



Luxey

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

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

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

**Interim
Report
2015/16**

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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2015

		(Unaudited)			
		Three months ended 31 December		Six months ended 31 December	
Note		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Continuing operations					
Turnover	6	35,772	30,446	57,465	44,231
Cost of sales and service rendered		<u>(31,069)</u>	(25,255)	<u>(51,415)</u>	(36,760)
Gross profit		4,703	5,191	6,050	7,471
Other income		93	861	2,567	2,188
Impairment of goodwill	14	-	(3,050)	-	(6,250)
Selling expenses		(68)	(84)	(129)	(175)
Administrative expenses		(7,292)	(6,387)	(13,828)	(12,606)
Loss from operations		(2,564)	(3,469)	(5,340)	(9,372)
Finance costs	7	(98)	(3,692)	(186)	(4,297)
Share of losses of an associate		-	(2,553)	-	(4,629)
Loss before tax		(2,662)	(9,714)	(5,526)	(18,298)
Income tax expense	8	(315)	(640)	(1,403)	(640)
Loss for the period from continuing operations		(2,977)	(10,354)	(6,929)	(18,938)
Discontinued operation					
Loss for the period from discontinued operation	9	-	(909)	-	(9,255)
Loss for the period	10	(2,977)	(11,263)	(6,929)	(28,193)

(Unaudited)					
		Three months ended 31 December		Six months ended 31 December	
		2015	2014	2015	2014
Note		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:					
Owners of the Company					
	Loss from continuing operations	(1,664)	(10,149)	(3,853)	(17,995)
	Profit/(loss) from discontinued operation	-	440	-	(3,780)
	Loss attributable to owners of the Company	<u>(1,664)</u>	<u>(9,709)</u>	<u>(3,853)</u>	<u>(21,775)</u>
Non-controlling interests					
	Loss from continuing operations	(1,313)	(571)	(3,076)	(943)
	Loss from discontinued operation	-	(983)	-	(5,475)
	Loss attributable to non-controlling interests	<u>(1,313)</u>	<u>(1,554)</u>	<u>(3,076)</u>	<u>(6,418)</u>
		<u>(2,977)</u>	<u>(11,263)</u>	<u>(6,929)</u>	<u>(28,193)</u>
Loss per share					
			(Restated)		(Restated)
From continuing and discontinued operations					
	Basic	<u>HK(0.033) cent</u>	<u>HK(0.197) cent</u>	<u>HK(0.078) cent</u>	<u>HK(0.442) cent</u>
	Diluted	<u>HK(0.033) cent</u>	<u>HK(0.197) cent</u>	<u>HK(0.078) cent</u>	<u>HK(0.442) cent</u>
From continuing operations					
	Basic	<u>HK(0.033) cent</u>	<u>HK(0.206) cent</u>	<u>HK(0.078) cent</u>	<u>HK(0.365) cent</u>
	Diluted	<u>HK(0.033) cent</u>	<u>HK(0.206) cent</u>	<u>HK(0.078) cent</u>	<u>HK(0.365) cent</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2015

	(Unaudited)			
	Three months ended		Six months ended	
	31 December		31 December	
	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(2,977)	(11,263)	(6,929)	(28,193)
Other comprehensive income:				
<i>Items that will be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	(126)	12	(126)	14
Fair value changes of available-for-sale financial assets	-	(338)	-	(617)
Other comprehensive income for the period, net of tax	(126)	(326)	(126)	(603)
Total comprehensive income for the period	(3,103)	(11,589)	(7,055)	(28,796)
Attributable to:				
Owners of the Company	(1,790)	(10,035)	(3,979)	(22,378)
Non-controlling interests	(1,313)	(1,554)	(3,076)	(6,418)
	(3,103)	(11,589)	(7,055)	(28,796)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

		(Unaudited) 31 December 2015 HK\$'000	(Audited) 30 June 2015 HK\$'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	13	20,895	19,641
Goodwill	14	138,964	138,964
Available-for-sale financial assets		2,998	2,998
Deferred tax assets		–	412
		162,857	162,015
Current assets			
Inventories		20,561	6,664
Trade and other receivables	15	19,344	7,364
Pledged bank deposits		678	641
Bank and cash balances		55,880	71,773
		96,463	86,442
Current liabilities			
Trade and other payables	16	26,218	18,795
Loan from a non-controlling shareholder of a subsidiary		19,500	10,000
Employee benefit obligations		6,018	6,444
Current tax liabilities		7,794	6,946
		59,530	42,185
Net current assets		36,933	44,257
Total assets less current liabilities		199,790	206,272

