



Luxey



2019/20
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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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 2019

		(Unaudited)			
		Three months ended		Six months ended	
		31 December		31 December	
Note	2019	2018	2019	2018	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Revenue	5	21,664	34,660	41,114	61,963
Cost of sales and service rendered		<u>(16,018)</u>	<u>(32,976)</u>	<u>(34,037)</u>	<u>(75,401)</u>
Gross (loss)/profit		5,646	1,684	7,077	(13,438)
Other income		611	1,264	1,679	4,099
Selling expenses		(609)	(46)	(924)	(624)
Administrative expenses		<u>(5,921)</u>	<u>(3,352)</u>	<u>(12,563)</u>	<u>(8,561)</u>
Loss from operations		(273)	(450)	(4,731)	(18,524)
Finance costs	6	–	(206)	–	(414)
Loss before tax		(273)	(656)	(4,731)	(18,938)
Income tax expense	7	–	–	–	–
Loss for the period	8	<u>(273)</u>	<u>(656)</u>	<u>(4,731)</u>	<u>(18,938)</u>
Attributable to:					
Owners of the Company		(583)	(851)	(4,571)	(15,105)
Non-controlling interests		<u>310</u>	<u>195</u>	<u>(160)</u>	<u>(3,833)</u>
		<u>(273)</u>	<u>(656)</u>	<u>(4,731)</u>	<u>(18,938)</u>
Loss per share	9				
Basic (cent per share)		<u>0.01</u>	<u>0.013</u>	<u>0.07</u>	<u>0.22</u>
Diluted (cent per share)		<u>0.01</u>	<u>0.013</u>	<u>0.07</u>	<u>0.22</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2019

	(Unaudited)			
	Three months ended 31 December		Six months ended 31 December	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Loss for the period	(273)	(656)	(4,731)	(18,938)
Other comprehensive income: <i>Item that may be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	95	9	383	9
Other comprehensive income for the period, net of tax	95	9	383	9
Total comprehensive income for the period	(178)	(647)	(4,348)	(18,929)
Attributable to:				
Owners of the Company	(488)	(842)	(4,188)	(15,096)
Non-controlling interests	310	195	(160)	(3,833)
	(178)	(647)	(4,348)	(18,929)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	<i>Note</i>	(Unaudited) 31 December 2019 HK\$'000	(Audited) 30 June 2019 HK\$'000
Non-current assets			
Property, plant and equipment	11	5,655	7,472
Club debenture		50	50
		<u>5,705</u>	<u>7,522</u>
Current assets			
Inventories		15,084	3,016
Trade and other receivables	12	55,554	44,260
Loan receivable		11,307	7,608
Pledged bank deposits		305	361
Bank and cash balances		25,294	47,701
		<u>107,544</u>	<u>102,946</u>
Current liabilities			
Trade and other payables	13	27,850	20,798
Employee benefit obligations		2,577	2,500
Current tax liabilities		477	477
		<u>30,904</u>	<u>23,775</u>
Net current assets		<u>76,640</u>	<u>79,171</u>
Total assets less current liabilities		<u>82,345</u>	<u>86,693</u>

	(Unaudited)	(Audited)
	31 December	30 June
	2019	2019
<i>Note</i>	HK\$'000	HK\$'000
Non-current liabilities		
Deferred tax liabilities	<u>122</u>	<u>122</u>
NET ASSETS	<u>82,223</u>	<u>86,571</u>
Capital and reserves		
Share capital	14 263,444	263,444
Reserves	<u>(174,888)</u>	<u>(170,700)</u>
Equity attributable to owners of the Company	88,556	92,744
Non-controlling interests	<u>(6,333)</u>	<u>(6,173)</u>
TOTAL EQUITY	<u>82,223</u>	<u>86,571</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2019

	(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 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	(20,093)	63,987
At 1 July 2019	263,444	704,042	(846)	8,607	150	(882,653)	92,744	(6,173)	86,571
Total comprehensive income for the period	-	-	383	-	-	(4,571)	(4,188)	(160)	(4,348)
At 31 December 2019	263,444	704,042	(463)	8,607	150	(887,224)	88,556	(6,333)	82,223

