

The background of the entire page is a vibrant, abstract composition of overlapping blue and white geometric shapes, resembling a stylized globe or a complex network. Two women are featured: one on the left in a white bikini with her right arm raised, and one on the right in a black and white striped bikini kneeling on a sandy beach. The overall aesthetic is bright, modern, and luxurious.

INTERIM
REPORT
2017/18

The Luxey logo consists of a stylized sunburst icon above the brand name in a cursive font.

Luxey

Luxey International (Holdings) Limited
薈萃國際(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8041)

Website: <http://www.Luxey.com.hk>

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors collectively and individually accept full responsibility, includes particulars given in compliance with GEM Listing Rules for the purpose of giving information with regard to the company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2017

		(Unaudited)			
		Three months ended		Six months ended	
		31 December		31 December	
Note	2017	2016	2017	2016	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Revenue	5	33,164	37,149	52,172	71,000
Cost of sales and service rendered		(37,004)	(34,412)	(64,013)	(73,341)
Gross (loss)/profit		(3,840)	2,737	(11,841)	(2,341)
Other income		225	1,031	988	2,437
Selling expenses		(95)	(80)	(342)	(145)
Administrative expenses		(4,974)	(8,115)	(9,006)	(15,181)
Loss from operations		(8,684)	(4,427)	(20,201)	(15,230)
Finance costs	6	(264)	(260)	(529)	(455)
Loss before tax		(8,948)	(4,687)	(20,730)	(15,685)
Income tax expense	7	–	–	–	–
Loss for the period	8	(8,948)	(4,687)	(20,730)	(15,685)
Attributable to:					
Owners of the Company		(5,875)	(3,929)	(14,255)	(11,761)
Non-controlling interests		(3,073)	(758)	(6,475)	(3,924)
		(8,948)	(4,687)	(20,730)	(15,685)
Loss per share	9				
Basic (cent per share)		(0.099)	(0.070)	(0.245)	(0.219)
Diluted (cent per share)		(0.099)	(0.070)	(0.245)	(0.219)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2017

	(Unaudited)			
	Three months ended 31 December		Six months ended 31 December	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss for the period	(8,948)	(4,687)	(20,730)	(15,685)
Other comprehensive income: <i>Item that may be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	22	–	19	(4)
Other comprehensive income for the period, net of tax	22	–	19	(4)
Total comprehensive income for the period	(8,926)	(4,687)	(20,711)	(15,689)
Attributable to:				
Owners of the Company	(5,853)	(3,929)	(14,236)	(11,765)
Non-controlling interests	(3,073)	(758)	(6,475)	(3,924)
	(8,926)	(4,687)	(20,711)	(15,689)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

		(Unaudited)	(Audited)
		31 December	30 June
		2017	2017
	<i>Note</i>	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	11	22,423	27,753
Goodwill	12	78,064	78,064
Club debenture		50	50
		<hr/> 100,537 <hr/>	<hr/> 105,867 <hr/>
Current assets			
Inventories		17,656	4,146
Trade and other receivables	13	45,765	44,559
Pledged bank deposits		505	5,560
Bank and cash balances		119,027	71,092
		<hr/> 182,953 <hr/>	<hr/> 125,357 <hr/>
Current liabilities			
Trade and other payables	14	27,257	24,256
Loan from a non-controlling shareholder of a subsidiary		30,000	30,000
Employee benefit obligations		4,316	4,230
Current tax liabilities		5,513	5,513
		<hr/> 67,086 <hr/>	<hr/> 63,999 <hr/>
Net current assets		<hr/> 115,867 <hr/>	<hr/> 61,358 <hr/>
Total assets less current liabilities		<hr/> 216,404 <hr/>	<hr/> 167,225 <hr/>

	(Unaudited)	(Audited)
	31 December	30 June
	2017	2017
<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Non-current liabilities		
Deferred tax liabilities	<u>1,146</u>	<u>1,146</u>
NET ASSETS	<u>215,258</u>	<u>166,079</u>
Capital and reserves		
Share capital	15 274,194	267,194
Reserves	<u>(54,684)</u>	<u>(103,338)</u>
Equity attributable to owners of the Company	219,510	163,856
Non-controlling interests	<u>(4,252)</u>	<u>2,223</u>
TOTAL EQUITY	<u>215,258</u>	<u>166,079</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2017