		(Unaudited)	(Audited)
		31 December	30 June
		2015	2015
	<i>Note</i>	HK\$'000	HK\$'000
Non-current liabilities			
Deferred tax liabilities		<u>123</u>	<u>–</u>
NET ASSETS		<u>199,667</u>	<u>206,272</u>
Capital and reserves			
Share capital	17	261,144	225,364
Reserves		<u>(69,684)</u>	<u>(29,925)</u>
Equity attributable to owners of the Company		191,460	195,439
Non-controlling interests		<u>8,207</u>	<u>10,833</u>
TOTAL EQUITY		<u>199,667</u>	<u>206,272</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2015

	(Unaudited)									
	Attributable to owners of the Company									
	Share capital	Share premium	Translation reserve	Plant and machinery revaluation reserve	Capital redemption reserve	Investment revaluation 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	HK\$'000	HK\$'000
At 1 July 2014	412,090	612,523	(74)	1,377	150	(443)	(620,129)	405,494	(15,454)	390,040
Total comprehensive income for the period	-	-	14	-	-	(617)	(21,775)	(22,378)	(6,418)	(28,796)
Capital reorganisation (note 17(a))	(236,726)	-	-	-	-	-	236,726	-	-	-
Settlement of promissory notes (note 17(b))	50,000	-	-	-	-	-	-	50,000	-	50,000
Disposal of subsidiaries	-	-	-	-	-	-	-	-	5,470	5,470
Changes in equity for the period	(186,726)	-	14	-	-	(617)	214,951	27,622	(948)	26,674
At 31 December 2014	225,364	612,523	(60)	1,377	150	(1,060)	(405,178)	433,116	(16,402)	416,714
At 1 July 2015	225,364	612,523	(74)	2,593	150	-	(645,117)	195,439	10,833	206,272
Total comprehensive income for the period	-	-	(126)	-	-	-	(3,853)	(3,979)	(3,076)	(7,055)
Bonus issue (note 17(c))	39,454	(39,454)	-	-	-	-	-	-	-	-
Conversion of series B convertible non-voting preference shares into ordinary shares (note 17(d))	(3,674)	3,674	-	-	-	-	-	-	-	-
De-registration of a subsidiary	-	-	-	-	-	-	-	-	450	450
Changes in equity for the period	35,780	(35,780)	(126)	-	-	-	(3,853)	(3,979)	(2,626)	(6,605)
At 31 December 2015	261,144	576,743	(200)	2,593	150	-	(648,970)	191,460	8,207	199,667

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2015

	(Unaudited) Six months ended 31 December	
	2015 HK\$'000	2014 HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(19,348)	(18,222)
Purchases of property, plant and equipment	(6,069)	(2,150)
Proceed from disposal of property, plant and equipment	120	–
Disposal of subsidiaries	–	736
Capital contribution to an associate	–	(9,000)
Other investing cash flows (net)	47	520
NET CASH USED IN INVESTING ACTIVITIES	(5,902)	(9,894)
Bank and other loans raised	9,500	4,318
Repayment of bank and other loans	–	(4,709)
Net inception of trust receipts loans	–	6,530
Repayment of finance lease payables	–	(26)
Interest paid	–	(881)
NET CASH GENERATED FROM FINANCING ACTIVITIES	9,500	5,232
NET DECREASE IN CASH AND CASH EQUIVALENTS	(15,750)	(22,884)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	71,773	43,565
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(143)	254
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY	55,880	20,935
Bank and cash balances	55,880	20,935

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

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 related garment products; and
- (ii) provision of on-line shopping, advertising and media related services.

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 2015 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 2015.

