

LUXKING GROUP HOLDINGS LIMITED
(Incorporated in Bermuda)

Half Year Financial Statement Announcement for the Six Months Ended 31 December 2016

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 2016.

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

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>	<u>Group</u>	
	<u>Six months</u>	<u>Six months</u>	
	<u>ended</u>	<u>ended</u>	
	<u>31.12.2016</u>	<u>31.12.2015</u>	<u>+ / (-)</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>%</u>
Revenue	264,075	262,872	0.5%
Cost of sales	<u>(235,731)</u>	<u>(231,911)</u>	1.6%
Gross profit	28,344	30,961	(8.5%)
Other income (Note)	358	515	(30.5%)
Selling and distribution costs	(8,121)	(7,868)	3.2%
Administrative and other operating expenses	(13,774)	(14,584)	(5.6%)
Finance costs	<u>(4,043)</u>	<u>(5,328)</u>	(24.1%)
Profit before income tax	2,764	3,696	(25.2%)
Income tax expense	<u>(1,184)</u>	<u>(1,255)</u>	(5.7%)
Profit for the period	<u><u>1,580</u></u>	<u><u>2,441</u></u>	(35.3%)

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> Six months ended 31.12.2016 RMB'000	<u>Group</u> Six months ended 31.12.2015 RMB'000	
Profit for the year	1,580	2,441	(35.3%)
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>1,467</u>	<u>2,536</u>	(42.2%)
Total comprehensive income attributable to the owners of the Company	<u><u>3,047</u></u>	<u><u>4,977</u></u>	(38.8%)

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

	<u>Group</u> Six months ended 31.12.2015 RMB'000	<u>Group</u> Six months ended 31.12.2015 RMB'000	+ / (-) %
Depreciation of property, plant and equipment	8,715	8,440	3.3%
Amortisation of land use rights	56	56	-
Interest expenses	4,043	5,328	(24.1%)
Net foreign exchange loss	709	1,398	(49.3%)

Note:

Other income comprises the following items:

	<u>Group</u> Six months ended 31.12.2016 RMB'000	<u>Group</u> Six months ended 31.12.2015 RMB'000	+ / (-) %
Profit on sales of raw materials	350	505	(30.7%)
Interest income	<u>8</u>	<u>10</u>	(20.0%)
	<u><u>358</u></u>	<u><u>515</u></u>	(30.5%)

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
	31.12.2016	30.6.2016	31.12.2016	30.6.2016
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Non-current assets				
Property, plant and equipment	98,145	106,466	-	-
Investment properties	390	390	-	-
Land use rights	3,565	3,621	-	-
Deposits for acquisition of property, plant and equipment	4,654	-	-	-
Investments in subsidiaries	-	-	1	1
	<u>106,754</u>	<u>110,477</u>	<u>1</u>	<u>1</u>
Current assets				
Inventories	64,562	55,328	-	-
Trade receivables	169,092	173,030	-	-
Prepayments, deposits and other receivables	15,191	15,702	116,284	114,481
Restricted bank deposits	1,092	1,042	-	-
Cash and bank balances	12,580	25,021	-	-
	<u>262,517</u>	<u>270,123</u>	<u>116,284</u>	<u>114,481</u>
Total assets	<u><u>369,271</u></u>	<u><u>380,600</u></u>	<u><u>116,285</u></u>	<u><u>114,482</u></u>
Equity and liabilities				
Equity attributable to the owners of the Company				
Share capital	133,557	133,557	133,557	133,557
Reserves	35,964	32,917	(17,600)	(21,076)
Total equity	<u>169,521</u>	<u>166,474</u>	<u>115,957</u>	<u>112,481</u>
Current liabilities				
Trade and bills payables	26,225	25,145	-	-
Accrued expenses, deposits received and other payables	18,345	19,443	328	2,001
Bank borrowings, secured	101,552	107,120	-	-
Finance lease liabilities	-	34	-	-
Income tax payable	628	884	-	-
	<u>146,750</u>	<u>152,626</u>	<u>328</u>	<u>2,001</u>
Non-current liability				
Other loan	53,000	61,500	-	-
	<u>53,000</u>	<u>61,500</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>199,750</u>	<u>214,126</u>	<u>328</u>	<u>2,001</u>
Total equity and liabilities	<u><u>369,271</u></u>	<u><u>380,600</u></u>	<u><u>116,285</u></u>	<u><u>114,482</u></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 31.12.2016		As at 30.6.2016	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
101,552	-	107,154	-