	(Unaudited)								
	Attributable to owners of the Company								
	Share capital	Share premium	Translation reserve	Plant and machinery revaluation reserve	Capital redemption reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2016	261,144	576,743	(626)	4,453	150	(693,610)	148,254	6,650	154,904
Total comprehensive income for the period	-	-	(4)	-	-	(11,761)	(11,765)	(3,924)	(15,689)
Exercise of warrants (note 15(a))	50	846	-	-	-	-	896	-	896
Placing and subscription (note 15(b))	6,000	52,813	-	-	-	-	58,813	-	58,813
Changes in equity for the period	6,050	53,659	(4)	-	-	(11,761)	47,944	(3,924)	44,020
At 31 December 2016	267,194	630,402	(630)	4,453	150	(705,371)	196,198	2,726	198,924
At 1 July 2017	267,194	630,402	(773)	6,568	150	(739,685)	163,856	2,223	166,079
Total comprehensive income for the period	-	-	19	-	-	(14,255)	(14,236)	(6,475)	(20,711)
Issue of shares (note 15(c))	7,000	62,890	-	-	-	-	69,890	-	69,890
Changes in equity for the period	7,000	62,890	19	-	-	(14,255)	55,654	(6,475)	49,179
At 31 December 2017	274,194	693,292	(754)	6,568	150	(753,940)	219,510	(4,252)	215,258

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2017

	(Unaudited)	
	Six months ended	
	31 December	
	2017	2016
	HK\$'000	<i>HK\$'000</i>
NET CASH USED IN OPERATING ACTIVITIES	(27,179)	(41,508)
Purchases of property, plant and equipment	(98)	(2,588)
Proceed from disposal of property, plant and equipment	172	–
Decrease in pledged bank deposits	5,055	51
Other investing cash flows (net)	76	45
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	5,205	(2,492)
Loan from a non-controlling shareholder of a subsidiary	–	10,500
Proceeds from exercise of warrants	–	896
Proceeds from placing and subscription	–	60,000
Proceeds from issue of shares	70,000	–
Share issue expenses paid	(110)	(1,187)
NET CASH GENERATED FROM FINANCING ACTIVITIES	69,890	70,209
NET INCREASE IN CASH AND CASH EQUIVALENTS	47,916	26,209
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	71,092	48,556
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	19	(5)
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY	119,027	74,760
Bank and cash balances	119,027	74,760

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

1. GENERAL INFORMATION

Luxey International (Holdings) Limited (the "Company") was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Unit B, 5th Floor, Hang Cheong Factory Building, 1 Wing Ming Street, Cheung Sha Wan, Kowloon, Hong Kong. The Company's shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Company and its subsidiaries (collectively the "Group") are engaged in:

- (i) manufacturing and trading of high-end swimwear and garment products;
- (ii) trading and provision of on-line shopping and media related services; and
- (iii) money lending business.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

These unaudited condensed financial statements should be read in conjunction with the 2017 annual financial statements. The accounting policies and methods of computation used in the preparation of these unaudited condensed financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2017.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 July 2017. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not have any significant effect on the condensed financial statements.

4. SEGMENT INFORMATION

The Group has three reportable segments as follows:

Swimwear and garment	– Manufacturing and trading of swimwear and garment products
Trading and on-line shopping related	– Trading and provision of on-line shopping and media related services
Money lending	– Money lending business

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include other income, finance costs and corporate administrative and other operating expenses. Segment assets do not include goodwill, club debenture and other assets for general administrative use. Segment liabilities do not include other liabilities for general administrative use.

	(Unaudited)			
	Swimwear and garment <i>HK\$'000</i>	Trading and on-line shopping related <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 31 December 2017:				
Revenue from external customers	19,542	32,506	124	52,172
Segment (loss)/profit	(18,062)	403	35	(17,624)
As at 31 December 2017:				
Segment assets	85,893	24,738	7,694	118,325
Segment liabilities	<u>66,393</u>	<u>131</u>	<u>2</u>	<u>66,526</u>

	(Unaudited)			
	Swimwear and garment <i>HK\$'000</i>	Trading and on-line shopping related <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 31 December 2016:				
Revenue from external customers	71,000	–	–	71,000
Segment loss	(11,967)	–	–	(11,967)
		(Audited)		
As at 30 June 2017:				
Segment assets	99,531	1,121	–	100,652
Segment liabilities	63,176	125	–	63,301
		(Unaudited)		
		Six months ended 31 December		
		2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	
Reconciliation of segment profit or loss:				
Total profit or loss of reportable segments		(17,624)	(11,967)	
Unallocated amounts				
Other income		988	2,437	
Administrative expenses		(3,565)	(5,700)	
Finance costs		(529)	(455)	
Consolidated loss for the period		(20,730)	(15,685)	

	(Unaudited) 31 December 2017 <i>HK\$'000</i>	(Audited) 30 June 2017 <i>HK\$'000</i>
Reconciliation of segment assets:		
Total assets of reportable segments	118,325	100,652
Goodwill	78,064	78,064
Club debenture	50	50
Other assets	87,051	52,458
	<hr/>	<hr/>
Consolidated total assets	283,490	231,224
	<hr/>	<hr/>
Reconciliation of segment liabilities:		
Total liabilities of reportable segments	66,526	63,301
Other liabilities	1,706	1,844
	<hr/>	<hr/>
Consolidated total liabilities	68,232	65,145
	<hr/>	<hr/>

5. REVENUE

The Group's revenue which represents sales of goods to customers, subcontracting fee income and interest income from money lending business are as follows:

	(Unaudited) Six months ended 31 December 2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Sales of goods	45,053	71,000
Subcontracting fee income	6,995	–
Interest income from money lending business	124	–
	<hr/>	<hr/>
	52,172	71,000
	<hr/>	<hr/>

6. FINANCE COSTS

	(Unaudited)	
	Six months ended	
	31 December	
	2017	2016
	HK\$'000	HK\$'000
Interest on other loans	529	455

7. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax is required for the six months ended 31 December 2017 and 31 December 2016 since the Group has no assessable profit for the periods.