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2019

	(Unaudited)	
	Six months ended	
	31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH USED IN OPERATING ACTIVITIES	(22,887)	(13,790)
Purchases of property, plant and equipment	–	(1,170)
Decrease in pledged bank deposits	56	46
Other investing cash flows (net)	41	75
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	97	(1,049)
NET CASH GENERATED FROM FINANCING ACTIVITIES	–	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(22,790)	(14,839)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	47,701	57,853
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	383	9
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY	25,294	43,023
Bank and cash balances	25,294	43,023

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

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 GEM 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 2019.

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 2019. 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 2019:				
Revenue from external customers	24,305	16,340	469	41,114
Segment (loss)/profit	(2,225)	(384)	475	(2,134)
As at 31 December 2019:				
Segment assets	48,182	43,536	15,787	107,505
Segment liabilities	21,397	6,650	44	28,091

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	(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>

	(Unaudited)	
	Six months ended 31 December	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Reconciliation of segment profit or loss:		
Total profit or loss of reportable segments	(2,134)	(16,667)
Unallocated amounts		
Other income	41	4,099
Administrative expenses	(2,638)	(5,956)
Finance costs	<u>–</u>	<u>(414)</u>
Consolidated loss for the period	<u>(4,731)</u>	<u>(18,938)</u>

	(Unaudited) 31 December 2019 <i>HK\$'000</i>	(Audited) 30 June 2019 <i>HK\$'000</i>
Reconciliation of segment assets:		
Total assets of reportable segments	107,505	90,917
Club debenture	50	50
Other assets	5,694	19,501
	<hr/> 113,249	<hr/> 110,468
Consolidated total assets	113,249	110,468
Reconciliation of segment liabilities:		
Total liabilities of reportable segments	28,091	21,820
Other liabilities	2,935	2,077
	<hr/> 31,026	<hr/> 23,897
Consolidated total liabilities	31,026	23,897

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 2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Sales of goods	33,063	57,296
Subcontracting fee income	6,082	4,551
Service Income	1,500	–
Interest income from money lending business	469	116
	<hr/> 41,114	<hr/> 61,963

6. FINANCE COSTS

	(Unaudited)	
	Six months ended	
	31 December	
	2019	2018
	HK\$'000	HK\$'000
Interest on other loans	–	414

7. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax is required for the six months ended 31 December 2019 and 31 December 2018 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	
	2019	2018
	HK\$'000	HK\$'000
Interest income	(41)	(75)
Depreciation	1,817	4,346
Directors' remuneration	574	417

9. LOSS PER SHARE

Basic loss per share

For the six months ended 31 December 2019

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\$4,571,000 (2018: HK\$15,105,000) and the weighted average number of ordinary shares of 6,828,772,313 (2018: 6,823,337,530) in issue during the period.

For the three months ended 31 December 2019

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\$583,000 (2018: HK\$851,000) and the weighted average number of ordinary shares of 6,828,772,313 (2018: 6,828,772,313) in issue during the period.

Diluted loss per share

For the six months ended 31 December 2019

The exercise of the Group's outstanding convertible non-voting preference shares would be anti-dilutive for the six months ended 31 December 2019. 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 2018. Diluted loss per share was the same as the basic loss per share for the six months ended 31 December 2019 and 31 December 2018.

For the three months ended 31 December 2019

The exercise of the Group's outstanding convertible non-voting preference shares would be anti-dilutive for the three months ended 31 December 2019 and 31 December 2018. Diluted loss per share was the same as the basic loss per share for the three months ended 31 December 2019 and 31 December 2018.

10. DIVIDEND

The directors do not recommend the payment of dividend for the six months ended 31 December 2019 (2018: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2019, the Group no property, plant and equipment acquired.

