

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>



Luxey

Interim Report

2020/2021

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

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

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 2020

		(Unaudited)			
		Three months ended 31 December		Six months ended 31 December	
Note	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	
Revenue	5	17,111	21,664	33,095	41,114
Cost of sales and service rendered		<u>(14,929)</u>	<u>(16,018)</u>	<u>(28,884)</u>	<u>(34,037)</u>
Gross (loss)/profit		2,182	5,646	4,211	7,077
Other income		492	611	643	1,679
Reversal of allowance for receivables		1,845	–	1,845	–
Gain on disposal of property, plant and equipment		3,049	–	3,049	–
Selling expenses		(30)	(609)	(53)	(924)
Administrative expenses		<u>(6,567)</u>	<u>(5,921)</u>	<u>(11,528)</u>	<u>(12,563)</u>
Profit/(Loss) from operations		971	(273)	(1,833)	(4,731)
Finance costs	6	<u>(826)</u>	–	<u>(1,803)</u>	–
Profit/(Loss) before tax		145	(273)	(3,636)	(4,731)
Income tax expense	7	–	–	–	–
Profit/(Loss) for the period	8	<u>145</u>	<u>(273)</u>	<u>(3,636)</u>	<u>(4,731)</u>
Attributable to:					
Owners of the Company		(241)	(583)	(2,975)	(4,571)
Non-controlling interests		<u>386</u>	<u>310</u>	<u>(661)</u>	<u>(160)</u>
		<u>145</u>	<u>(273)</u>	<u>(3,636)</u>	<u>(4,731)</u>
			(Restated)		(Restated)
Loss per share	9				
Basic (cent per share)		<u>0.03</u>	<u>0.08</u>	<u>0.38</u>	<u>0.63</u>
Diluted (cent per share)		<u>0.03</u>	<u>0.08</u>	<u>0.38</u>	<u>0.63</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2020

	(Unaudited)			
	Three months ended 31 December		Six months ended 31 December	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Profit/(Loss) for the period	145	(273)	(3,636)	(4,731)
Other comprehensive income: <i>Item that may be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	398	95	89	383
Other comprehensive income for the period, net of tax	398	95	89	383
Total comprehensive income for the period	543	(178)	(3,547)	(4,348)
Attributable to:				
Owners of the Company	157	(488)	(2,886)	(4,188)
Non-controlling interests	386	310	(661)	(160)
	543	(178)	(3,547)	(4,348)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

		(Unaudited) 31 December 2020 HK\$'000	(Audited) 30 June 2020 HK\$'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	11	1,816	2,449
Right-of-use assets		<u>4,260</u>	<u>5,041</u>
		<u>6,076</u>	<u>7,490</u>
Current assets			
Inventories		5,000	2,995
Trade and other receivables	12	27,782	37,699
Loan receivable		31,172	79,932
Pledged bank deposits		214	263
Bank and cash balances		<u>18,893</u>	<u>19,624</u>
		<u>83,061</u>	<u>140,513</u>
Current liabilities			
Trade and other payables	13	18,108	28,968
Lease liabilities		2,901	2,919
Other loan		1,500	1,500
Loan from a shareholder		5,000	58,000
Employee benefit obligations		2,551	2,521
Current tax liabilities		<u>460</u>	<u>460</u>
		<u>30,520</u>	<u>94,368</u>
Net current assets		<u>52,541</u>	<u>46,145</u>
Total assets less current liabilities		<u>58,617</u>	<u>53,635</u>

	(Unaudited)	(Audited)
	31 December	30 June
	2020	2020
<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	<u>6,793</u>	<u>8,051</u>
NET ASSETS	<u>51,824</u>	<u>45,584</u>
Capital and reserves		
Share capital	14 271,451	261,844
Reserves	<u>(200,409)</u>	<u>(197,703)</u>
Equity attributable to owners of the Company	71,042	64,141
Non-controlling interests	<u>(19,218)</u>	<u>(18,557)</u>
TOTAL EQUITY	<u>51,824</u>	<u>45,584</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2020