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 2015. 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. Fair value measurements

The carrying amounts of the Group’s financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 December 2015:

Description	Fair value measurements as at 31 December 2015 using:			
	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Recurring fair value measurements:				
Available-for-sale financial assets				
Unlisted equity securities	-	-	2,998	2,998

Description	Fair value measurements as at 30 June 2015 using:			
	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Recurring fair value measurements:				
Available-for-sale financial assets				
Unlisted equity securities	-	-	2,998	2,998

(b) Reconciliation of assets measured at fair value based on level 3:

Description	Available- for-sale financial assets Unlisted equity securities <i>HK\$'000</i>
At 1 July 2015 and 31 December 2015	<u>2,998</u>
At 1 July 2014	–
Total gains or losses recognised in profit or loss (#)	(338)
Reclassification of remaining interest from disposal group held for sale to available-for sale financial assets	<u>7,076</u>
At 31 December 2014	<u>6,738</u>
(#) Include gains or losses for assets held at the end of reporting period	<u>(338)</u>

The total gains or losses recognised in other comprehensive income are presented in fair value changes of available-for-sale financial assets in the condensed consolidated statement of profit or loss and other comprehensive income.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2015:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

Key unobservable inputs used in Level 3 fair value measurements are mainly as below:

Description	Valuation technique	Unobservable inputs	Value	Effect on fair value for increase of inputs	Fair value as at 31 December 2015
Private equity investments classified as available-for-sale financial assets	Market comparable approach	Average price book multiple	0.8608 (30 June 2015: 0.6745)	Increase	HK\$2,998,000 (30 June 2015: HK\$2,998,000)
		Average price sales multiple	0.9109 (30 June 2015: 0.7898)	Increase	
		Book value	HK\$29,157,000 (30 June 2015: HK\$49,644,000)	Increase	
		Annual sales	HK\$48,045,000 (30 June 2015: HK\$41,135,000)	Increase	
		Discount for lack of marketability	36.33% (30 June 2015: 29.75%)	Decrease	

5. Segment information

The Group has three reportable segments as follows:

Swimwear and garment	–	Manufacturing and trading of swimwear and garment products
Apparel and related accessories	–	Trading and retail of apparel and related accessories (discontinued operation)
On-line shopping and advertising	–	Provision of on-line shopping, advertising and media related services

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, impairment of goodwill and corporate administrative and other operating expenses. Segment assets do not include available-for-sale financial assets, goodwill 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>	Apparel and related accessories (discontinued operation) <i>HK\$'000</i>	On-line shopping and advertising <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended				
31 December 2015:				
Revenue from external customers	52,965	–	4,500	57,465
Segment (loss)/profit	(5,679)	–	2,931	(2,748)
As at 31 December 2015:				
Segment assets	107,567	–	1,578	109,145
Segment liabilities	<u>54,898</u>	<u>–</u>	<u>2,146</u>	<u>57,044</u>
Six months ended				
31 December 2014:				
Revenue from external customers	41,961	36,403	2,270	80,634
Segment loss	(3,076)	(14,181)	(2,007)	(19,264)
(Audited)				
As at 30 June 2015:				
Segment assets	90,616	–	1,689	92,305
Segment liabilities	<u>38,634</u>	<u>–</u>	<u>845</u>	<u>39,479</u>

	(Unaudited) Six months ended 31 December	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Reconciliation of segment profit or loss:		
Total profit or loss of reportable segments	(2,748)	(19,264)
Impairment of goodwill	–	(6,250)
Other profit or loss	(4,181)	(2,679)
Elimination of discontinued operation	–	9,255
	<hr/>	<hr/>
Consolidated loss for the period from continuing operations	(6,929)	(18,938)
	<hr/>	<hr/>
	(Unaudited) 31 December 2015 <i>HK\$'000</i>	(Audited) 30 June 2015 <i>HK\$'000</i>
Reconciliation of segment assets:		
Total assets of reportable segments	109,145	92,305
Goodwill	138,964	138,964
Available-for-sale financial assets	2,998	2,998
Other assets	8,213	14,190
	<hr/>	<hr/>
Consolidated total assets	259,320	248,457
	<hr/>	<hr/>
Reconciliation of segment liabilities:		
Total liabilities of reportable segments	57,044	39,479
Other liabilities	2,609	2,706
	<hr/>	<hr/>
Consolidated total liabilities	59,653	42,185
	<hr/>	<hr/>

6. Turnover

The Group's turnover which represents sales of goods to customers and revenue from provision of on-line shopping, advertising and media related services are as follows:

	(Unaudited) Six months ended 31 December	
	2015 HK\$'000	2014 <i>HK\$'000</i>
Sales of goods	52,965	78,364
On-line shopping, advertising and media related services income	4,500	2,270
	57,465	80,634
Representing:		
Continuing operations	57,465	44,231
Discontinued operation (trading and retail of apparel and related accessories) (<i>note 9</i>)	–	36,403
	57,465	80,634

7. Finance costs

	(Unaudited) Six months ended 31 December	
	2015 HK\$'000	2014 <i>HK\$'000</i>
Interest on bank loans	–	460
Interest on promissory notes	–	4,297
Interest on other loans	186	421
	186	5,178
Representing:		
Continuing operations	186	4,297
Discontinued operation (<i>note 9</i>)	–	881
	186	5,178

8. Income tax expense

	(Unaudited)	
	Six months ended	
	31 December	
	2015	2014
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax Provision for the period	868	640
Deferred tax	535	–
Income tax expense	1,403	640
Representing:		
Continuing operations	1,403	640

Hong Kong Profits Tax has been provided at a rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the six months ended 31 December 2015.