Amount repayable after one year

As at 31.12.2016		As at 30.6.2016	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	53,000	-	61,500

Details of any collateral

The Group's bank borrowings of RMB101,552,000 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) bills acceptance granted by Bank of Communications in the PRC;
- (iv) bank loans granted by Industrial and Commercial Bank of China (Asia) Limited and CTBC Bank Co., Ltd. in Hong Kong.

As at 31 December 2016, the Group's bank borrowings were secured by corporate guarantees executed by the Company, a subsidiary of the Company, 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 2016, these bank borrowings bear fixed interest rates ranging from 1.7% to 5.3% per annum and floating interest rates ranging from 1.5% to 3.4% 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 6.9% per annum as at 31 December 2016. Written consent with the lender was made on 15 December 2016 that the loan repayment date was extended from 2018 to 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.

	<u>Group</u> <u>Six months</u> <u>ended</u> <u>31.12.2016</u> <u>RMB'000</u>	<u>Group</u> <u>Six months</u> <u>ended</u> <u>31.12.2015</u> <u>RMB'000</u>
Operating activities		
Profit before income tax	2,764	3,696
Adjustments for:		
Amortisation of land use rights	56	56
Depreciation of property, plant and equipment	8,715	8,440
Interest expenses	4,043	5,328
Interest income	(8)	(10)
Operating profit before working capital changes	<u>15,570</u>	<u>17,510</u>
(Increase)/decrease in inventories	(9,234)	1,777
Decrease in trade receivables	4,856	7,439
Decrease/(increase) in prepayments, deposits and other receivables	633	(1,834)
Increase/(decrease) in trade and bills payables	1,080	(4,266)
Decrease in accrued expenses, deposits received and other payables	<u>(1,136)</u>	<u>(6,669)</u>
Cash generated from operations	<u>11,769</u>	<u>13,957</u>
Interest received	8	10
Income taxes paid	<u>(1,449)</u>	<u>(1,748)</u>
Net cash generated from operating activities	<u>10,328</u>	<u>12,219</u>
Investing activities		
(Increase)/decrease in restricted bank deposits	(50)	349
Increase in deposits for acquisition of property, plant and equipment	(4,654)	-
Purchases of property, plant and equipment	<u>(219)</u>	<u>(240)</u>
Net cash (used in)/generated from investing activities	<u>(4,923)</u>	<u>109</u>
Financing activities		
Repayment of capital element of finance lease liabilities	(34)	(52)
Interest element of finance lease payments	-	3
Repayments of other loan	(8,500)	(8,400)
Interest paid	(4,043)	(5,328)
Net (repayment of)/proceeds from bank borrowings	<u>(5,645)</u>	<u>2,230</u>
Net cash used in financing activities	<u>(18,222)</u>	<u>(11,547)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(12,817)</u>	<u>781</u>
Cash and cash equivalents at beginning of period	25,021	19,520
Effect of foreign exchange rate changes, net	<u>376</u>	<u>450</u>
Cash and cash equivalents at end of period	<u><u>12,580</u></u>	<u><u>20,751</u></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.

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 1.7.2015	133,557	33,961	9,468	(19,144)	1,041	158,883
Profit for the period	-	-	-	-	2,441	2,441
Other comprehensive income						
- Exchange gain on translation of financial statements of foreign operations	-	-	-	2,536	-	2,536
Total comprehensive income for the period	-	-	-	2,536	2,441	4,977
At 31.12.2015	<u>133,557</u>	<u>33,961</u>	<u>9,468</u>	<u>(16,608)</u>	<u>3,482</u>	<u>163,860</u>
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						
- 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>

- 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 1.7.2015	133,557	33,961	(42,216)	(17,943)	107,359
Loss for the period	-	-	-	(1,713)	(1,713)
Other comprehensive income					
- Exchange gain on translation of the Company's financial statements to RMB	-	-	6,662	-	6,662
Total comprehensive income for the period	-	-	6,662	(1,713)	4,949
At 31.12.2015	<u>133,557</u>	<u>33,961</u>	<u>(35,554)</u>	<u>(19,656)</u>	<u>112,308</u>
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					
- 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>

- 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	
	As at 31.12.2016	As at 31.12.2015
Total number of issued shares	<u>12,650,000</u>	<u>12,650,000</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.

