

LUXKING GROUP HOLDINGS LIMITED
(Incorporated in Bermuda)

Half Year Financial Statement Announcement for the Six Months Ended 31 December 2014

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 2014.

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

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

	<u>Group</u> Six months ended <u>31.12.2014</u> RMB'000	<u>Group</u> Six months ended <u>31.12.2013</u> RMB'000	+ / (-) %
Revenue	340,388	358,616	(5.1%)
Cost of sales	<u>(308,673)</u>	<u>(327,936)</u>	(5.9%)
Gross profit	31,715	30,680	3.4%
Other income (Note 1)	457	433	5.5%
Selling and distribution costs	(7,964)	(8,721)	(8.7%)
Administrative and other operating expenses	(12,951)	(10,568)	22.5%
Finance costs	<u>(6,670)</u>	<u>(7,213)</u>	(7.5%)
Profit before income tax	4,587	4,611	(0.5%)
Income tax expense	<u>(1,343)</u>	<u>(1,346)</u>	(0.2%)
Profit for the period	<u><u>3,244</u></u>	<u><u>3,265</u></u>	(0.6%)

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.

	<u>Group</u> <u>Six months</u> <u>ended</u> <u>31.12.2014</u> <u>RMB'000</u>	<u>Group</u> <u>Six months</u> <u>ended</u> <u>31.12.2013</u> <u>RMB'000</u>	
Profit for the year	3,244	3,265	(0.6%)
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>(613)</u>	<u>(1,300)</u>	(52.8%)
Total comprehensive income attributable to the owners of the Company	<u>2,631</u>	<u>1,965</u>	33.9%

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

	<u>Group</u> <u>Six months</u> <u>ended</u> <u>31.12.2014</u> <u>RMB'000</u>	<u>Group</u> <u>Six months</u> <u>ended</u> <u>31.12.2013</u> <u>RMB'000</u>	<u>+ / (-)</u> <u>%</u>
Property, plant and equipment written-off	89	-	N/M
Gain on disposals of property, plant and equipment	-	(1)	N/M
Depreciation of property, plant and equipment	8,059	9,095	(11.4%)
Amortisation of land use rights	56	56	0.0%
Interest expenses	6,670	7,213	(7.5%)

Note 1:

Other income comprises the following items:

	<u>Group</u> <u>Six months</u> <u>ended</u> <u>31.12.2014</u> <u>RMB'000</u>	<u>Group</u> <u>Six months</u> <u>ended</u> <u>31.12.2013</u> <u>RMB'000</u>	<u>+ / (-)</u> <u>%</u>
Profit on sales of raw materials	362	418	(13.4%)
Interest income	95	14	578.6%
Gain on disposals of property, plant and equipment	<u>-</u>	<u>1</u>	N/M
	<u>457</u>	<u>433</u>	5.5%

N/M = not meaningful comparison

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
	<u>31.12.2014</u>	<u>30.6.2014</u>	<u>31.12.2014</u>	<u>30.6.2014</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Non-current assets				
Property, plant and equipment	99,253	107,250	-	-
Investment properties	565	565	-	-
Land use rights	3,787	3,843	-	-
Investments in subsidiaries	-	-	1	1
	<u>103,605</u>	<u>111,658</u>	<u>1</u>	<u>1</u>
Current assets				
Inventories	66,584	64,787	-	-
Trade receivables	195,214	196,454	-	-
Prepayments, deposits and other receivables	21,695	23,673	109,363	114,661
Restricted bank deposits	1,204	1,884	-	-
Cash and bank balances	26,437	24,977	-	-
	<u>311,134</u>	<u>311,775</u>	<u>109,363</u>	<u>114,661</u>
Total assets	<u>414,739</u>	<u>423,433</u>	<u>109,364</u>	<u>114,662</u>
Equity and liabilities				
Equity attributable to the owners of the Company				
Share capital	133,557	133,557	133,557	133,557
Reserves	23,872	21,241	(24,618)	(22,671)
Total equity	<u>157,429</u>	<u>154,798</u>	<u>108,939</u>	<u>110,886</u>
Current liabilities				
Trade and bills payables	26,443	36,918	-	-
Accrued expenses, deposits received and other payables	16,235	16,908	425	3,776
Bank borrowings, secured	121,939	112,170	-	-
Finance lease liabilities	121	119	-	-
Income tax payable	578	1,364	-	-
	<u>165,316</u>	<u>167,479</u>	<u>425</u>	<u>3,776</u>
Non-current liability				
Finance lease liabilities	94	156	-	-
Other loan	91,900	101,000	-	-
	<u>91,994</u>	<u>101,156</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>257,310</u>	<u>268,635</u>	<u>425</u>	<u>3,776</u>
Total equity and liabilities	<u>414,739</u>	<u>423,433</u>	<u>109,364</u>	<u>114,662</u>

