



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>

THIRD QUARTERLY REPORT 2017/2018

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

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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 nine months ended 31 March 2018

		(Unaudited)			
		Three months ended		Nine months ended	
		31 March		31 March	
Note	2018	2017	2018	2017	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
<b>Revenue</b>	4	63,358	51,964	115,530	122,964
Cost of sales and service rendered		<u>(70,981)</u>	<u>(47,548)</u>	<u>(134,994)</u>	<u>(120,889)</u>
<b>Gross (loss)/profit</b>		<b>(7,623)</b>	4,416	<b>(19,464)</b>	2,075
Other income		1,126	380	2,114	2,817
Impairment of goodwill	5	<b>(38,457)</b>	(23,000)	<b>(38,457)</b>	(23,000)
Selling expenses		<b>(408)</b>	(88)	<b>(750)</b>	(233)
Administrative expenses		<b>(7,211)</b>	(8,022)	<b>(16,217)</b>	(23,203)
<b>Loss from operations</b>		<b>(52,573)</b>	(26,314)	<b>(72,774)</b>	(41,544)
Finance costs		<b>(163)</b>	(259)	<b>(692)</b>	(714)
<b>Loss before tax</b>		<b>(52,736)</b>	(26,573)	<b>(73,466)</b>	(42,258)
Income tax expense	6	-	-	-	-
<b>Loss for the period</b>	7	<b>(52,736)</b>	(26,573)	<b>(73,466)</b>	(42,258)
<b>Attributable to:</b>					
Owners of the Company		<b>(47,954)</b>	(25,852)	<b>(62,209)</b>	(37,613)
Non-controlling interests		<b>(4,782)</b>	(721)	<b>(11,257)</b>	(4,645)
		<b>(52,736)</b>	(26,573)	<b>(73,466)</b>	(42,258)
<b>Loss per share</b>	8				
Basic (cent per share)		<b>(0.749)</b>	(0.453)	<b>(1.034)</b>	(0.687)
Diluted (cent per share)		<b>(0.749)</b>	(0.453)	<b>(1.034)</b>	(0.687)

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 March 2018

	(Unaudited)			
	Three months ended 31 March		Nine months ended 31 March	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
<b>Loss for the period</b>	<b>(52,736)</b>	(26,573)	<b>(73,466)</b>	(42,258)
<b>Other comprehensive income:</b> <i>Item that may be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	278	–	297	–
<b>Other comprehensive income for the period, net of tax</b>	<b>278</b>	–	<b>297</b>	–
<b>Total comprehensive income for the period</b>	<b>(52,458)</b>	(26,573)	<b>(73,169)</b>	(42,258)
<b>Attributable to:</b>				
Owners of the Company	(47,676)	(25,852)	(61,912)	(37,613)
Non-controlling interests	(4,782)	(721)	(11,257)	(4,645)
	<b>(52,458)</b>	(26,573)	<b>(73,169)</b>	(42,258)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 March 2018

(Unaudited)

	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Plant and machinery revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity 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	-	-	-	-	-	(37,613)	(37,613)	(4,645)	(42,258)
Exercise of warrants	50	846	-	-	-	-	896	-	896
Placing and subscription	6,000	52,813	-	-	-	-	58,813	-	58,813
Changes in equity for the period	6,050	53,659	-	-	-	(37,613)	22,096	(4,645)	17,451
At 31 March 2017	267,194	630,402	(626)	4,453	150	(731,223)	170,350	2,005	172,355
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	-	-	297	-	-	(62,209)	(61,912)	(11,257)	(73,169)
Issue of shares (note 10)	7,000	62,890	-	-	-	-	69,890	-	69,890
Changes in equity for the period	7,000	62,890	297	-	-	(62,209)	7,978	(11,257)	(3,279)
At 31 March 2018	274,194	693,292	(476)	6,568	150	(801,894)	171,834	(9,034)	162,800

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the nine months ended 31 March 2018*

### 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 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 Hong Kong Institute of Certified Public Accountants 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. 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:

	<b>(Unaudited)</b>	
	<b>Nine months ended 31 March</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Sales of goods	<b>103,002</b>	122,964
Subcontracting fee income	<b>12,331</b>	–
Interest income from money lending business	<b>197</b>	–
	<b>115,530</b>	122,964

#### 5. IMPAIRMENT OF GOODWILL

During the nine months ended 31 March 2018 and 31 March 2017, the Group carried out reviews of the recoverable amount of the garment and swimwear cash-generating unit ("CGU"), having regard to the unsatisfactory performance from this CGU carried on by Ricotex Industrial Company Limited.

The recoverable amount of the garment and swimwear CGU was determined from value in use calculation. The key assumptions were those regarding the discount rate, growth rate and budgeted gross margin and revenue during the period. The Group estimated discount rate using pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the CGU. The growth rate was based on long-term average economic growth rate of the geographical area in which the business of the CGU operates. Budgeted gross margin and revenue were based on past practices and expectations on market development.