Tax charges on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

8. LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging/(crediting) the following:

	(Unaudited)	
	Six months ended	
	31 December	
	2017	2016
	HK\$'000	HK\$'000
Interest income	(76)	(45)
Depreciation	5,344	4,762
Directors' remuneration	236	1,422
Gain on disposal of property, plant and equipment	(87)	–

9. LOSS PER SHARE***Basic loss per share***

For the six months ended 31 December 2017

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK\$14,255,000 (2016: HK\$11,761,000) and the weighted average number of ordinary shares of 5,825,511,443 (2016: 5,360,650,465) in issue during the period.

For the three months ended 31 December 2017

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK\$5,875,000 (2016: HK\$3,929,000) and the weighted average number of ordinary shares of 5,947,250,574 (2016: 5,618,989,704) in issue during the period.

Diluted loss per share

For the six months ended 31 December 2017

The exercise of the Group's outstanding convertible non-voting preference shares would be anti-dilutive for the six months ended 31 December 2017. The exercise of the Group's outstanding convertible non-voting preference shares and the effect of all potential ordinary shares would be anti-dilutive for the six months ended 31 December 2016. Diluted loss per share was the same as the basic loss per share for the six months ended 31 December 2017 and 31 December 2016.

For the three months ended 31 December 2017

The exercise of the Group's outstanding convertible non-voting preference shares would be anti-dilutive for the three months ended 31 December 2017 and 31 December 2016. Diluted loss per share was the same as the basic loss per share for the three months ended 31 December 2017 and 31 December 2016.

10. DIVIDEND

The directors do not recommend the payment of dividend for the six months ended 31 December 2017 (2016: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2017, the Group acquired property, plant and equipment of approximately HK\$98,000.

12. GOODWILL

	(Unaudited) 31 December 2017 <i>HK\$'000</i>	(Audited) 30 June 2017 <i>HK\$'000</i>
Cost		
At beginning and end of period/year	<u>777,766</u>	<u>777,766</u>
Accumulated impairment losses		
At beginning of period/year	699,702	676,702
Impairment loss recognised during the period/year	<u>–</u>	<u>23,000</u>
At end of period/year	<u>699,702</u>	<u>699,702</u>
Carrying amount		
At beginning of period/year	<u>78,064</u>	<u>101,064</u>
At end of period/year	<u>78,064</u>	<u>78,064</u>

13. TRADE AND OTHER RECEIVABLES

	(Unaudited) 31 December 2017 <i>HK\$'000</i>	(Audited) 30 June 2017 <i>HK\$'000</i>
Trade and bills receivables	39,685	41,220
Prepayments, deposits and other receivables	<u>6,080</u>	<u>3,339</u>
	<u>45,765</u>	<u>44,559</u>

The Group normally allows credit terms to customers ranging from 14 to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The ageing analysis of trade and bills receivables, based on invoice date, is as follows:

	(Unaudited)	(Audited)
	31 December	30 June
	2017	2017
	HK\$'000	HK\$'000
Current to 30 days	15,574	4,491
31 – 90 days	7,751	23,236
91 – 180 days	60	3,842
Over 180 days	16,300	9,651
	39,685	41,220

14. TRADE AND OTHER PAYABLES

	(Unaudited)	(Audited)
	31 December	30 June
	2017	2017
	HK\$'000	HK\$'000
Trade payables	6,816	4,601
Due to a substantial shareholder	100	100
Due to a non-controlling shareholder of a subsidiary	2,123	1,594
Accruals and other payables	18,218	17,961
	27,257	24,256

The amount due to a substantial shareholder is unsecured, interest-free and has no fixed terms of payment. The amount due to a non-controlling shareholder of a subsidiary is unsecured, interest-free and repayable on demand.

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	(Unaudited) 31 December 2017 <i>HK\$'000</i>	(Audited) 30 June 2017 <i>HK\$'000</i>
Current to 30 days	5,886	1,318
31 – 90 days	906	1,020
91 – 180 days	–	2,196
Over 180 days	24	67
	<hr/> 6,816 <hr/>	<hr/> 4,601 <hr/>

