



# Luxey



## 2018/19 Interim Report

**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>

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## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2018

		(Unaudited)			
		Three months ended		Six months ended	
		31 December		31 December	
Note		2018	2017	2018	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<b>Revenue</b>	34,660	33,164	61,963	52,172
	Cost of sales and service rendered	<b>(32,976)</b>	(37,004)	<b>(75,401)</b>	(64,013)
	<b>Gross (loss)/profit</b>	<b>1,684</b>	(3,840)	<b>(13,438)</b>	(11,841)
	Other income	1,264	225	4,099	988
	Selling expenses	(46)	(95)	(624)	(342)
	Administrative expenses	<b>(3,352)</b>	(4,974)	<b>(8,561)</b>	(9,006)
	<b>Loss from operations</b>	<b>(450)</b>	(8,684)	<b>(18,524)</b>	(20,201)
	Finance costs	<b>(206)</b>	(264)	<b>(414)</b>	(529)
	<b>Loss before tax</b>	<b>(656)</b>	(8,948)	<b>(18,938)</b>	(20,730)
	Income tax expense	-	-	-	-
	<b>Loss for the period</b>	<b>(656)</b>	(8,948)	<b>(18,938)</b>	(20,730)
	<b>Attributable to:</b>				
	Owners of the Company	<b>(851)</b>	(5,875)	<b>(15,105)</b>	(14,255)
	Non-controlling interests	<b>195</b>	(3,073)	<b>(3,833)</b>	(6,475)
		<b>(656)</b>	(8,948)	<b>(18,938)</b>	(20,730)
	<b>Loss per share</b>				
	Basic (cent per share)	<b>0.013</b>	(0.099)	<b>0.22</b>	(0.245)
	Diluted (cent per share)	<b>0.013</b>	(0.099)	<b>0.22</b>	(0.245)

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

For the six months ended 31 December 2018

	(Unaudited)			
	Three months ended 31 December		Six months ended 31 December	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Loss for the period</b>	<b>(656)</b>	(8,948)	<b>(18,938)</b>	(20,730)
<b>Other comprehensive income:</b> <i>Item that may be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	<b>9</b>	22	<b>9</b>	19
<b>Other comprehensive income for the period, net of tax</b>	<b>9</b>	22	<b>9</b>	19
<b>Total comprehensive income for the period</b>	<b>(647)</b>	(8,926)	<b>(18,929)</b>	(20,711)
<b>Attributable to:</b>				
Owners of the Company	<b>(842)</b>	(5,853)	<b>(15,096)</b>	(14,236)
Non-controlling interests	<b>195</b>	(3,073)	<b>(3,833)</b>	(6,475)
	<b>(647)</b>	(8,926)	<b>(18,929)</b>	(20,711)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

		<b>(Unaudited)</b>	(Audited)
		<b>31 December</b>	30 June
		<b>2018</b>	2018
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>13,794</b>	16,970
Goodwill	12	–	–
Club debenture		<b>50</b>	50
		<b>13,844</b>	17,020
<b>Current assets</b>			
Inventories		<b>13,266</b>	4,882
Trade and other receivables	13	<b>55,251</b>	52,089
Loan receivable		<b>2,556</b>	2,507
Pledged bank deposits		<b>388</b>	434
Bank and cash balances		<b>43,023</b>	57,853
		<b>114,484</b>	117,765
<b>Current liabilities</b>			
Trade and other payables	14	<b>32,102</b>	19,008
Other loans	15	<b>26,044</b>	26,044
Employee benefit obligations		<b>4,098</b>	4,720
Current tax liabilities		<b>503</b>	503
		<b>62,747</b>	50,275
<b>Net current assets</b>		<b>51,737</b>	67,490
<b>Total assets less current liabilities</b>		<b>65,581</b>	84,510



	<b>(Unaudited)</b>	(Audited)
	<b>31 December</b>	30 June
	<b>2018</b>	2018
<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	<u>1,594</u>	<u>1,594</u>
<b>NET ASSETS</b>	<b><u>63,987</u></b>	<b><u>82,916</u></b>
<b>Capital and reserves</b>		
Share capital	16 <b>263,444</b>	266,194
Reserves	<b><u>(179,364)</u></b>	<u>(167,018)</u>
Equity attributable to owners of the Company	<b>84,080</b>	99,176
Non-controlling interests	<b><u>(20,093)</u></b>	<u>(16,260)</u>
<b>TOTAL EQUITY</b>	<b><u>63,987</u></b>	<b><u>82,916</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2018

