please disclose the following:

a) aging of the Group's trade receivables;
b) Company's plans to recover the trade and other receivables;
c) Whether they are major customer(s) and whether the Company continues to transact with these customer(s);
d) The Board's opinion on the reasonableness of the methodologies used to determine the value of the impairment of the trade and other receivables;
e) The Board's assessment of the recoverability of the remaining trade and other receivables.

Company's Response 1:

a) The increase of RMB3.9 million in trade receivables represented RMB2.2million of neither past due nor impaired and RMB1.7million of past due from customers.

The aging of the Group's trade receivables as follows –

Neither past due nor impaired	:	RMB75.6 million
Less than 1 month past due	:	RMB2.7 million
1 to 3 months past due	:	RMB2.4 million
More than 3 months but less than 1 year	:	RMB1.1 million
More than 1 year	:	RMB0.1 million

b) Major part of the past due amounts had been recovered, and Management is of the view that no specific impairment should be made. Further, the special situation of late repayment was caused by the impact of the pandemic situation in China towards end of the financial period. Management through the credit risk department monitor closely the repayment pattern of trade debtors.

c) The increase came from various customers, and they are not the major customers of the Group. We transact with customers as long as they meet our credit terms.

d) 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.

Based on the above, the Board is of the opinion that the methodologies used by the Group to assess the impairment of trade receivables are reasonable.

e) The Board is of the view that the Group is able to recover its trade receivables based on the assessment and representation presented by Management, as follows:

(i) the customers have ongoing sales orders placed with the Group during the period and subsequent to the period end;
(ii) the customers have good past repayment records and no default payment was noted in the current period; and
(iii) Management has reviewed the trade debtors list and confirmed there were no known dispute with the remaining debtors and there were no pending discussion with any debtors over quality issues that may impact on the net trade receivables.

SGX Query 2:

Given the Group's significant current liabilities of RMB163.6million and cash and bank balance of only RMB17.7 million and noting that the Group incurred losses of RMB2.5million in 31 December 2022, please disclose the Board's assessment (i) whether the Group's current assets are adequate to meet the Group's short term liabilities of RMB163.6 million, including its bases of assessment; and (ii) how the Group intends to fulfil its payment obligations in the next 12 months. Where the Group has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Group is on track to fulfilling these obligations.

Company's Response 2:

(i) 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. The debtor turnover days is approximately 56 days for HY2023. 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, there is availability of the unutilised banking facilities which 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 HY2023, the Company's current liabilities mainly consisted of the bank borrowings of RMB91.1 million and trade payables of RMB52.7 million. As of this announcement, the Group is able to meet its payment obligation when they fall due.

There is no repayment plan. Management performs frequent review of the Group’s cashflow position, and repay its bank borrowings as and when appropriate.

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

SGX Query 3:

It is disclosed on page 11 of the unaudited financial statements that there was an impairment for inventories of RMB0.9 million in HY2023.

a. Please disclose the amount of inventory write-off/ provision due to slow-moving inventory or obsolescence.

b. What is the general shelf/ product life of the Company's inventory?

c. Please opine on the reasonableness of methodologies used to determine impairment.

Company’s Response 3:

a) The impairment for inventories of RMB0.9 million in HY2023 was due to slow-moving inventories.

b) The general shelf/ product life of Company’s inventory is about 1-2 years.

c) The Company has on page 14 of HY2023 announcement mentioned that although the inventories which comprised mainly raw materials, are still in good condition and retained for future production, the Group has made a provision in accordance with its policy to provide impairment for inventories that are more than a year old.

   The impaired inventories are subject to quality check before further productions or proceed to sales, and are written back when they are consumed or sold.

   Based on the above, the Board is of the opinion that the methodologies used by the Group to assess the impairment of inventory are reasonable.

By Order of the Board

Leung Chee Kwong
Executive Chairman and Chief Executive Officer

23 March 2023