The Group prepared cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3.00% (2017: 3.93%). This rate did not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows from the garment and swimwear CGU was 14.00% (2017: 15.28%). Based on the past performance, the Group had revised its cash flow forecasts and the recoverable amount of this CGU was negligible. The goodwill allocated to this CGU was thus considered as non-recoverable. The goodwill has therefore been fully impaired through recognition of an impairment loss against goodwill of approximately HK\$38,457,000 (2017: HK\$23,000,000) during the nine months ended 31 March 2018.

**6. INCOME TAX EXPENSE**

No provision for Hong Kong Profits Tax is required for the nine months ended 31 March 2018 and 31 March 2017 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.

**7. LOSS FOR THE PERIOD**

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

	<b>(Unaudited)</b>	
	<b>Nine months ended 31 March</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Interest income	<b>(182)</b>	(139)
Depreciation	<b>8,025</b>	7,231
Directors' remuneration	<b>445</b>	2,133
Gain on disposal of property, plant and equipment	<b>(87)</b>	–

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

*For the nine months ended 31 March 2018*

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\$62,209,000 (2017: HK\$37,613,000) and the weighted average number of ordinary shares of 6,015,451,145 (2017: 5,473,354,721) in issue during the period.

*For the three months ended 31 March 2018*

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\$47,954,000 (2017: HK\$25,852,000) and the weighted average number of ordinary shares of 6,403,772,313 (2017: 5,703,772,313) in issue during the period.



***Diluted loss per share***

*For the nine months ended 31 March 2018*

The exercise of the Group's outstanding convertible non-voting preference shares would be anti-dilutive for the nine months ended 31 March 2018. 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 nine months ended 31 March 2017. Diluted loss per share was the same as the basic loss per share for the nine months ended 31 March 2018 and 31 March 2017.

*For the three months ended 31 March 2018*

The exercise of the Group's outstanding convertible non-voting preference shares would be anti-dilutive for the three months ended 31 March 2018 and 31 March 2017. Diluted loss per share was the same as the basic loss per share for the three months ended 31 March 2018 and 31 March 2017.

**9. DIVIDEND**

The directors do not recommend the payment of dividend for the nine months ended 31 March 2018 (2017: Nil).

**10. ISSUE OF SHARES**

On 8 November 2017, the Company and Wide Select Investments Limited (the "Subscriber"), an independent third party, entered into a subscription agreement, pursuant to which the Subscriber 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").

The Subscription 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.

**11. 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.

**12. 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:

	<b>(Unaudited)</b>	
	<b>Nine months ended 31 March</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Rental expenses paid to a related company	<b>1,856</b>	2,094

**13. EVENT AFTER THE REPORTING PERIOD**

On 16 April 2018, 400,000,000 ordinary shares of HK\$0.01 each were issued as a result of the conversion of 75,000,000 series B convertible non-voting preference shares. The premium on the issue of shares, amounting to approximately HK\$8,000,000, was credited to the Company's share premium account.

## 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 Company and its subsidiaries (collectively 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 material impact on the Group’s result of operations and financial position. The deregistration process is yet to complete at the date of this 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 of 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 Billions Field Development Limited (“Billions Field”), against Ricotex Industrial Company Limited (“Ricotex”). Ricotex is a 50% owned subsidiary of the Company. Billions Field was a non-controlling shareholder of Ricotex holding 50% equity interest at the time of the Writ. According to the Writ, Billions Field claimed against Ricotex for, among others, HK\$30,000,000, being the shareholder’s loan advanced to Ricotex.

On 9 February 2018, Billions Field filed into the High Court a notice of discontinuance of the legal proceedings against Ricotex as a result of the Billions Field's disposal to a third party of all its shares in Ricotex together with its shareholder's loan which was the subject matter of the Writ.

Please refer to announcements of the Company dated 4 December 2017 and 13 February 2018 for details.

### Financial Performance

For the nine months ended 31 March 2018 (the "Current Period"), loss attributable to owners of the Company was approximately HK\$62,209,000 (nine months ended 31 March 2017: HK\$37,613,000), representing an increase of 65% over the corresponding period in 2017. Increase in loss attributable to owners of the Company during the Current Period was mainly due to (i) impairment of goodwill of approximately HK\$38,457,000 (nine months ended 31 March 2017: HK\$23,000,000) has been made for garment and swimwear cash-generating unit ("Garment and swimwear CGU"); (ii) substantial drop in sales volume of high-end swimwear and garment products; and (iii) lower profit margin for both high-end swimwear and garment products and trading of second-hand mobile phones, cameras and electronic parts.

Gross loss for the Current Period was approximately HK\$19,464,000 (nine months ended 31 March 2017: Gross profit of HK\$2,075,000), representing a decrease of approximately 1,038% over the corresponding period in 2017.