15. SHARE CAPITAL

	(Unaudited) 31 December 2017 HK\$'000	(Audited) 30 June 2017 HK\$'000
Authorised:		
70,000,000,000 ordinary shares of HK\$0.01 each	700,000	700,000
2,000,000,000 convertible non-voting preference shares of HK\$0.15 each	300,000	300,000
312,500,000 series B convertible non-voting preference shares of HK\$0.16 each	50,000	50,000
	1,050,000	1,050,000
Issued and fully paid:		
6,403,772,313 (At 30 June 2017: 5,703,772,313) ordinary shares of HK\$0.01 each	64,038	57,038
1,103,333,333 (At 30 June 2017: 1,103,333,333) convertible non-voting preference shares of HK\$0.15 each	165,500	165,500
279,100,000 (At 30 June 2017: 279,100,000) series B convertible non-voting preference shares of HK\$0.16 each	44,656	44,656
	274,194	267,194

A summary of the movements in the issued share capital of the Company is as follows:

		Number of convertible non-voting preference shares of HK\$0.15 each '000	Number of series B convertible non-voting preference shares of HK\$0.16 each '000	Par value HK\$'000
	Note	Number of ordinary shares of HK\$0.01 each '000		
Authorised:				
At 1 July 2016,				
30 June 2017, 1 July 2017		70,000,000	2,000,000	312,500
and 31 December 2017		<u>70,000,000</u>	<u>2,000,000</u>	<u>1,050,000</u>
Issued and fully paid:				
At 1 July 2016		5,098,794	1,103,333	279,100
Exercise of warrants	(a)	4,978	–	–
Placing and subscription	(b)	<u>600,000</u>	<u>–</u>	<u>6,000</u>
At 30 June 2017 and				
1 July 2017		5,703,772	1,103,333	279,100
Issue of shares	(c)	<u>700,000</u>	<u>–</u>	<u>7,000</u>
At 31 December 2017		<u>6,403,772</u>	<u>1,103,333</u>	<u>279,100</u>

Notes:

- (a) On 28 July 2016, an aggregate of 4,978,523 ordinary shares were issued as a result of the exercise of the subscription rights attaching to 4,978,523 warrants. The subscription rights attaching to the remaining 981,380,235 warrants expired on 12 July 2016. The premium on the issue of shares, amounting to approximately HK\$846,000 was credited to the Company's share premium account.
- (b) On 18 July 2016, the Company and the placing agent entered into a placing agreement, pursuant to which the placing agent agreed to procure not less than six placees (who were individual, corporate or other investors) to purchase up to 300,000,000 shares at placing price of HK\$0.10 per share (the "Placing"). On the same date, the Company and JL Investments Capital Limited (the "Subscriber I"), a substantial shareholder of the Company, entered into a subscription agreement, pursuant to which the Subscriber I agreed to subscribe for and the Company agreed to allot and issue an aggregate of 300,000,000 shares at subscription price of HK\$0.10 per share (the "Subscription I").

The Placing and Subscription I were approved by the shareholders at the extraordinary general meeting of the Company held on 7 September 2016 and a total of 600,000,000 ordinary shares were issued on 14 October 2016. The premium on the issue of shares, amounting to approximately HK\$52,813,000, net of share issue expenses, was credited to the Company's share premium account.

- (c) On 8 November 2017, the Company and Wide Select Investments Limited (the "Subscriber II"), an independent third party, entered into a subscription agreement, pursuant to which the Subscriber II agreed to subscribe and the Company agreed to allot and issue an aggregate of 700,000,000 shares at subscription price of HK\$0.10 per share (the "Subscription II").

The Subscription II was approved by the shareholders at the extraordinary general meeting of the Company held on 28 November 2017 and a total of 700,000,000 ordinary shares were issued on 30 November 2017. The premium on the issue of shares, amounting to approximately HK\$62,890,000, net of share issue expenses, was credited to the Company's share premium account.

16. SEASONALITY

The Group's sales of swimwear and garment products are subject to seasonal fluctuations, with peak demand in the first quarter of each calendar year. This is due to high demand of swimwear and related garment products for the summer.

The Group's other operations are not subject to material seasonal fluctuations.

17. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 31 December 2017 (At 30 June 2017: Nil).

18. PENDING LITIGATIONS

At the end of the reporting period, the Group had the following pending litigations:

(a) On 19 January 2004, a winding up petition was filed against the Company by certain ex-senior employees of the Group claiming for payment in the sum of approximately HK\$594,000 from the Company in respect of an award/order dated 20 October 2003 granted by the Labour Tribunal in respect of the severance and bonus dispute between the Company and the ex-senior employees. The unsettled amounts of approximately HK\$594,000 were fully accrued in trade and other payables during the year ended 30 June 2005 and remain outstanding as at 30 June 2017 and 31 December 2017 even though the case had ceased to be active since the year ended 30 June 2005.

(b) On 4 December 2017, the Company received a writ of summons (the "Writ") issued from the High Court of Hong Kong by Billions Field Development Limited ("Billions"), a non-controlling shareholder of Ricotex Industrial Company Limited ("Ricotex", a non-wholly owned subsidiary of the Company), against Ricotex. According to the Writ, Billions is claiming against Ricotex for, among others, HK\$30,000,000, being shareholder's loan advanced to Ricotex.