12. TRADE AND OTHER RECEIVABLES

	(Unaudited)	(Audited)
	31 December	30 June
	2019	2019
	HK\$'000	HK\$'000
Trade and bills receivables	43,687	39,899
Prepayments, deposits and other receivables	11,867	4,361
	55,554	44,260

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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
	2019	2019
	HK\$'000	HK\$'000
Current to 30 days	7,528	4,632
31 – 90 days	2,852	24,759
91 – 180 days	3,108	855
Over 180 days	30,199	9,653
	43,687	39,899

13. TRADE AND OTHER PAYABLES

	(Unaudited)	(Audited)
	31 December	30 June
	2019	2019
	HK\$'000	HK\$'000
Trade payables	9,340	3,450
Due to a substantial shareholder	100	100
Accruals and other payables	18,410	17,248
	27,850	20,798

The amount due to a substantial shareholder is unsecured, interest-free and has no fixed terms of payment.

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

	(Unaudited) 31 December 2019 HK\$'000	(Audited) 30 June 2019 HK\$'000
Current to 30 days	8,484	1,977
31 – 90 days	103	664
91 – 180 days	284	711
Over 180 days	469	98
	9,340	3,450

14. SHARE CAPITAL

	(Unaudited) 31 December 2019 HK\$'000	(Audited) 30 June 2019 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:		
6,828,772,313 (At 30 June 2019: 6,803,772,313) ordinary shares of HK\$0.01 each	68,288	68,288
1,083,333,333 (At 30 June 2019: 1,103,333,333) convertible non-voting preference shares of HK\$0.15 each	162,500	162,500
204,100,000 (At 30 June 2019: 204,100,000) series B convertible non-voting preference shares of HK\$0.16 each	32,656	32,656
	263,444	263,444

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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 <i>Note</i>	Number of convertible non-voting preference shares of HK\$0.15 each <i>'000</i>	Number of convertible non-voting preference shares of HK\$0.16 each <i>'000</i>	Number of series B convertible non-voting preference shares of HK\$0.16 each <i>'000</i>	Par value <i>HK\$'000</i>
Authorised:					
At 1 July 2018,					
30 June 2019, 1 July 2019					
and 31 December 2019	70,000,000	2,000,000	312,500		1,050,000
Issued and fully paid:					
At 1 July 2018	6,803,772	1,103,333	204,100		266,194
Conversion of convertible non-voting preference shares into ordinary shares	(a) 25,000	(20,000)	–		(2,750)
At 30 June 2019,					
1 July 2019 and 31 December 2019	6,828,772	1,083,333	204,100		263,444

Notes:

- (a) 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.

15. 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.

16. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 31 December 2019 (At 30 June 2019: Nil).

17. 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.

18. CAPITAL COMMITMENTS

The Group did not have any significant capital commitments at 31 December 2019 (At 30 June 2019: Nil).

19. LEASE COMMITMENTS

At 31 December 2019 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	(Unaudited) 31 December 2019 HK\$'000	(Audited) 30 June 2019 HK\$'000
Within one year	3,427	3,881
In the second to fifth years inclusive	11,259	12,255
After five years	-	-
	14,686	16,136

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20. 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	
	2019	2018
	HK\$'000	HK\$'000
Rental expenses paid to a related company	–	–
Interest expenses paid to a related company	–	101

21. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 10 February 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the six months ended 31 December 2019 (the “Current Period”), loss attributable to owners of the Company was approximately HK\$4,571,000 (six months ended 31 December 2018: HK\$15,105,000), representing a decrease of approximately 70% over the corresponding period in 2018.

Gross profit for the Current Period was approximately HK\$7,077,000 (six months ended 31 December 2018: gross loss HK\$13,438,000).