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 2016 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>Six months</u> <u>ended</u> <u>31.12.2016</u> <u>RMB cents</u>	<u>Group</u> <u>Six months</u> <u>ended</u> <u>31.12.2015</u> <u>RMB cents</u>
Basic earnings per ordinary share	<u>12.49</u>	<u>19.30</u>

Basic earnings per ordinary share for the six months ended 31 December 2016 are calculated based on the profit attributable to the owners of the Company of approximately RMB1,580,000 (HY2016: RMB2,441,000) divided by 12,650,000 (HY2016: 12,650,000) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 31 December 2016 and 2015 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
	31.12.2016	30.6.2016	31.12.2016	30.6.2016
	RMB cents	RMB cents	RMB cents	RMB cents
Net assets value per ordinary share	1,340.09	1,316.00	916.66	889.18

Net assets value per ordinary share is calculated based on the issued ordinary shares of 12,650,000 ordinary shares as at 31 December 2016 and 30 June 2016 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

HY2017 vs HY2016

Group Revenue

The Group posted a marginal increase in revenue to RMB264.1 million in HY2017 compared to RMB262.9 million in HY2016, notwithstanding the softer market conditions and continued selling price pressure arising from keen market competition.

Sales of biaxially oriented polypropylene films ("BOPP films") increased 3.0% from RMB155.0 million in HY2016 to RMB159.6 million in HY2017. The growth in sales of BOPP films countered the marginal declines in revenue generated from the industrial specialty tapes ("IS tapes") and general purpose adhesive tape ("General tapes") segments.

Sales of IS tapes decreased by 3.6% from RMB64.6 million in HY2016 to RMB62.3 million in HY2017 due to lower average selling prices. The Group also registered lower sales of General tapes of RMB42.2 million in HY2017, a marginal decline of 2.5% from RMB43.3 million in HY2016 due mainly to slower export demand.

As a percentage of Group revenue, the BOPP films and IS tapes segments accounted for approximately 60.4% and 23.6% respectively in HY2017. The remaining 16.0% was contributed by the General tapes business.

In terms of revenue by geographical markets, sales to the domestic market improved 5.9% from RMB213.0 million in HY2016 to RMB225.6 million in HY2017, and accounted for 85.4% of Group revenue in HY2017. This was driven by higher sales of BOPP films, IS tapes and General tapes. The increased sales from the domestic market more than offset the decline in revenue from overseas markets which contracted by 22.8% from RMB49.9 million in HY2016 to RMB38.5 million in HY2017.

Group Gross Profit and Gross Profit Margin

The Group's gross profit decreased by 8.5% from RMB31.0 million in HY2016 to RMB28.3 million in HY2017. Correspondingly, the Group's gross profit margin narrowed from 11.8% to 10.7% in HY2017. The margin reduction was due mainly to an increase in raw material costs and lower average selling prices due to continuing competitive pressure.

Other Income

Other income decreased from RMB0.5 million in HY2016 to RMB0.4 million in HY2017 due mainly to lower profit from sale of raw materials.

Selling and Distribution Costs, Administrative and Other Operating Expenses

The selling and distribution costs increased 3.2% from RMB7.9 million in HY2016 to RMB8.1 million in HY2017, attributed mainly to higher sales commission. On the other hand, administrative and other operating expenses declined 5.6% from RMB14.6 million in HY2016 to RMB13.8 million in HY2017 due primarily to a reduction in net foreign exchange loss which arose from the Group's loans that are denominated in US dollars.

Finance Costs

Finance costs fell 24.1% from RMB5.3 million in HY2016 to RMB4.0 million in HY2017 in tandem with a net decrease in total borrowings.