The Company is currently seeking legal advice on the matter and considers that Billions's claim is unreasonable and will defend the action. The Company will continue to support Ricotex to carry on its business and operation as usual.

19. CAPITAL COMMITMENTS

The Group did not have any significant capital commitments at 31 December 2017 (At 30 June 2017: Nil).

20. LEASE COMMITMENTS

At 31 December 2017 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	(Unaudited) 31 December 2017 HK\$'000	(Audited) 30 June 2017 HK\$'000
Within one year	4,294	4,294
In the second to fifth years inclusive	12,259	12,878
After five years	4,597	6,128
	21,150	23,300

21. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the condensed financial statements, the Group had the following transactions with its related parties during the period:

	(Unaudited) Six months ended 31 December 2017 HK\$'000	2016 HK\$'000
Rental expenses paid to a related company	975	1,332

22. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 9 February 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Deregistration of Charmston (Holdings) Limited

On 28 June 2017, a resolution was passed by the shareholders of Charmston (Holdings) Limited (“Charmston”) to cease its operations and deregister the company. The Group holds 13% equity interests in Charmston and is classified as available-for-sale financial assets. The investment was fully impaired during the year ended 30 June 2017. It is the Directors’ opinion that the deregistration of Charmston will not have a materials impact on the Group’s result of operations and financial position. The deregistration process is yet to complete at the date of the Report.

Issue of new shares under general mandate

On 8 November 2017, the Company and Wide Select Investments Limited (the “Subscriber”) entered into a subscription agreement, pursuant to which the Subscriber agreed to subscribe and the Company agreed to allot and issue a total of 700,000,000 new shares at the price of HK\$0.10 per share. The subscription was completed on 30 November 2017. The premium on the issue of shares, amounting to approximately HK\$62,890,000, net of share issue expenses, was credited to the Company’s share premium account. The shares ranked pari passu in all respects with the ordinary shares of the Company in issue on the date of allotment.

Please refer to announcements of the Company dated 8 November 2017, 21 November 2017 and 30 November 2017 for details.

Litigation

On 4 December 2017, the Company received a writ of summons (“Writ”) issued from the High Court of Hong Kong by the plaintiff, Billions Field Development Limited (“Billions Field”), against Ricotex Industrial Company Limited (“Ricotex”). Ricotex is a 50% owned subsidiary of the Company. Billions Field is a shareholder of Ricotex holding 50% equity interest. According to the Writ, Billions Field is claiming against Ricotex for, among others, HK\$30,000,000 being the shareholder’s loan advanced to Ricotex.

The Company is currently seeking legal advice on the matter and considers that Billions Field’s claim is unreasonable and will defend the action. The Company will continue to support Ricotex to carry on its business and operation as usual.

Please refer to announcement of the Company dated 4 December 2017 for details.

Financial Performance

For the six months ended 31 December 2017 (the “Current Period”), loss attributable to owners of the Company was approximately HK\$14,255,000 (six months ended 31 December 2016: HK\$11,761,000), representing an increase of approximately 21% over the corresponding period in 2016.

Gross loss for the Current Period was approximately HK\$11,841,000 (six months ended 31 December 2016: HK\$2,341,000), representing an increase of approximately 406% over the corresponding period in 2016.

For the Current Period, the Group’s unaudited total revenue amounted to approximately HK\$52,172,000 (six months ended 31 December 2016: HK\$71,000,000) representing a decrease of approximately 27% over the corresponding period in 2016. Details of the decrease in total revenue and increase in gross loss are discussed below:

Manufacturing and trading of swimwear and garment products (“Swimwear and garment segment”)

The revenue generated from Swimwear and garment segment for the Current Period was approximately HK\$19,542,000 (six months ended 31 December 2016: HK\$71,000,000). Gross loss for the Current Period was approximately HK\$12,499,000 (six months ended 31 December 2016: HK\$2,341,000). Gross loss ratio for the Current Period was 64% (six months ended 31 December 2016: 3%). Decrease in revenue was mainly due to the significant decrease of orders of garment products in a non-wholly owned subsidiary, Ricotex, with its factories located in the Kingdom of Cambodia (“Cambodia”). As the Company is still negotiating with the minority shareholder of Ricotex on a possible restructuring of Ricotex, there is no order of garment products from that minority shareholder. As a result, the factories were not fully utilised and thus increase the gross loss for the Current Period.

***Trading and provision of on-line shopping and media related services
("Trading and on-line shopping related segment")***

The revenue for Trading and on-line shopping related segment was generated from trading of second-hand mobile phones and electronic parts which was started in June 2017. The revenue generated for the Current Period was approximately HK\$32,506,000 (six months ended 31 December 2016: HK\$Nil). Gross profit for the Current Period was approximately HK\$534,000 (six months ended 31 December 2016: HK\$Nil). Gross profit ratio for the Current Period was 2% (six months ended 31 December 2016: Nil). This segment was inactive during the six months ended 31 December 2016.