	(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 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
At 1 July 2020	261,844	705,642	412	-	150	(903,907)	64,141	(18,557)	45,584
Issue of shares	9,787	-	-	-	-	-	9,787	-	9,787
Conversion of convertible non-voting preference shares into ordinary shares	(180)	180	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	89	-	-	(2,975)	(2,886)	(661)	(3,547)
Change in equity for the period	9,607	180	89	-	-	(2,975)	6,901	(661)	6,240
At 31 December 2020	271,451	705,822	501	-	150	(906,882)	71,042	(19,218)	51,824

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2020

	(Unaudited) Six months ended 31 December	
	2020 HK\$'000	2019 HK\$'000
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	41,986	(22,887)
Purchase of property, plant and equipment	(18)	–
Proceeds from disposal of property, plant and equipment	3,452	–
Decrease in pledged bank deposits	49	56
Other investing cash flows (net)	3	41
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	3,486	97
Proceeds from the rights issue	9,787	–
Repayment to loan from a shareholder	(53,000)	–
Repayment of lease liabilities	(1,276)	–
Interest paid on lease liabilities	(600)	–
Interest paid	(1,203)	–
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	(46,292)	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(820)	(22,790)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	19,624	47,701
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	89	383
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY	18,893	25,294
Bank and cash balances	18,893	25,294

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2020

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) e-commerce 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 2020 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 2020.

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 2020. 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
E-commerce and on-line shopping related	– E-commerce and provision of on-line shopping and media related services
Money lending	– Money lending business

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

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

	(Unaudited)			
	Swimwear and garment <i>HK\$'000</i>	E-commerce and on-line shopping related <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended				
31 December 2020:				
Revenue from external customers	8,602	21,561	2,932	33,095
Segment (loss)/profit	(1,863)	146	2,782	1,065
As at 31 December 2020:				
Segment assets	15,172	38,604	32,335	86,111
Segment liabilities	<u>27,396</u>	<u>1,523</u>	<u>5,137</u>	<u>34,056</u>

10 Luxey International (Holdings) Limited
Interim Report 2020/2021

	(Unaudited)			
	Swimwear and garment <i>HK\$'000</i>	Trading and on-line shopping related <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 31 December 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	<u>21,397</u>	<u>6,650</u>	<u>44</u>	<u>28,091</u>

	(Unaudited)	
	Six months ended 31 December	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Reconciliation of segment profit or loss:		
Total profit or loss of reportable segments	1,065	(2,134)
Unallocated amounts		
Other income	58	41
Administrative expenses	(2,956)	(2,638)
Finance costs	(1,803)	–
Consolidated loss for the period	<u>(3,636)</u>	<u>(4,731)</u>

	(Unaudited) 31 December 2020 <i>HK\$'000</i>	(Audited) 30 June 2020 <i>HK\$'000</i>
Reconciliation of segment assets:		
Total assets of reportable segments	86,111	142,775
Other assets	3,026	5,228
	<hr/>	<hr/>
Consolidated total assets	89,137	148,003
	<hr/>	<hr/>
Reconciliation of segment liabilities:		
Total liabilities of reportable segments	34,056	98,874
Other liabilities	3,257	3,545
	<hr/>	<hr/>
Consolidated total liabilities	37,313	102,419
	<hr/>	<hr/>

5. REVENUE

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

	(Unaudited) Six months ended 31 December 2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Sales of goods	27,304	34,563
Subcontracting fee income	2,859	6,082
Interest income from money lending business	2,932	469
	<hr/>	<hr/>
	33,095	41,114
	<hr/>	<hr/>

6. FINANCE COSTS

	(Unaudited)	
	Six months ended	
	31 December	
	2020	2019
	HK\$'000	<i>HK\$'000</i>
Interest on other loans	37	–
Interest on loan from a shareholder	1,166	–
Interest on lease liabilities	600	–
	1,803	–

7. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax is required for the six months ended 31 December 2020 and 31 December 2019 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	
	2020	2019
	HK\$'000	<i>HK\$'000</i>
Interest income	(3)	(41)
Depreciation of property, plant and equipment	248	1,817
Depreciation of right-of-use assets	781	–
Directors' remuneration	594	574
Reversal of allowance for receivables	(1,845)	–
Gain on disposal of property, plant and equipment	(3,049)	–

9. LOSS PER SHARE

Basic loss per share

For the six months ended 31 December 2020

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\$2,975,000 (2019: HK\$4,571,000) and the weighted average number of ordinary shares of 772,991,428 (2019: 730,345,946 (Restated)) in issue during the period.

For the three months ended 31 December 2020

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\$241,000 (2019: HK\$583,000) and the weighted average number of ordinary shares of 789,202,137 (2019: 730,345,946 (restated)) in issue during the period.

Diluted loss per share

For the six months ended 31 December 2020

The exercise of the Group's outstanding convertible non-voting preference shares would be anti-dilutive for the six months ended 31 December 2020. 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 2019. Diluted loss per share was the same as the basic loss per share for the six months ended 31 December 2020 and 31 December 2019.

For the three months ended 31 December 2020

The exercise of the Group's outstanding convertible non-voting preference shares would be anti-dilutive for the three months ended 31 December 2020 and 31 December 2019. Diluted loss per share was the same as the basic loss per share for the three months ended 31 December 2020 and 31 December 2019.

10. DIVIDEND

The directors do not recommend the payment of dividend for the six months ended 31 December 2020 (2019: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2020, the Group disposed of certain plant and equipment for cash proceeds of approximately HK\$3,452,000, resulting in a net gain on disposal of approximately HK\$3,049,000.

12. TRADE AND OTHER RECEIVABLES

	(Unaudited)	(Audited)
	31 December	30 June
	2020	2020
	HK\$'000	HK\$'000
Trade and bills receivables	3,161	5,266
Prepayments, deposits and other receivables	6,772	3,072
Other receivables (<i>note</i>)	17,849	29,361
	27,782	37,699

Note: The amount represented receivables from network platform.

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
	2020	2020
	HK\$'000	HK\$'000
Current to 30 days	3,161	1,928
31 – 90 days	–	72
91 – 180 days	–	351
Over 180 days	–	2,915
	3,161	5,266

13. TRADE AND OTHER PAYABLES

	(Unaudited) 31 December 2020 HK\$'000	(Audited) 30 June 2020 HK\$'000
Trade payables	1,375	3,866
Due to a substantial shareholder	100	100
Accruals and other payables	16,633	25,002
	18,108	28,968

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 2020 HK\$'000	(Audited) 30 June 2020 HK\$'000
Current to 30 days	178	613
31 – 90 days	540	648
91 – 180 days	268	2,312
Over 180 days	389	293
	1,375	3,866

14. SHARE CAPITAL

Authorised:

7,000,000,000 (At 30 June 2020: 70,000,000,000) ordinary shares of HK\$0.10 (At 30 June 2020: 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:

789,745,615 (At 30 June 2020: 6,908,772,313) ordinary shares of HK\$0.10 (At 30 June 2020:HK\$0.01) each	78,975	69,088
1,083,333,333 convertible non-voting preference shares of HK\$0.15 each	162,500	162,500
187,348,125 (At 30 June 2020: 189,100,000) series B convertible non-voting preference shares of HK\$0.16 each	29,976	30,256
	271,451	261,844