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

Amount repayable in one year or less, or on demand

As at 31.12.2014		As at 30.6.2014	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
122,060	-	112,289	-

Amount repayable after one year

As at 31.12.2014		As at 30.6.2014	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
94	91,900	156	101,000

Details of any collateral

The Group's bank borrowings of RMB121,939,000 represented by:

- (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) import finance granted by Industrial and Commercial Bank of China (Asia) Limited and CTBC Bank Co. Ltd. in Hong Kong; and
- (iv) bank loan granted by CTBC Bank Co. Ltd. in Hong Kong under the Hong Kong Mortgage Corporation Limited SME Financing Guarantee Scheme.

As at 31 December 2014, the Group's bank borrowings were secured by corporate guarantees executed by the Company, a subsidiary of the Company, Mr Leung Chee Kwong and Dr Chan Siu Hang Godwin, directors of the Company and an independent third party, 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, certain of the Group's restricted bank deposits and an independent third party's land use rights.

The Group's finance lease liabilities of RMB215,000, granted by Wing Hang Bank Limited in Hong Kong, are secured by the underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group.

As at 31 December 2014, these bank borrowings and finance lease liabilities bear fixed interest rates ranging from 4.8% to 6.0% per annum and floating interest rates ranging from 3.3% to 7.2% per annum.

Other loan is unsecured and interest bearing at the prevailing market rate in the PRC plus 1% per annum. The effective interest rate was 7.4% per annum as at 31 December 2014. Written consent with the lender was made on 17 December 2014 that the loan repayment date was extended from 2016 to 2017.

- 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 Six months ended 31.12.2014 RMB'000	Group Six months ended 31.12.2013 RMB'000
Operating activities		
Profit before income tax	4,587	4,611
Adjustments for:		
Amortisation of land use rights	56	56
Depreciation of property, plant and equipment	8,059	9,095
Interest expenses	6,670	7,213
Interest income	(95)	(14)
Property, plant and equipment written-off	89	-
Gain on disposals of property, plant and equipment	-	(1)
Operating profit before working capital changes	19,366	20,960
(Increase)/decrease in inventories	(1,797)	6,616
Decrease/(increase) in trade receivables	979	(20,263)
Decrease in prepayments, deposits and other receivables	1,627	309
(Decrease)/increase in trade and bills payables	(10,450)	3,665
Decrease in accrued expenses, deposits received and other payables	(671)	(2,788)
Cash generated from operations	9,054	8,499
Interest received	95	14
Income taxes paid	(2,130)	(3,039)
Net cash generated from operating activities	7,019	5,474
Investing activities		
Decrease/(increase) in restricted bank deposits	680	(5,110)
Purchases of property, plant and equipment	(166)	(10)
Proceeds from disposals of plant and equipment	-	17
Net cash generated from/(used in) investing activities	514	(5,103)
Financing activities		
Repayment of capital element of finance lease liabilities	(60)	(55)
Interest element of finance lease payments	(5)	(8)
Repayments of other loan	(9,100)	(6,000)
Interest paid	(6,665)	(7,205)
Net proceeds from bank borrowings	9,829	3,829
Net cash used in from financing activities	(6,001)	(9,439)
Net increase/(decrease) in cash and cash equivalents	1,532	(9,068)
Cash and cash equivalents at beginning of period	24,977	30,960
Effect of foreign exchange rate changes, net	(72)	(41)
Cash and cash equivalents at end of period	26,437	21,851
Analysis of balances of cash and cash equivalents		
Cash and bank balances	26,437	21,851