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.

9. Discontinued operation

Pursuant to a sale and purchase agreement dated 28 July 2014 entered into between a wholly-owned subsidiary of the Company, Synergy Chain Limited (“Synergy”) and an independent third party, Synergy disposed of 27.3% interests in Charmston (Holdings) Limited (“Charmston”), a company incorporated in Hong Kong at a consideration of HK\$10,000,000. Charmston was engaged in investment holding, with its subsidiaries engaged in trading and retail of apparel and related accessories in Hong Kong. The disposal was completed on 21 October 2014 and the Group discontinued its trading and retail of apparel and related accessories business.

The results of the discontinued operation for the period from 1 July 2014 to 21 October 2014, which had been included in condensed consolidated profit or loss, were as follows:

	(Unaudited)	
	Six months ended	
	31 December	
	2015	2014
	HK\$'000	HK\$'000
Loss of discontinued operation	–	(10,754)
Gain on disposal of discontinued operation	–	1,499
	<u>–</u>	<u>1,499</u>
	<u>–</u>	<u>(9,255)</u>
Turnover (<i>note 6</i>)	–	36,403
Cost of sales	–	(11,387)
	<u>–</u>	<u>(11,387)</u>
Gross profit	–	25,016
Other income	–	4,255
Selling expenses	–	(21,015)
Administrative expenses	–	(18,129)
	<u>–</u>	<u>(18,129)</u>
Loss from operations	–	(9,873)
Finance costs (<i>note 7</i>)	–	(881)
	<u>–</u>	<u>(881)</u>
Loss before tax	–	(10,754)
Income tax expense	–	–
	<u>–</u>	<u>–</u>
Loss for the period	<u>–</u>	<u>(10,754)</u>

10. Loss for the period

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

	(Unaudited)					
	Six months ended 31 December					
	Continuing operations		Discontinued operation		Total	
	2015	2014	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	(84)	(303)	–	(8)	(84)	(311)
Amortisation of trademark (included in selling expenses)	–	–	–	128	–	128
Depreciation	4,812	1,483	–	1,251	4,812	2,734
Directors' remuneration	1,427	1,422	–	140	1,427	1,562
Gain on disposal of property, plant and equipment	(120)	–	–	–	(120)	–
Reversal of allowance for inventories	–	–	–	(662)	–	(662)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>(662)</u>	<u>–</u>	<u>(662)</u>

11. Loss/(earnings) per share

(a) From continuing and discontinued operations

For the six months ended 31 December 2015

Basic loss per share

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\$3,853,000 (2014: HK\$21,775,000) and the weighted average number of ordinary shares of 4,959,022,051 (2014: 4,931,793,790, as adjusted to reflect the bonus issue on 13 July 2015) in issue during the period.

Diluted loss per share

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 2015. The exercise of the Group's outstanding convertible non-voting preference shares would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's options granted to an investor for the six months ended 31 December 2014. Diluted loss per share was the same as the basic loss per share from the continuing and discontinued operations for the six months ended 31 December 2015 and 2014.

For the three months ended 31 December 2015

Basic loss per share

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\$1,664,000 (2014: HK\$9,709,000) and the weighted average number of ordinary shares of 4,986,250,312 (2014: 4,931,793,790, as adjusted to reflect the bonus issue on 13 July 2015) in issue during the period.

Diluted loss per share

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 three months ended 31 December 2015. The exercise of the Group's outstanding convertible non-voting preference shares would be anti-dilutive for the three months ended 31 December 2014. Diluted loss per share was the same as the basic loss per share from the continuing and discontinued operations for the three months ended 31 December 2015 and 2014.

(b) From continuing operations

For the six months ended 31 December 2015

Basic loss per share

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\$3,853,000 (2014: HK\$17,995,000) and the denominator used is the same as that detailed above for basic loss per share from continuing and discontinued operations.