	(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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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(a))	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
At 1 July 2018	266,194	701,292	(630)	10,123	150	(877,953)	99,176	(16,260)	82,916
Total comprehensive income for the period	–	–	9	–	–	(15,105)	(15,096)	(3,833)	(18,929)
Conversion of convertible non-voting preference shares into ordinary shares (note 15(c))	(2,750)	2,750	–	–	–	–	–	–	–
Changes in equity for the period	(2,750)	2,750	9	–	–	(15,105)	(15,096)	(3,833)	(18,929)
At 31 December 2018	263,444	704,042	(621)	10,123	150	(893,058)	84,080	(20,097)	63,987

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2018

	(Unaudited) Six months ended 31 December	
	2018 HK\$'000	2017 HK\$'000
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(13,790)</b>	(27,179)
Purchases of property, plant and equipment	(1,170)	(98)
Proceed from disposal of property, plant and equipment	–	172
Decrease in pledged bank deposits	46	5,055
Other investing cash flows (net)	75	76
<b>NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES</b>	<b>(1,049)</b>	5,205
Proceeds from issue of shares	–	70,000
Share issue expenses paid	–	(110)
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>–</b>	69,890
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(14,839)</b>	47,916
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>57,853</b>	71,092
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>9</b>	19
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY</b>	<b>43,023</b>	119,027
Bank and cash balances	43,023	119,027



## **NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

*For the six months ended 31 December 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 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 2018 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 2018.

### **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 2018. 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	Trading and on-line shopping related	Money lending	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended				
31 December 2018:				
Revenue from external customers	11,912	49,935	116	61,963
Segment (loss)/profit	(18,371)	1,881	(177)	(16,667)
As at 31 December 2018:				
Segment assets	46,851	66,836	7,192	120,879
Segment liabilities	<u>44,397</u>	<u>8,430</u>	<u>62</u>	<u>52,889</u>

	<b>(Unaudited)</b>			
	<b>Swimwear and garment</b>	<b>Trading and on-line shopping related</b>	<b>Money lending</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<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)
		<b>(Audited)</b>		
As at 30 June 2018:				
Segment assets	51,116	59,078	7,923	118,117
Segment liabilities	39,824	28	14	39,866
		<b>(Unaudited)</b>		
		<b>Six months ended</b>		
		<b>31 December</b>		
		<b>2018</b>		2017
		<i>HK\$'000</i>		<i>HK\$'000</i>
<b>Reconciliation of segment profit or loss:</b>				
Total profit or loss of reportable segments		<b>(16,667)</b>		(17,624)
Unallocated amounts				
Other income		<b>4,099</b>		988
Administrative expenses		<b>(5,956)</b>		(3,565)
Finance costs		<b>(414)</b>		(529)
		<hr/>		<hr/>
Consolidated loss for the period		<b>(18,938)</b>		(20,730)
		<hr/>		<hr/>

	<b>(Unaudited)</b> <b>31 December</b> <b>2018</b> <b>HK\$'000</b>	(Audited) 30 June 2018 HK\$'000
<b>Reconciliation of segment assets:</b>		
Total assets of reportable segments	<b>120,829</b>	118,117
Goodwill	–	–
Club debenture	<b>50</b>	50
Other assets	<b>7,449</b>	16,618
	<hr/>	<hr/>
Consolidated total assets	<b>128,328</b>	134,785
	<hr/>	<hr/>
<b>Reconciliation of segment liabilities:</b>		
Total liabilities of reportable segments	<b>52,889</b>	39,866
Loan from a related company	<b>10,000</b>	10,000
Other liabilities	<b>1,452</b>	2,003
	<hr/>	<hr/>
Consolidated total liabilities	<b>64,341</b>	51,869
	<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:

	<b>(Unaudited)</b> <b>Six months ended</b> <b>31 December</b> <b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Sales of goods	<b>57,296</b>	45,053
Subcontracting fee income	<b>4,551</b>	6,995
Interest income from money lending business	<b>116</b>	124
	<hr/>	<hr/>
	<b>61,963</b>	52,172
	<hr/>	<hr/>

**6. FINANCE COSTS**

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Interest on other loans	<b>414</b>	529

**7. INCOME TAX EXPENSE**

No provision for Hong Kong Profits Tax is required for the six months ended 31 December 2018 and 31 December 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.