For the Current Period, the Group’s unaudited total revenue amounted to approximately HK\$41,114,000 (six months ended 31 December 2018: HK\$61,963,000) representing a decrease of approximately 34% over the corresponding period in 2018. 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\$24,305,000 (six months ended 31 December 2018: HK\$11,912,000). Gross profit for the Current Period was approximately HK\$5,846,000 (six months ended 31 December 2018: gross loss HK\$15,750,000). Gross profit ratio for the Current Period was 24% (six months ended 31 December 2018: gross loss 132%). Increase in gross profit for the Current Period was mainly due to closely monitor and control cost in order to push up the gross profit margin.

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

The revenue generated for the Current Period was approximately HK\$16,340,000 (six months ended 31 December 2018: HK\$49,935,000). Gross profit for the Current Period was approximately HK\$762,000 (six months ended 31 December 2018: HK\$2,196,000). Gross profit ratio for the Current Period was 5% (six months ended 31 December 2018: 4%). Decrease in revenue for the Current Period was mainly due to focusing on higher profit margin order.

Money lending business ("Money lending segment")

The revenue generated from Money lending segment for the Current Period was approximately HK\$469,000 (six months ended 31 December 2018: HK\$116,000). Gross profit for the Current Period was approximately HK\$469,000. Gross profit ratio for the Current Period was 100% (six months ended 31 December 2018: 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 2019 (six months ended 31 December 2018: 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 2019, 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 2019: 6,828,772,313 of HK\$0.01 each); (b) 1,083,333,333 CPS (At 30 June 2019: 1,083,333,333) of HK\$0.15 each; and (c) 204,100,000 Series B CPS (At 30 June 2019: 204,100,000) of HK\$0.16 each.

Employees and Remuneration Policy

As at 31 December 2019, the Group had 723 full time employees (At 30 June 2019: 711). 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 2019, the Group did not have any material contingent liabilities (At 30 June 2019: Nil).

Charge on Assets

The Group has pledged bank deposits of approximately HK\$305,000 (At 30 June 2019: HK\$361,000) to secure banking facilities granted to the Group.

PROSPECT

For the Swimwear and garment segment, we are actively seeking new business opportunities with new customers and new products. 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 this segment.

For the Trading and on-line shopping related segment, it mainly represented trading of second-hand mobile phones, cameras and electronic parts business. The demand from customers was stable and the Company has expanded its business to assisting mobile phone wholesalers and mobile phone network operators to sell second-hand mobile phones through online platform globally. Our Group will continue to seek and explore other business opportunity for the Trading and on-line shopping related segment.

For the money lending business, the Group will continue to maintain and develop the business and to allocate sufficient resources to meet business demands.

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 where appropriate business opportunities arise.

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 2019, no option was outstanding under the Scheme (2018: 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.

DISCLOSURE OF INTERESTS

Interests in Securities of Directors and Chief Executive

As at 31 December 2019, none of the directors and chief executives of the Company has any interests and short positions 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.

Interests in Securities of Substantial Shareholders

As far as was known to any Director or chief executive of the Company, as at 31 December 2019, 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)
Mr. Lau Chi Yuen, Joseph ("Mr. Lau")	1,490,741,995	Personal & Corporate	21.83%
JL Investments Capital Limited	1,416,741,995	Beneficial	20.75%
Big Good Management Limited ("Big Good")	1,350,533,845	Beneficial	19.78%
Mr. Ma Hoi Cheuk ("Mr. Ma")	1,350,533,845 (Note 1)	Corporate	19.78%
Wide Select Investments Limited ("Wide Select")	916,420,000	Beneficial	13.42%
Mr. Lee Yim ("Mr. Lee")	916,420,000 (Note 2)	Corporate	13.42%

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 2019.
- 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.
- Big Good is wholly-owned by Mr. Ma who is deemed to be interested in underlying shares held by Big Good.
- Wide Select is wholly-owned by Mr. Lee who is deemed to be interested in underlying shares held by Wide Select.

Save as disclosed above, as at 31 December 2019, 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 & 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 3 on page 25.
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 2019, 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 2019, 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 2019.

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.4.1 of the CG Code as detailed below:

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 2019.

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 Chun Fat, George
Chairman

Hong Kong, 10 February 2020