Diluted loss per share

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 2015. The exercise of the Group's outstanding convertible non-voting preference shares would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's options granted to an investor for the six months ended 31 December 2014. Diluted loss per share was the same as the basic loss per share from the continuing operations for the six months ended 31 December 2015 and 2014.

For the three months ended 31 December 2015

Basic loss per share

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\$1,664,000 (2014: HK\$10,149,000) and the denominator used is the same as that detailed above for basic loss per share from continuing and discontinued operations.

Diluted loss per share

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 three months ended 31 December 2015. The exercise of the Group's outstanding convertible non-voting preference shares would be anti-dilutive for the three months ended 31 December 2014. Diluted loss per share was the same as the basic loss per share from the continuing operations for the three months ended 31 December 2015 and 31 December 2014.

(c) From discontinued operation

For the six months ended 31 December 2015

Because there was no discontinued operation during the six months ended 31 December 2015, no basic or diluted loss per share from discontinued operation was presented for the six months ended 31 December 2015.

Basic loss per share from the discontinued operation for the six months ended 31 December 2014 (restated) was HK0.077 cent per share, based on the loss for the period from discontinued operation attributable to the owners of the Company of approximately HK\$3,780,000 and the denominator used was the same as that detailed above for basic loss per share from continuing and discontinued operations.

The exercise of the Group's outstanding convertible non-voting preference shares for the six months ended 31 December 2014 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's options granted to an investor. Diluted loss per share was same as the basic loss per share from the discontinued operation for the six months ended 31 December 2014.

For the three months ended 31 December 2015

Because there was no discontinued operation during the three months ended 31 December 2015, no basic or diluted loss per share from discontinued operation was presented for the three months ended 31 December 2015.

Basic earnings per share from the discontinued operation for the three months ended 31 December 2014 (restated) was HK0.009 cent per share, based on the profit for the period from discontinued operation attributable to the owners of the Company of approximately HK\$440,000 and the denominator used is the same as that detailed above for basic loss per share from continuing and discontinued operations.

The exercise of the Group's outstanding convertible non-voting preference shares for the three months ended 31 December 2014 would be anti-dilutive for the calculation of diluted loss per share from continuing operations. Diluted earnings per share was same as the basic earnings per share from the discontinued operation for the three months ended 31 December 2014.

12. Dividend

The directors do not recommend the payment of dividend for the six months ended 31 December 2015 (2014: Nil).

13. Property, plant and equipment

During the six months ended 31 December 2015, the Group acquired property, plant and equipment of approximately HK\$6,069,000.

14. Goodwill

	(Unaudited) 31 December 2015 HK\$'000	(Audited) 30 June 2015 HK\$'000
Cost		
At beginning of period/year	777,766	745,102
Business combination	–	61,457
Write off on disposal of Charmston	–	(28,793)
	<hr/> 777,766	<hr/> 777,766
Accumulated impairment losses		
At beginning of period/year	638,802	385,291
Impairment loss recognised during the period/year	–	282,304
Write off on disposal of Charmston	–	(28,793)
	<hr/> 638,802	<hr/> 638,802
Carrying amount		
At beginning of period/year	138,964	359,811
	<hr/> 138,964	<hr/> 138,964

During the six months ended 31 December 2014, the Group carried out reviews of the recoverable amount of the provision of on-line shopping, advertising and media related services, having regard to continuous losses making generated from the provision of on-line shopping, advertising and media related services cash-generating unit ("CGU") carried on by Luxey Online Solutions Limited as a result of (i) keen competition in the on-line group buying market in Hong Kong; and (ii) the on-line group buying market is slowing down in Hong Kong.

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

The Group prepared cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 5%. This rate did not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows from the provision of online shopping, advertising and media related services CGU was 13.22%. Based on the past performance, the Group had revised its cash flow forecasts for this CGU. The goodwill had therefore been fully impaired through recognition of an impairment loss against goodwill of approximately HK\$6,250,000 during the six months ended 31 December 2014 and year ended 30 June 2015.