**8. LOSS FOR THE PERIOD**

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

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Interest income	<b>(75)</b>	(76)
Depreciation	<b>4,346</b>	5,344
Directors' remuneration	<b>417</b>	236
Gain on disposal of property, plant and equipment	<b>-</b>	(87)

## 9. LOSS PER SHARE

### **Basic loss per share**

*For the six months ended 31 December 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\$15,105,000 (2017: HK\$14,255,000) and the weighted average number of ordinary shares of 6,823,337,530 (2017: 5,825,511,443) in issue during the period.

*For the three months ended 31 December 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\$851,000 (2017: HK\$5,875,000) and the weighted average number of ordinary shares of 6,828,772,313 (2017: 5,947,250,574) in issue during the period.

### **Diluted loss per share**

*For the six months ended 31 December 2018*

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

*For the three months ended 31 December 2018*

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

## 10. DIVIDEND

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

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2018, the Group acquired property, plant and equipment of approximately HK\$1,170,000.



**12. GOODWILL**

	<b>(Unaudited)</b> <b>31 December</b> <b>2018</b> <i>HK\$'000</i>	(Audited) 30 June 2018 <i>HK\$'000</i>
<b>Cost</b>		
At beginning and end of period/year	<u>777,766</u>	<u>777,766</u>
<b>Accumulated impairment losses</b>		
At beginning of period/year	<b>777,766</b>	777,766
Impairment loss recognised during the period/year	<u>—</u>	<u>—</u>
At end of period/year	<u>—</u>	<u>—</u>
<b>Carrying amount</b>		
At beginning of period/year	<u>—</u>	<u>—</u>
At end of period/year	<u>—</u>	<u>—</u>

**13. TRADE AND OTHER RECEIVABLES**

	<b>(Unaudited)</b> <b>31 December</b> <b>2018</b> <i>HK\$'000</i>	(Audited) 30 June 2018 <i>HK\$'000</i>
Trade and bills receivables	<b>45,719</b>	39,837
Prepayments, deposits and other receivables	<u>9,532</u>	<u>12,252</u>
	<u><b>55,251</b></u>	<u>52,089</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:

	<b>(Unaudited)</b> <b>31 December</b> <b>2018</b> <b>HK\$'000</b>	(Audited) 30 June 2018 HK\$'000
Current to 30 days	<b>9,816</b>	15,530
31 – 90 days	<b>12,996</b>	12,660
91 – 180 days	<b>11,161</b>	11,594
Over 180 days	<b>11,746</b>	53
	<b>45,719</b>	39,837

#### 14. TRADE AND OTHER PAYABLES

	<b>(Unaudited)</b> <b>31 December</b> <b>2018</b> <b>HK\$'000</b>	(Audited) 30 June 2018 HK\$'000
Trade payables	<b>2,520</b>	787
Due to a substantial shareholder	<b>100</b>	100
Due to a non-controlling shareholder of a subsidiary	<b>288</b>	188
Accruals and other payables	<b>29,194</b>	17,933
	<b>32,102</b>	19,008

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:

	<b>(Unaudited)</b> <b>31 December</b> <b>2018</b> <i>HK\$'000</i>	(Audited) 30 June 2018 <i>HK\$'000</i>
Current to 30 days	<b>2,427</b>	603
31 – 90 days	<b>55</b>	159
91 – 180 days	<b>–</b>	15
Over 180 days	<b>38</b>	10
	<b>2,520</b>	787

#### 15. OTHER LOANS

	<b>(Unaudited)</b> <b>31 December</b> <b>2018</b> <i>HK\$'000</i>	(Audited) 30 June 2018 <i>HK\$'000</i>
Loan from non-controlling shareholder of a subsidiary	<b>16,044</b>	16,044
Loan from a related company	<b>10,000</b>	10,000
Total	<b>26,044</b>	26,044

The loan from a non-controlling shareholder of a subsidiary is unsecured, interest-bearing at the prevailing Hong Kong dollar prime rate of The Hongkong and Shanghai Banking Corporation Limited minus 1.5% and repayable on demand. The loan from a related company is unsecured, interest-bearing at 2% per annum and repayable on 8 December 2018, and further extended to 8 May 2019.