Money lending business ("Money lending segment")

Money lending business segment was started in August 2017. The revenue generated from Money lending segment for the Current Period was approximately HK\$124,000. Gross profit for the Current Period was approximately HK\$124,000. Gross profit ratio for the Current Period was 100%.

Interim dividend

The board of directors (the "Board") does not recommend the payment of an interim dividend for the six months ended 31 December 2017 (six months ended 31 December 2016: Nil).

Operations

During the Current Period, the Group maintained an effective cost measures in controlling the cost structure of its operations. Besides, the Group will be extremely prudent in the expansion of its operations in an organic manner. We also believe that it is of the Group's best interest to explore different sources of income while still maintains an effective and efficient overhead structure for our supporting departments in each of the business segments under operation.

Connected Transactions

The Group has entered into the following connected transactions during the Current Period and up to the date of this report:

Purchases of raw materials and sell of products

Ricotex entered into (i) the supply agreement with Dakota Industrial Company Limited (“Dakota”) pursuant to which Dakota has agreed to supply raw materials to Ricotex and (ii) the sales agreement with Dakota pursuant to which Ricotex has agreed to sell products to Dakota.

During the Current Period, (i) Dakota has not supplied any raw materials to Ricotex; and (ii) Ricotex sold products to Dakota of approximately HK\$201,000.

Billions Field is a connected person of the Company at the subsidiary level by holding 50% of the issued share capital in Ricotex; all shareholders of Dakota are family members of each other. The majority shareholders of Dakota and their immediate family members are also majority shareholders of Billions Field. Hence, Dakota is an associate of Billions Field through common shareholders and is also a connected person of the Company at the subsidiary level. Therefore the transactions under the supply agreement and sales agreement constituted continuing connected transactions of the Company under the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

Except for the aforesaid, during the Current Period and up to the date of this report, no connected transactions were entered into between the Company or any of its subsidiaries and a connected person as defined under GEM Listing Rules which were required to be disclosed pursuant to the GEM Listing Rules.

Liquidity and Financial Resources

As at 31 December 2017, the Group had net current assets of approximately HK\$115,867,000 (At 30 June 2017: HK\$61,358,000). The current assets comprised bank and cash balances of approximately HK\$119,027,000 (At 30 June 2017: HK\$71,092,000), pledged bank deposits of approximately HK\$505,000 (At 30 June 2017: HK\$5,560,000), trade and other receivables of approximately HK\$45,765,000 (At 30 June 2017: HK\$44,559,000) and inventories of approximately HK\$17,656,000 (At 30 June 2017: HK\$4,146,000). The current liabilities comprised trade payables, accrued charges and other payables of approximately HK\$37,086,000 (At 30 June 2017: HK\$33,999,000), and loan from a non-controlling shareholder of a subsidiary of approximately HK\$30,000,000 (At 30 June 2017: HK\$30,000,000).

As at 31 December 2017, the Group had no significant exposure to fluctuations in exchange rates and any related hedges.

As at 31 December 2017, the Group had total assets of approximately HK\$283,490,000 (At 30 June 2017: HK\$231,224,000). As at 31 December 2017, the Group did not have any long term borrowings (At 30 June 2017: Nil). As at 31 December 2017, the Group had a current ratio of approximately 2.73 comparing to that of 1.96 as at 30 June 2017. As at 31 December 2017, the Group gearing ratio of -23.6% (At 30 June 2017: -3.6%) was calculated as net debt divided by total equity. Net debt is calculated as total liabilities (including current and non-current liabilities as shown in the condensed consolidated statement of financial position) less cash and cash equivalents. Total equity represents the equity as shown in the condensed consolidated statement of financial position.

Foreign Exchange Exposure

As most of the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars, United States dollars and Renminbi, the Group's exposure to exchange rate risk is limited. It is the Group's treasury policy to manage its foreign currency exposure only when its potential financial impact is material to the Group. The Group will continue to monitor its foreign exchange position and, if necessary, utilise hedging tools, if available, to manage its foreign currency exposure.

Capital Structure

On 8 November 2017, the Company and the Subscriber entered into a subscription agreement, pursuant to which the Subscriber agreed to subscribe and the Company agreed to issue a total of 700,000,000 new shares at the price of HK\$0.10 per shares. The subscription was completed on 30 November 2017. The premium on the issue of shares, amounting to approximately HK\$62,890,000, net of share issue expenses, was credited to the Company's share premium account. The shares ranked pari passu in all respects with the ordinary shares of the Company in issue on the date of allotment. No adjustment of conversion price was required to make as a result of the subscription for both convertible non-voting preference shares ("CPS") and series B convertible non-voting preference share ("Series B CPS").

As at 31 December 2017, issued and fully paid share capital of the Company included (a) 6,403,772,313 ordinary shares of HK\$0.01 each (At 30 June 2017: 5,703,772,313 of HK\$0.01 each); (b) 1,103,333,333 CPS (At 30 June 2017: 1,103,333,333) of HK\$0.15 each; and (c) 279,100,000 Series B CPS (At 30 June 2016: 279,100,000) of HK\$0.16 each.