Group Net Profit

As a result of the above, Group net profit decreased by 35.3% or RMB0.8 million from RMB2.4 million in HY2016 to RMB1.6 million in HY2017.

(b) Review of Financial Position as at 31 December 2016

Non-current assets decreased from RMB110.5 million as at 30 June 2016 to RMB106.8 million as at 31 December 2016. The deposits for purchase of new plant and equipment amounting to around RMB4.7 million were offset by depreciation of RMB8.7 million during HY2017.

Inventories increased from RMB55.3 million to RMB64.6 million as at 31 December 2016 due to the increase in prices of raw materials and extra stock to fulfill customers' orders before the Chinese New Year holidays. Trade receivables decreased from RMB173.0 million to RMB169.1 million at the end of December 2016. Debtor turnover days also shortened from 127 days in FY2016 to 117 days for HY2017.

Prepayments, deposits and other receivables remained at a similar level at RMB15.2 million as at 31 December 2016 compared to RMB15.7 million as at 30 June 2016.

Cash and bank balances decreased from RMB25.0 million at the end of June 2016 to RMB12.6 million as at 31 December 2016.

Total borrowings also declined from RMB168.7 million as at 30 June 2016 to RMB154.6 million as at 31 December 2016 due to a reduction in long term loan and net decrease in bank borrowings.

Trade and bills payables increased slightly from RMB25.1 million at the end of FY2016 to RMB26.2 million as at 31 December 2016, while accrued expenses, deposits received and other payables decreased to RMB18.3 million from RMB19.4 million as at 30 June 2016. Income tax payable declined from RMB0.9 million as at 30 June 2016 to RMB0.6 million as at 31 December 2016, following the payment of income tax expenses of both PRC and Hong Kong subsidiaries.

Group Cash Flows

Net cash generated from operating activities in HY2017 amounted to RMB10.3 million. This was derived primarily from operating profit before working capital changes of RMB15.6 million offset by net working capital outflows of RMB3.8 million, and payment of income taxes of RMB1.4 million.

Net cash used in investing activities was RMB4.9 million, attributed mainly to the deposits paid for purchases of plant and equipment to set up new IS tape production lines. Net cash used in financing activities was RMB18.2 million, due mainly to interest payments, as well as repayments of other loan and 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 operating environment is expected to remain challenging due to the ongoing uncertainties facing the global economy. The slow market demand, rising raw material costs and continued price pressures could have an adverse impact on the Group's business and financial performance. In addition, the Group is also subject to other factors such as fluctuations in foreign exchange rates and rising labour costs.

While selling prices of the main products could be adjusted to offset higher raw material costs, this process usually takes time and such price adjustments cannot fully compensate for the higher costs due to keen market competition.

To manage the challenges, the Group plans to focus on sales of products with higher profit margins and continue to work on improving its production efficiency and optimising operating expenses. It will also remain financially prudent to ensure the Group is positioned to cope with periods of business slowdown.

The Group's strategy to achieve long-term business sustainability is to continue strengthening its IS tapes and higher-grade BOPP films businesses. The Group is constantly seeking new customers and to grow its business opportunities with existing customers by securing more product lines.

The Group supplies a wide range of IS tapes for the consumer electronics industry from home appliances to personal smartphones and devices. As a qualified supplier of IS tapes

for leading brands of smartphones and other handheld consumer devices, the Group plans to increase the penetration of its IS tapes in this market segment.

Leveraging its in-house R&D expertise, the Group will continue to adapt and expand its product offerings to meet the requirements of customers' in tandem with their new product launches. In response to customers' needs for higher quality products and more demanding manufacturing standards, the Group plans to invest in two new clean-room production lines for the IS tapes business which are expected to be operationally ready by mid of 2017.

As for its BOPP films business, the Group aims to shift its sales mix towards higher grade products. It will continue to maintain and enhance its BOPP films manufacturing line to achieve optimal quality and production efficiency particularly for its higher grade and more sophisticated BOPP films.

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 2016.

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 2016.

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.**

Not applicable.

- 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.**

Not applicable.

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

Not applicable.

- 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.**

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 2016 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

**Lisa Cheng
Company Secretary**

25 January 2017