The carrying amount of the loans are denominated in Hong Kong dollars.

The interest rates of loan from non-controlling shareholder of a subsidiary and loan from a related company at 31 December 2018 are 3.625% and 2% respectively.

16. SHARE CAPITAL

	<b>(Unaudited)</b> <b>31 December</b> <b>2018</b> <b>HK\$'000</b>	(Audited) 30 June 2018 HK\$'000
<b>Authorised:</b>		
70,000,000,000 ordinary shares of HK\$0.01 each	<b>700,000</b>	700,000
2,000,000,000 convertible non-voting preference shares of HK\$0.15 each	<b>300,000</b>	300,000
312,500,000 series B convertible non-voting preference shares of HK\$0.16 each	<b>50,000</b>	50,000
	<b>1,050,000</b>	1,050,000
<b>Issued and fully paid:</b>		
6,828,772,313 (At 30 June 2018: 6,803,772,313) ordinary shares of HK\$0.01 each	<b>68,288</b>	68,038
1,083,333,333 (At 30 June 2018: 1,103,333,333) convertible non-voting preference shares of HK\$0.15 each	<b>162,500</b>	165,500
204,100,000 (At 30 June 2018: 204,100,000) series B convertible non-voting preference shares of HK\$0.16 each	<b>32,656</b>	32,656
	<b>263,444</b>	266,194

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

	Number of ordinary shares of HK\$0.01 each	Number of convertible non-voting preference shares of HK\$0.15 each	Number of convertible non-voting preference shares of HK\$0.16 each	Par value HK\$'000
<i>Note</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	
<b>Authorised:</b>				
At 1 July 2017,				
30 June 2018, 1 July 2018				
and 31 December 2018	<u>70,000,000</u>	<u>2,000,000</u>	<u>312,500</u>	<u>1,050,000</u>
<b>Issued and fully paid:</b>				
At 1 July 2017	5,703,772	1,103,333	279,100	267,194
Issue of Shares (a)	700,000	–	–	7,000
Conversion of Series B convertible non-voting preference shares into ordinary shares (b)	<u>400,000</u>	<u>–</u>	<u>(75,000)</u>	<u>(8,000)</u>
At 30 June 2018 and 1 July 2018	6,803,772	1,103,333	204,100	266,194
Conversion of convertible non-voting preference shares into ordinary shares (c)	<u>25,000</u>	<u>(20,000)</u>	<u>–</u>	<u>(2,750)</u>
At 31 December 2018	<u>6,828,772</u>	<u>1,083,333</u>	<u>204,100</u>	<u>263,444</u>

*Notes:*

- (a) 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.

- (b) 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.
- (c) On 10 August 2018, 25,000,000 ordinary shares of HK\$0.01 each were issued as a result of the conversion of 20,000,000 convertible non-voting preference shares.

**17. 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.

**18. CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities at 31 December 2018 (At 30 June 2018: Nil).

**19. PENDING LITIGATIONS**

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.



**20. CAPITAL COMMITMENTS**

The Group did not have any significant capital commitments at 31 December 2018 (At 30 June 2018: Nil).

**21. LEASE COMMITMENTS**

At 31 December 2018 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>(Unaudited)</b> <b>31 December</b> <b>2018</b> <b>HK\$'000</b>	(Audited) 30 June 2018 HK\$'000
Within one year	<b>3,509</b>	4,792
In the second to fifth years inclusive	<b>11,372</b>	15,587
After five years	<b>980</b>	3,083
	<b>15,861</b>	23,462

**22. 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>Six months ended</b> <b>31 December</b> <b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Rental expenses paid to a related company	–	975
Interest expenses paid to a related company	<b>101</b>	–

**23. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the Board of Directors on 1 February 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Performance

For the six months ended 31 December 2018 (the “Current Period”), loss attributable to owners of the Company was approximately HK\$15,105,000 (six months ended 31 December 2017: HK\$14,255,000), representing an increase of approximately 6% over the corresponding period in 2017.

Gross loss for the Current Period was approximately HK\$13,438,000 (six months ended 31 December 2017: HK\$11,841,000), representing an increase of approximately 13% over the corresponding period in 2017.