For the Current Period, the Group's unaudited revenue amounted to approximately HK\$115,530,000 (nine months ended 31 March 2017: HK\$122,964,000) representing an decrease of approximately 6% over the corresponding period in 2017. Details of the decrease in revenue and decrease in gross profit 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\$52,409,000 (nine months ended 31 March 2017: HK\$122,964,000). Gross loss for the Current Period was approximately HK\$20,895,000 (nine months ended 31 March 2017: Gross profit of HK\$2,075,000). Gross loss ratio for the Current Period was approximately 40% (nine months ended 31 March 2017: Gross profit ratio of 2%). 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"). Furthermore, a substantial part of the sale orders from our new customer in United States of America ("USA") had been delayed or cancelled due to the trade protectionism announced by the USA government. 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, cameras and electronic parts which was started in June 2017. The revenue generated for the Current Period was approximately HK\$62,924,000 (nine months ended 31 March 2017: HK\$Nil). Gross profit for the Current Period was approximately HK\$1,234,000 (nine months ended 31 March 2017: HK\$Nil). Gross profit ratio for the Current Period was 2% (nine months ended 31 March 2017: Nil). This segment was inactive during the nine months ended 31 March 2017.

***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\$197,000. Gross profit for the Current Period was approximately HK\$197,000. Gross profit ratio for the Current Period was 100%.

### ***Impairment of goodwill***

For the Current Period, impairment of goodwill of approximately HK\$38,457,000 was made for the garment and swimwear cash-generating unit as a result of their unsatisfactory performance.

#### *The impairment of goodwill relates to the Garment and swimwear CGU*

The recoverable amount of the Garment and swimwear CGU is determined from value in use calculation. The key assumptions are those regarding the discount rate, growth rate and budgeted gross margin and revenue during the Current Period. The Group estimated discount rate using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rate is based on long-term average economic growth rate of the geographical area in which the business of the CGU operates. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepared cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3.00%. This rate does not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows from the Garment and swimwear CGU was 14.00%. Based on the past performance and uncertainties for the future, the Group has revised its cash flow forecasts for this CGU, the recoverable amount of this CGU was negligible. The goodwill allocated to this CGU was thus considered as non-recoverable. The goodwill has therefore been fully impaired through recognition of an impairment loss against goodwill of approximately HK\$38,457,000 during the Current Period.

### **Interim dividend**

The board of directors (the "Board") does not recommend the payment of an interim dividend for the nine months ended 31 March 2018 (nine months ended 31 March 2017: 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"). After the completion of disposal of shares in Ricotex by Billions Field on 9 February 2018, Billions Field ceased to be a connected person of the Company from 9 February 2018.

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.

### Contingent liabilities

As at 31 March 2018, the Group did not have any material contingent liabilities (At 31 March 2017: Nil).

### Subsequent events

On 16 April 2018, 400,000,000 ordinary shares of HK\$0.01 each were issued as a result of the conversion of 75,000,000 series B convertible non-voting preference shares. The premium on the issue of shares, amounting to approximately HK\$8,000,000, was credited to the Company's share premium account.

## 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 correspondence period of last year. Furthermore, no orders of garment products were received in Ricotex from the affiliated companies of our previous non-controlling shareholder, Billions Field, during the Current Period due to its cessation as the shareholder of Ricotex. 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 USA in year 2017 and diversified our products into active sportswear such as yoga wear and general garment products such as T-shirts. However, due to the trade protectionism announced by the USA government and the risks of its impact on the USA economy, a substantial part of the orders from that new customer had been delayed or cancelled. Nevertheless we shall continue with our strategy of expanding customer base and product mix with the aim to improve performance of this segment 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 phones, cameras 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 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.

The Group 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 March 2018, 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 (%) <i>(Note 1)</i>
Mr. Lau Chi Yuen, Joseph ("Mr. Lau")	1,480,041,995 <i>(Note 2)</i>	Personal and corporate <i>(Note 2)</i>	23.11%

Notes:

- 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 March 2018.

2. These shares are held as to 63,300,000 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 March 2018, 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 March 2018, no option was outstanding under the Existing Share Option Scheme (At 31 March 2017: 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 March 2018, 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**

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>Type of interests</b>	<b>Approximate percentage of issued share capital (%)</b> <i>(Note 3)</i>
Big Good Management Limited ("Big Good")	950,533,845	Beneficial	14.84%
Mr. Ma Hoi Cheuk ("Mr. Ma")	950,533,845 <i>(Note 1)</i>	Corporate	14.84%
Wide Select Investments Limited ("Wide Select")	916,420,000	Beneficial	14.31%
Mr. Lee Yim ("Mr. Lee")	916,420,000 <i>(Note 2)</i>	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 16.

Save as disclosed above, as at 31 March 2018, 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 underlying shares of equity derivatives of the Company**

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>Type of interests</b>	<b>Approximate percentage of issued share capital (%)</b> <i>(Note 1)</i>
Big Good	2,817,699,999 <i>(Note 3 &amp; 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 16.
2. see Note 1 on page 19.
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 had been adjusted from HK\$0.13 per share to HK\$0.12 per share effectively 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 placing and subscription on 14 October 2016.

As far as the directors are aware, saved as disclosed herein, as at 31 March 2018, 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 March 2018, 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 nine months ended 31 March 2018.

## 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 nine months ended 31 March 2018.

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 May 2018