(Unaudited)
31 December
2020
HK\$'000

(Audited)
30 June
2020
HK\$'000

(Unaudited)
31 December
2020
HK\$'000

(Audited)
30 June
2020
HK\$'000

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>'000</i>	Number of ordinary shares of HK\$0.10 each <i>'000</i>	Number of convertible non-voting preference shares of HK\$0.15 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 2019, 30 June 2020, 1 July 2020		70,000,000	–	2,000,000	312,500	1,050,000
Share Consolidation	(a)	<u>(70,000,000)</u>	<u>7,000,000</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 31 December 2020		<u>–</u>	<u>7,000,000</u>	<u>2,000,000</u>	<u>312,500</u>	<u>1,050,000</u>
Issued and fully paid:						
At 1 July 2019 and 31 December 2019		6,828,772	–	1,083,333	204,100	263,444
Conversion of series B convertible non-voting preference shares into ordinary shares	(a)	<u>80,000</u>	<u>–</u>	<u>–</u>	<u>(15,000)</u>	<u>(1,600)</u>
At 30 June 2020 and 1 July 2020		6,908,772	–	1,083,333	189,100	261,844
Share Consolidation	(b)	<u>(6,908,772)</u>	<u>690,877</u>	<u>–</u>	<u>–</u>	<u>–</u>
Issue share	(c)	<u>–</u>	<u>97,868</u>	<u>–</u>	<u>–</u>	<u>9,787</u>
Conversion of convertible non-voting preference shares into ordinary shares	(d)	<u>–</u>	<u>1,000</u>	<u>–</u>	<u>(1,752)</u>	<u>(180)</u>
At 31 December 2020		<u>–</u>	<u>789,745</u>	<u>1,083,333</u>	<u>187,348</u>	<u>271,451</u>

Note:

- (a) On 12 February 2020 and 3 April 2020, a total of 80,000,000 ordinary shares of HK\$0.01 each were issued as a result of the conversion of 15,000,000 series B convertible non-voting preference shares of HK\$0.16.
- (b) On 8 August 2020, every 10 shares of HK\$0.01 each in the issued and unissued share capital of the Company were consolidated into one consolidated share of HK\$0.10 each in the issued and unissued share capital of the Company.
- (c) On 2 July 2020, the Board of Directors proposed a rights issue to the qualifying shareholders on the basis of one rights shares for every two consolidated shares held on 18 August 2020 (the "Record Date") at the subscription price of HK\$0.10 per rights share.

97,868,384 Rights Shares have been accepted and applied for, the gross proceeds raised from the Rights Issue are approximately HK\$9.8 million before expenses.

Dealings in the Rights Shares, in their fully-paid form, commenced on the Stock Exchange at 9:00 a.m. on Friday, 11 September 2020.

- (d) On 20 November 2020, 1,000,000 ordinary shares of HK\$0.10 each were issued as a result of the conversion of 1,751,875 series B convertible non-voting preference shares of HK\$0.16.

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 2020 (At 30 June 2020: Nil).

17. PENDING LITIGATIONS

- (a) On 19 January 2004, a winding up petition was filed against the Company by certain ex-senior employees of the Group claiming for payment in the sum of approximately HK\$594,000 from the Company in respect of an award/order dated 20 October 2003 granted by the Labour Tribunal in respect of the severance and bonus dispute between the Company and the ex-senior employees. The unsettled amounts of approximately HK\$594,000 were fully accrued in trade and other payables during the year ended 30 June 2005 and remain outstanding as at 30 June 2020 and 31 December 2020 even though the case had ceased to be active since the year ended 30 June 2005.
- (b) On 24 July 2018, Ratio Knitting Factory Limited ("Ratio"), a wholly-owned subsidiary of the Company, received a claim from a former director of Ratio for a total sum of approximately HK\$913,000 in respect of the salary and severance dispute between Ratio and the former director. The Company considered that she was not entitled to the said sum for the major reasons that her employment was terminated because of her misconducts and the termination payment made by Ratio to her was more than sufficient. The Company also commenced the action in the High Court against her for, inter alia, breach of fiduciary duties and contractual duties owed by her to Ratio. The Group seeks an order for damages and/or account of profit against her, which are subject to assessment.

18. CAPITAL COMMITMENTS

The Group did not have any significant capital commitments at 31 December 2020 (At 30 June 2020: Nil).