For the Current Period, the Group’s unaudited total revenue amounted to approximately HK\$61,963,000 (six months ended 31 December 2017: HK\$52,172,000) representing a increase of approximately 19% over the corresponding period in 2017. 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\$11,912,000 (six months ended 31 December 2017: HK\$19,542,000). Gross loss for the Current Period was approximately HK\$15,750,000 (six months ended 31 December 2017: HK\$12,499,000). Gross loss ratio for the Current Period was 132% (six months ended 31 December 2017: 64%). Decrease in revenue was mainly due to the decrease in orders for Swimwear and garment segment.

***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\$49,935,000 (six months ended 31 December 2017: HK\$32,506,000). Gross profit for the Current Period was approximately HK\$2,196,000 (six months ended 31 December 2017: HK\$534,000). Gross profit ratio for the Current Period was 4% (six months ended 31 December 2017: 2%).

***Money lending business ("Money lending segment")***

The revenue generated from Money lending segment for the Current Period was approximately HK\$116,000 (six months ended 31 December 2017: HK\$124,000). Gross profit for the Current Period was approximately HK\$116,000. Gross profit ratio for the Current Period was 100% (six months ended 31 December 2017: 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 2018 (six months ended 31 December 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.

## 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 10 August 2018, 25,000,000 ordinary shares of HK\$0.01 each were issued as a result of the conversion of 20,000,000 convertible non-voting preference shares.

As at 31 December 2018, issued and fully paid share capital of the Company included (a) 6,828,772,313 ordinary shares of HK\$0.01 each (At 30 June 2018: 6,803,772,313 of HK\$0.01 each); (b) 1,083,333,333 CPS (At 30 June 2018: 1,103,333,333) of HK\$0.15 each; and (c) 204,100,000 Series B CPS (At 30 June 2018: 204,100,000) of HK\$0.16 each.

## Employees and Remuneration Policy

As at 31 December 2018, the Group had 684 full time employees (At 30 June 2018: 1,206). 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 2018, the Group did not have any material contingent liabilities (At 30 June 2018: Nil).

### **Charge on Assets**

The Group has pledged bank deposits of approximately HK\$388,000 (At 30 June 2018: HK\$434,000) to secure banking facilities granted to the Group.

## **PROSPECT**

For the Swimwear and garment segment, due to the keen competition in the market, the orders of high-end swimwear and garment products for this segment decreased continuously in Current Period. In view of the above, we are actively seeking new business opportunities with new customers and new products. Nevertheless we shall continue with our strategy of expanding customer base and product mix with the aim to improve performance of this segment. 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 represented trading of second-hand mobile phone business which started in June 2017. The demand from customers was stable. 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 the 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 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 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 (%) (Note 1)
Mr. Lau Chi Yuen ("Mr. Lau")	1,490,741,995 (Note 2)	Personal and corporate (Note 2)	21.83%

#### Notes:

- The percentage of issued share capital had been arrived at on the basis of a total of 6,828,772,313 Shares in issue as at 31 December 2018.
- These shares are held as to 74,000,000 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 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 "Scheme") be approved as the new share option scheme.

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, suppliers, customers, legal and financial advisers of the Company and the Company's subsidiaries. The Scheme became effective on 28 November 2017 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

At 31 December 2018, no option was outstanding under the Scheme (2017: Nil). Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

### Interests in Securities of Substantial Shareholders

As far as was known to any Director or chief executive of the Company, as at 31 December 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

Name of Shareholder	Number of Shares	Type of interests	Approximate percentage of issued share capital (%) <i>(Note 3)</i>
Big Good Management Limited ("Big Good")	1,350,533,845	Beneficial	19.78%
Mr. Ma Hoi Cheuk ("Mr. Ma")	1,350,533,845 <i>(Note 1)</i>	Corporate	19.78%
Wide Select Investments Limited ("Wide Select")	916,420,000	Beneficial	13.42%
Mr. Lee Yim ("Mr. Lee")	916,420,000 <i>(Note 2)</i>	Corporate	13.42%

*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 25.

Save as disclosed above, as at 31 December 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 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	2,417,699,999 <i>(Note 3 &amp; 4)</i>	Beneficial	35.40%
Mr. Ma	2,417,699,999 <i>(Note 2)</i>	Corporate	35.40%

*Notes:*

1. see Note 1 on page 25.
2. see Note 1 on page 28.
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 204,100,000 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 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 December 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 six months ended 31 December 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 six months ended 31 December 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, 1 February 2019