Employees and Remuneration Policy

As at 31 December 2017, the Group had 1,293 full time employees (At 30 June 2017: 1,427). The Group offers a comprehensive remuneration package and benefits to its full time employees in compliance with the regulations in Hong Kong, the People's Republic of China and Cambodia respectively, including medical scheme, provident fund or retirement fund. In addition, the Group adopts a share option scheme for eligible employees (including Directors) and consultants to provide incentives to participants for their contributions and continuing efforts to promote the interests of the Group.

Contingent liabilities

As at 31 December 2017, the Group did not have any material contingent liabilities (At 30 June 2017: Nil).

Charge on Assets

The Group has pledged bank deposits of approximately HK\$505,000 (At 30 June 2017: HK\$5,560,000) to secure banking facilities granted to the Group.

PROSPECT

For the Swimwear and garment segment, due to the keen competition in the market, even though we have put more effort to maintain good relationship with our existing customers, the number of orders of high-end swimwear from existing customers remained at similar level of last year correspondence period. Furthermore, as a result of a possible restructuring of Ricotex, no orders of garment products were received from the affiliated companies of our non-controlling shareholder, Billions Field, during the Current Period, In view of the above, we are actively seeking new business opportunities with new customers and new products. We have successfully secured a major new customer in the United States of America and diversified our products into active sportswear such as yoga wear and general garment products such as T-shirts. We hope to continue to expand our customer base and product mix and expect to see improvements in the performance of this segment resulting from new orders and new customers in the coming year. Also, our Group continues to closely monitor and control cost in order to push up the gross profit margin of Swimwear and garment segment.

For the Trading and on-line shopping related segment, it mainly represented trading of second-hand mobile phone and electronic parts business which started in June 2017. The demand from customers was stable and we would put more resources to develop this segment in the coming year. Our Group continues to seek and explore other business opportunity for the Trading and on-line shopping related segment.

In order to diversify our business, the Group has obtained a Money Lenders Licence in July 2017 and started a new business of money lending in August 2017.

The management of the Group continues to formulate its business strategies to optimise the use of its operating and financial resources. It will consider to diversify its operations including but not limited to invest in financial instruments in order to ensure cash availability through managing cash on hand to best meet the Group's cash and liquidity needs to manage risk. It will also consider to reorganise the non-performing business segments including but not limited to the disposal or downsizing of the non-performing business segments.

DISCLOSURE OF INTERESTS

Interests in Securities of Directors and Chief Executive

As at 31 December 2017, the interests and short positions of the Directors in the shares ("Shares"), underlying Shares or debentures of the Company and its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance, the Laws of Hong Kong (the "SFO")) which are required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules relating to securities transaction by Directors, were as follows:

(i) Long positions in Shares

Name of Director	Number of Shares	Capacity/nature of interest	Approximate percentage of issued share capital (%) (Note 1)
Mr. Lau Chi Yuen ("Mr. Lau")	1,479,841,995 (Note 2)	Personal and corporate (Note 2)	23.11%

Notes:

1. The percentage of issued share capital had been arrived at on the basis of a total of 6,403,772,313 Shares in issue as at 31 December 2017.
2. These shares are held as to 63,100,000 shares by Mr. Lau personally and as to 1,416,741,995 shares by JL Investments Capital Limited ("JL Investments"), which is wholly-owned by Mr. Lau. Mr. Lau is deemed to be interested in the shares held by JL Investments.

(ii) Short positions in the Shares and underlying Shares of equity derivatives of the Company

As at 31 December 2017, none of the Directors had short positions in Shares or underlying Shares of equity derivatives of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION

On 28 November 2017, the Company terminated the share option scheme adopted by the Company on 18 March 2008 and the rules of the new share option scheme (the “Existing Share Option Scheme”) be approved as the new share option scheme. For further details of these, please refer to the circular dated 30 October 2017.

The Existing Share Option Scheme is valid and effective for a period of ten years commencing on the date on which it was adopted. The purpose of the Existing Share Option Scheme is to provide incentives or rewards for contribution to eligible participants who have made or may make to the Group or any invested entity. Under the terms of the Existing Share Option Scheme, the Board may, at its discretion, grant options to any of the participant. Participant means any employees and any Directors (including executive, non-executive and independent non-executive directors) of any member of the Group or any invested entity. The total number of shares which may fall to be issued upon exercise of all of the outstanding options granted and yet to be exercised under the Existing Share Option Scheme of the Company must not exceed 30% of the shares in issue from time to time.

At 31 December 2017, no option was outstanding under the Existing Share Option Scheme (2016: Nil). The total number of shares in respect of which options may be granted under the Existing Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of approval of the Existing Share Option Scheme, without prior approval from the Company’s shareholders. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point of time, without prior approval from the Company’s shareholders. Options granted to a connected person (as such term defined in the GEM Listing Rules) of the Company in excess of 0.1% of the Company’s share capital or with a value in excess of HK\$5 million must be approved in advance by the Company’s shareholders.