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	(Accumulated losses)/ Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1.7.2013	133,557	33,961	7,864	(18,456)	(7,214)	149,712
Profit for the period	-	-	-	-	3,265	3,265
Other comprehensive income						
- Exchange loss on translation of financial statements of foreign operations	-	-	-	(1,300)	-	(1,300)
Total comprehensive income for the period	-	-	-	(1,300)	3,265	1,965
At 31.12.2013	<u>133,557</u>	<u>33,961</u>	<u>7,864</u>	<u>(19,756)</u>	<u>(3,949)</u>	<u>151,677</u>
At 1.7.2014	133,557	33,961	9,017	(19,535)	(2,202)	154,798
Profit for the period	-	-	-	-	3,244	3,244
Other comprehensive income						
- Exchange loss on translation of financial statements of foreign operations	-	-	-	(613)	-	(613)
Total comprehensive income for the period	-	-	-	(613)	3,244	2,631
At 31.12.2014	<u>133,557</u>	<u>33,961</u>	<u>9,017</u>	<u>(20,148)</u>	<u>1,042</u>	<u>157,429</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> RMB'000	<u>Share premium</u> RMB'000	<u>Exchange reserve</u> RMB'000	<u>Accumulated losses</u> RMB'000	<u>Total equity</u> RMB'000
At 1.7.2013	133,557	33,961	(41,096)	(11,905)	114,517
Loss for the period	-	-	-	(1,530)	(1,530)
Other comprehensive income					
- Exchange loss on translation of the Company's financial statements to RMB	-	-	(1,478)	-	(1,478)
Total comprehensive income for the period	-	-	(1,478)	(1,530)	(3,008)
AT 31.12.2013	<u>133,557</u>	<u>33,961</u>	<u>(42,574)</u>	<u>(13,435)</u>	<u>111,509</u>
At 1.7.2014	133,557	33,961	(41,500)	(15,132)	110,886
Loss for the period	-	-	-	(1,269)	(1,269)
Other comprehensive income					
- Exchange loss on translation of the Company's financial statements to RMB	-	-	(678)	-	(678)
Total comprehensive income for the period	-	-	(678)	(1,269)	(1,947)
At 31.12.2014	<u>133,557</u>	<u>33,961</u>	<u>(42,178)</u>	<u>(16,401)</u>	<u>108,939</u>

- 1(d)(ii) Details of any changes in the company's share capital arising from right issue, bonus issue, share buy-backs, exercise of share options of 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 reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles 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	
	<u>As at 31.12.2014</u>	<u>As at 30.6.2014</u>
Total number of issued shares	<u>253,000,000</u>	<u>253,000,000</u>

(There were no treasury shares)

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares 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.

The same accounting policies and methods of computations used in the audited financial statements for the year ended 30 June 2014 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 but gave rise to additional disclosures in the financial statements.

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>Six months</u> <u>ended</u> <u>31.12.2014</u> <u>RMB cents</u>	<u>Group</u> <u>Six months</u> <u>ended</u> <u>31.12.2013</u> <u>RMB cents</u>
Basic earnings per ordinary share	<u>1.28</u>	<u>1.29</u>

Basic earnings per ordinary share for the six months ended 31 December 2014 are calculated based on the profit attributable to the owners of the Company of approximately RMB3,244,000 (2013: RMB3,265,000) divided by 253,000,000 (2013: 253,000,000) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 31 December 2014 and 2013 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 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	As at	As at	As at
	31.12.2014	30.6.2014	31.12.2014	30.6.2014
	RMB cents	RMB cents	RMB cents	RMB cents
Net assets value per ordinary share	<u>62.22</u>	<u>61.18</u>	<u>43.06</u>	<u>43.83</u>

Net assets value per ordinary share is calculated based on the issued ordinary shares of 253,000,000 ordinary shares as at 31 December 2014 and 30 June 2014.

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**
- (c) **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 or Loss

HY2015 vs HY2014

Group Revenue

Group revenue decreased by 5.1% from RMB358.6 million to RMB340.4 million, due mainly to lower sales of general purpose adhesive tapes ("General tapes") and biaxially oriented polypropylene films ("BOPP films").

Sales of industrial specialty tapes ("IS tapes") remained steady at RMB143.4 million in HY2015. Higher sales of IS tapes in domestic market offset the decline in the overseas markets.

Sales of BOPP films declined marginally by 4.9% from RMB150.6 million to RMB143.2 million. It is mainly due to selling price adjustments to be in line with lower raw material costs.

Sales of General tapes decreased by 16.3% from RMB64.3 million to RMB53.8 million as a result of weaker market demand, selling price pressure and the Group's strategic shift its product mix towards higher margin IS tape and BOPP films products.

For HY2015, the IS tapes and BOPP films businesses each accounted for 42.1% of Group's revenue, while General tapes contributed 15.8% of Group's revenue.

Total sales in the domestic market decreased marginally by 1.8% from RMB279.2 million to RMB274.2 million, as higher sales of IS tapes buffered the decline in revenue generated from the General tapes business. Total sales to overseas markets decreased 16.6% from RMB79.4 million to RMB66.2 million as a result of lower exports of IS tapes during HY2015.