19. 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	
	2020	2019
	HK\$'000	HK\$'000
Rental expenses paid to a related company	114	–
Interest expenses paid to a shareholder	1,166	–
	<u>1,166</u>	<u>–</u>

20. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 8 February 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the six months ended 31 December 2020 (the "Current Period"), loss attributable to owners of the Company was approximately HK\$2,975,000 (six months ended 31 December 2019: HK\$4,571,000), representing a decrease of approximately 34.92% over the corresponding period in 2019.

Gross profit for the Current Period was approximately HK\$4,211,000 (six months ended 31 December 2019: HK\$7,077,000).

For the Current Period, the Group's unaudited total revenue amounted to approximately HK\$33,095,000 (six months ended 31 December 2019: HK\$41,114,000) representing a decrease of approximately 19.50% over the corresponding period in 2019. Details of the decrease in total revenue and increase in gross loss are discussed below:

Manufacturing and trading of high end swimwear and garment products ("Swimwear and garment segment")

The revenue generated from Swimwear and garment segment for the Current Period was approximately HK\$8,602,000 (six months ended 31 December 2019: HK\$24,305,000). Gross profit for the Current Period was approximately HK\$470,000 (six months ended 31 December 2019: HK\$5,846,000). Gross profit ratio for the Current Period was 5.46% (six months ended 31 December 2019: 24%). Decrease in gross profit for the Current Period was mainly due to decrease in orders for swimwear and garment segment.

E-commerce and provision of on-line shopping and media related services ("E-commerce and on-line shopping related segment")

The revenue generated for the Current Period was approximately HK\$21,561,000 (six months ended 31 December 2019: HK\$16,340,000). Gross profit for the Current Period was approximately HK\$809,000 (six months ended 31 December 2019: HK\$762,000). Gross profit ratio for the Current Period was 3.75% (six months ended 31 December 2019: 4.66%). Decrease in gross profit margin for the Current Period was mainly due to decrease in higher margin agency service fees.

Money lending business (“Money lending segment”)

The revenue generated from Money lending segment for the Current Period was approximately HK\$2,932,000 (six months ended 31 December 2019: HK\$469,000). Gross profit for the Current Period was approximately HK\$2,932,000. Gross profit ratio for the Current Period was 100% (six months ended 31 December 2019: 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 2020 (six months ended 31 December 2019: 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.

Shares Consolidation

On 5 August 2020, the share consolidation resolution on the basis that every 10 issued and unissued Shares of HK\$0.01 each will be consolidated into one consolidated share of HK\$0.10 each proposed was duly passed by the Shareholders by way of poll at the extraordinary general meeting.

Please refer to announcements and Circulars of the Company dated 2 July 2020, 3 July 2020, 16 July 2020 and 5 August 2020 for details.

Rights Issue

The Company conducted the Rights Issue on the basis of one Rights Share for every two Consolidated Shares held on the Record Date at the subscription price of HK\$0.10 per Rights Share. 97,868,384 Rights Shares have been accepted and applied for, the gross proceeds raised from the Rights Issue are approximately HK\$9.8 million before expenses.

Dealings in the Rights Shares, in their fully-paid form, commenced on the Stock Exchange at 9:00 a.m. on Friday, 11 September 2020.

Please refer to prospectus of the Company, dated 19 August 2020, and the announcement of the Company dated 2 July 2020, 3 July 2020 and 9 September 2020 for details.

Capital Structure

On 20 November 2020, 1,000,000 ordinary shares of HK\$0.10 each were issued as a result of the conversion of 1,751,875 Series B convertible non-voting preference shares.

As at 31 December 2020, issued and fully paid share capital of the Company included (a) 789,745,615 ordinary shares of HK\$0.10 each (At 30 June 2020: 6,908,772,313 of HK\$0.01 each); (b) 1,083,333,333 CPS (At 30 June 2020: 1,083,333,333) of HK\$0.15 each; and (c) 187,348,125 Series B CPS (At 30 June 2020: 189,100,000) of HK\$0.16 each.