The subscription price will be determined by the Board and will be the highest of (i) the quoted closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; and (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets on the five business days immediately preceding the offer date. Any options granted under the Existing Share Option Scheme shall end in any event not later than ten years from the grant date. A nominal value of HK\$1.00 is payable on acceptance of each grant of options.

Interests in Securities of Substantial Shareholders

As far as was known to any Director or chief executive of the Company, as at 31 December 2017, the persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

(i) Long positions in Shares

Name of Shareholder	Number of Shares	Type of interests	Approximate percentage of issued share capital (%) (Note 3)
Big Good Management Limited ("Big Good")	950,533,845	Beneficial	14.84%
Mr. Ma Hoi Cheuk ("Mr. Ma")	950,533,845 (Note 1)	Corporate	14.84%
Wide Select Investments Limited ("Wide Select")	916,420,000	Beneficial	14.31%
Mr. Lee Yim ("Mr. Lee")	916,420,000 (Note 2)	Corporate	14.31%

Notes:

1. Big Good is wholly-owned by Mr. Ma who is deemed to be interested in underlying shares held by Big Good.
2. Wide Select is wholly-owned by Mr. Lee who is deemed to be interested in underlying shares held by Wide Select.
3. see Note 1 on page 29.

Save as disclosed above, as at 31 December 2017, the Directors were not aware of any other person who had an interest or short positions in the shares or underlying shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

(ii) Long positions in the shares and underlying shares of equity derivatives of the Company

Name of Shareholder	Number of Shares	Type of interests	Approximate percentage of issued share capital (%) <i>(Note 1)</i>
Big Good	2,817,699,999 <i>(Note 3 & 4)</i>	Beneficial	44.00%
Mr. Ma	2,817,699,999 <i>(Note 2)</i>	Corporate	44.00%

Notes:

1. see Note 1 on page 29.
2. see Note 1 on page 32.
3. Big Good was the holder of 1,063,333,333 convertible non-voting preference shares of HK\$0.15 each which have no voting rights and are convertible into ordinary shares. Pursuant to the terms of the convertible non-voting preference shares, the conversion price of the outstanding convertible non-voting preference shares has been adjusted from HK\$0.13 per share to HK\$0.12 per share effective immediately after 15 July 2016 as a result of completion of the placing and subscription on 14 October 2016.
4. Big Good was also the holder of 279,100,000 series B convertible non-voting preference shares of HK\$0.16 each which have no voting rights and are convertible into ordinary shares. Pursuant to the terms of the series B convertible non-voting preference shares, the conversion price of the outstanding series B convertible non-voting preference shares had been adjusted from HK\$0.032 to HK\$0.030 per share effective immediately after 15 July 2016 as a result of completion of the placing and subscription on 14 October 2016.

As far as the Directors are aware, save as disclosed herein, as at 31 December 2017, no persons have short positions in shares or underlying shares of equity derivatives of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company had not redeemed any of its Shares during the Current Period. Neither the Company nor any of its subsidiaries had purchased or sold any Shares during the Current Period.

COMPETING INTERESTS

The Directors are not aware of, as at 31 December 2017, any business or interest of each Director, substantial shareholder and management shareholder (as defined in the GEM Listing Rules) and their respective associates that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules.

The primary duties of the audit committee are (i) to review the annual reports and accounts, half-year reports and quarterly reports and give advice and comments thereon to the Directors; and (ii) to review and supervise the financial reporting process and internal controls. The audit committee comprises three Independent Non-executive Directors of the Company.

The audit committee has reviewed the Group's unaudited results for the six months ended 31 December 2017.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintain high standards of corporate governance for the Company. During the Current Period, the Company is in compliance with the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules except provisions A.2.1 and A.4.1 of the CG Code as detailed below:

Code Provision A.2.1

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Lau, the chairman of the Company, took up the role of Chief Executive Officer ("CEO") since the position became vacant on 30 June 2014, and thus there has been no segregation of duties during the Current Period. The Board has evaluated the current situation of the Group and taken into account of the experience and past performance of Mr. Lau, the Board was of the opinion that it was appropriate and in the best interest of the Company at the present stage for vesting the roles of the Chairman and the CEO of the Company in the same person as it helps to facilitates the execution of the Group's business strategies and maximises the effectiveness of its operation. The Board will nevertheless review this structure from time to time and will consider the segregation of the two roles at the appropriate time.

Code Provision A.4.1

Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. The current Independent Non-executive Directors are not appointed for specific terms, but are subject to retirement and re-election at Annual General Meeting of the Company in line with the Company's Articles of Association. As such, the Company considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors of the Company have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the six months ended 31 December 2017.

The Company has adopted the same code of conduct for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the code of conduct by the relevant employees was noted by the Company.

By Order of the Board
Luxey International (Holdings) Limited
Lau Chi Yuen, Joseph
Chairman

Hong Kong, 9 February 2018