Group Gross Profit and Gross Profit Margin

Notwithstanding to lower revenue, the Group improved its gross profit by 3.4% from RMB30.7 million to RMB31.7 million. The Group's gross profit margin widened from 8.6% to 9.3%. This was attributed mainly to higher production efficiency, improved sales mix of higher-margin products, as well as lower raw material costs and depreciation expenses incurred by certain fully depreciated equipment.

Other Income

Other income increased 5.5% from RMB0.4 million to RMB0.5 million due mainly to higher interest income.

Selling and Distribution Costs, Administrative and Other Operating Expenses

Selling and distribution costs decreased by 8.7% from RMB8.7 million to RMB8.0 million, attributed mainly to a decline in export fees and transportation cost in tandem with lower export sales.

Administrative and other operating expenses increased by 22.5% from RMB10.6 million to RMB13.0 million as a result of the increase in staff headcount, staff salaries and higher bank arrangement fee for renewal of bank facilities.

Finance Costs

Finance costs decreased by 7.5% from RMB7.2 million to RMB6.7 million as the Group continued to pare down its long-term loan.

Group Net Profit

The Group reported a net profit of RMB3.2 million for HY2015, which is relatively stable compared to RMB3.3 million in HY2014.

(b) Review of Financial Position as at 31 December 2014

Group Financial Position

Non-current assets decreased from RMB111.7 million to RMB103.6 million due mainly to depreciation of property, plant and equipment.

Inventories increased from RMB64.8 million to RMB66.6 million due to higher stock level of raw materials to fulfill customers' orders. Trade receivables slightly decreased from 196.5 million to RMB195.2 million, while prepayments, deposits and other receivables declined from RMB23.7 million to RMB21.7 million. This was attributed to a reduction in deposits paid to suppliers.

Cash and bank balances increased from RMB25.0 million to RMB26.4 million, mainly due to net cash generated from operating activities and proceeds from bank borrowings. These were offset partially by interest payments and repayment of other loan. Restricted bank deposits decreased from RMB1.9 million to RMB1.2 million.

Total borrowings remained stable at RMB213.9 million. The Group pared down its long-term loan by RMB9.1 million, which was offset by an increase in bank trading facilities to finance purchases of stock during HY2015. As a result, trade and bills payables decreased from RMB36.9 million to RMB26.4 million.

Accrued expenses, deposits received and other payables decreased slightly from RMB16.9 million to RMB16.2 million. Income tax payable also declined from RMB1.4 million to RMB0.6 million, following the payment of income tax expenses of both PRC and Hong Kong subsidiaries.

Group Cash Flows

Net cash generated from operating activities in HY2015 amounted to RMB7.0 million. This was derived primarily from operating profit before working capital changes of RMB19.4 million, offset partially by changes in working capital of RMB10.3 million and payment of income taxes of RMB2.1 million.

Net cash generated from investing activities amounted to RMB0.5 million, arising mainly from a decrease in restricted bank deposits. Net cash used in financing activities was RMB6.0 million, arising from payment of interest and repayments of other loan which were partly counterbalanced by net proceeds from bank borrowings.

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

N/A

- 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 global economy is expected to be weak due to concerns on the economic prospects of the eurozone and Japan, as well as the slowdown in the growth of China and some major emerging economies. Amid a soft economic outlook, the Group expects business conditions to remain challenging. Besides facing intense competition, the Group will have to continue managing the impact of fluctuations in currency and raw material prices, as well as higher labour costs.

To achieve sustainability and growth, the Group will continue to expand its IS tape business. The Group has developed a reputable track record in manufacturing IS tapes for smartphones and other handheld consumer devices. To drive its IS tape business, the Group is continuously seeking new customers, as well as adapting and enhancing its product offering to address the changing needs of its customers in the fast-moving consumer electronics manufacturing industry.

Following an upgrade of its BOPP films production line, the Group is also working on generating better yield from its BOPP films business through higher production efficiency and an improved product offering. With capabilities to produce more sophisticated BOPP films intended for specialty applications, the Group aims to gradually build up the demand for its higher-grade BOPP films to achieve an optimal sales mix.

11. Dividend

(a) Current Financial Period Reported On

None

(b) Corresponding Period of the Immediately Preceding Financial Year

None

(c) Date Payable

Not applicable.

(d) Books closure date

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 2014.

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 2014.

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

- 14. 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.**

Not applicable.

- 15. 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.

- 16. A breakdown of sales.**

Not applicable.

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

Not applicable.

- 18. 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.**

Not applicable.

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 2014 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

**Lisa Cheng
Company Secretary**

10 February 2015