Employees and Remuneration Policy

As at 31 December 2020, the Group had 94 full time employees (At 30 June 2020: 722). 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 2020, the Group did not have any material contingent liabilities (At 30 June 2020: Nil).

Charge on Assets

The Group has pledged bank deposits of approximately HK\$214,000 (At 30 June 2020: HK\$263,000) to secure banking facilities granted to the Group.

USE OF NET PROCEEDS FROM THE RIGHTS ISSUE

Net proceeds received from rights issue are approximately HK\$9.8 million. As of 31 December 2020, the Group had used the net proceeds from the rights issue in the following manner and according to the intended uses set out in the Prospectus. The utilisation of the net proceeds were summarised as follows:

	Intended use of net proceeds from Rights Issues	Utilised as at 31 December 2020	Remaining amount	Expected timeline of fully utilization of the balance
Finance the Group's e-commerce and online shopping service business	4.9	3.3	1.6	1st Quarter of 2021
Finance the Group's money lending business	4.9	4.9	–	–
Total	9.8	8.2	1.6	

HK\$ million

PROSPECT

The coronavirus pandemic has taken a heavy toll on the Group's swimwear and garment segment and reflected on the significant reduction of orders on hand. The prospects for this segment remain challenging as it is closely tied to the development of the coronavirus pandemic. In order to rationalise its production costs and to align with the demands from customers, the Group has shut down its production base in Cambodia and redirect all its customer orders to its production base in China. The Group will continue to adopt costs cutting measures in response to the current unfavourable market condition which is expected to be temporary. The Group is well position to capture the business opportunities from the expected market recovery. The Company is committed to maintaining this segment as the Group's principal business despite the uncertainties ahead. The Company will continue to deepen its relationships with existing customers and will seek new business opportunities with new customers including domestic customers in China.

For the E-commerce and on-line shopping related segment, due to the coronavirus pandemic, global trading activities and logistics were seriously disrupted which adversely affected the supply of second hand mobile phones. However the online demand for such products remained strong even in the midst of the pandemic. It is expected resumption of trading activities and cargo movement, this segment will catch up quickly. The Group intends to further operation in this segment and capture the business opportunities from the expected market recovery.

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 2020, no option was outstanding under the Scheme (2019: 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 2020, 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 2020, 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 1)
Mr. Lau Chi Yuen, Joseph ("Mr. Lau")	149,079,199 (Note 2)	Personal & Corporate	18.88%
JL Investments Capital Limited	141,674,199	Beneficial	17.94%
Big Good Management Limited ("Big Good")	135,053,384	Beneficial	17.10%
Mr. Ma Hoi Cheuk ("Mr. Ma")	135,053,384 (Note 3)	Corporate	17.10%
Wide Select Investments Limited ("Wide Select")	126,642,000	Beneficial	16.04%
Mr. Lee Yim ("Mr. Lee")	126,642,000 (Note 4)	Corporate	16.04%

Notes:

- The percentage of issued share capital had been arrived at on the basis of a total of 789,745,615 Shares in issue as at 31 December 2020.
- These shares are held as to 7,400,000 shares by Mr. Lau personally and as to 141,674,199 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 2020, 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	249,225,166 <i>(Note 3 & 4)</i>	Beneficial	31.56%
Mr. Ma	249,225,166 <i>(Note 2)</i>	Corporate	31.56%

Notes:

1. see Note 1 on page 27.
2. see Note 3 on page 27.
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\$1.20 per share to HK\$1.121 per share as a result of the Rights Issue. The said adjustment took effect on 19 August 2020, being the day next following the Record Date.

4. Big Good was also the holder of 187,348,125 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\$0.30 to HK\$0.2803 per share as a result of the Rights Issue. The said adjustment took effect on 19 August 2020, being the day next following the Record Date.

As far as the Directors are aware, save as disclosed herein, as at 31 December 2020, 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 2020, 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 2020.

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 2020.

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, 8 February 2021