15. Trade and other receivables

	(Unaudited) 31 December 2015 <i>HK\$'000</i>	(Audited) 30 June 2015 <i>HK\$'000</i>
Trade and bills receivables	8,437	4,693
Prepayments, deposits and other receivables	10,907	2,671
	19,344	7,364

The Group normally allows credit terms to customers ranging from 30 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) 31 December 2015 <i>HK\$'000</i>	(Audited) 30 June 2015 <i>HK\$'000</i>
Current to 30 days	6,978	2,156
31 – 90 days	1,367	1,115
91 – 180 days	72	717
Over 180 days	20	705
	8,437	4,693

16. Trade and other payables

	(Unaudited)	(Audited)
	31 December	30 June
	2015	2015
	HK\$'000	HK\$'000
Trade payables	6,771	1,427
Due to a substantial shareholder	410	495
Due to a non-controlling shareholder of a subsidiary	279	93
Accruals and other payables	18,758	16,780
	26,218	18,795

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

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

	(Unaudited)	(Audited)
	31 December	30 June
	2015	2015
	HK\$'000	HK\$'000
Current to 30 days	4,997	1,385
31 – 90 days	1,761	32
91 – 180 days	13	–
Over 180 days	–	10
	6,771	1,427

17. Share capital

	(Unaudited) 31 December 2015 HK\$'000	(Audited) 30 June 2015 HK\$'000
Authorised:		
70,000,000,000 ordinary shares of HK\$0.01 each	700,000	700,000
2,000,000 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:		
5,098,793,790 (At 30 June 2015: 986,358,758) ordinary shares of HK\$0.01 each	50,988	9,864
1,103,333,333 convertible non-voting preference shares of HK\$0.15 each	165,500	165,500
279,100,000 (At 30 June 2015: 312,500,000) series B convertible non-voting preference shares of HK\$0.16 each	44,656	50,000
	261,144	225,364

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

	Note	Number of ordinary shares of HK\$0.25 each '000	Number of ordinary shares of HK\$0.01 each '000	Number of convertible non-voting preference shares of HK\$0.15 each '000	Number of series B convertible non-voting preference shares of HK\$0.16 each '000	Par value HK\$ '000
Authorised:						
At 1 July 2014		2,800,000	-	2,000,000	-	1,000,000
Capital reorganisation	(a)	(2,800,000)	70,000,000	-	-	-
Increase in authorised share capital	(b)	-	-	-	312,500	50,000
At 30 June 2015, 1 July 2015 and 31 December 2015		-	70,000,000	2,000,000	312,500	1,050,000
Issued and fully paid:						
At 1 July 2014		986,359	-	1,103,333	-	412,090
Capital reorganisation	(a)	(986,359)	986,359	-	-	(236,726)
Settlement of promissory notes	(b)	-	-	-	312,500	50,000
At 30 June 2015 and 1 July 2015		-	986,359	1,103,333	312,500	225,364
Bonus issue	(c)	-	3,945,435	-	-	39,454
Conversion of series B convertible non-voting preference shares	(d)	-	167,000	-	(33,400)	(3,674)
At 31 December 2015		-	5,098,794	1,103,333	279,100	261,144

Notes:

- (a) On 20 August 2014, the par value of each issued consolidated share of HK\$0.25 was reduced to HK\$0.01 by cancelling paid-up capital to the extent of HK\$0.24 on each issued consolidated share. Immediately following the capital reduction, each authorised and unissued consolidated share was subdivided into 25 new shares of HK\$0.01 each.

- (b) By an ordinary resolution passed on 16 November 2014 the authorised share capital was increased from HK\$1,000,000,000 divided into 70,000,000,000 ordinary shares of HK\$0.01 each and 2,000,000,000 convertible non-voting preference shares of HK\$0.15 each to HK\$1,050,000,000 divided into 70,000,000,000 ordinary shares of HK\$0.01 each, 2,000,000,000 convertible non-voting preference shares of HK\$0.15 each and 312,500,000 series B convertible non-voting preference shares of HK\$0.16 each by the creation of an additional 312,500,000 series B convertible non-voting preference shares of HK\$0.16 each.

On 15 December 2014, 312,500,000 series B convertible non-voting preference shares of HK\$0.16 each were issued for settlement of promissory notes in the principal amount of HK\$50,000,000.

- (c) On 18 May 2015, the Board of Directors proposed a bonus share issue to the qualifying shareholders on the basis of four bonus shares for every one existing share held on 3 July 2015 (the "Record Date"). The bonus shares, upon allotment and issue, will be credited as fully paid at par by way of capitalisation of an amount equal to the total par value of the bonus shares standing to the credit of the share premium account of the Company. The Board of Directors also proposed a bonus warrant issue to the qualifying shareholders on the basis of one warrant for every one existing share held on the Record Date. Each warrant will entitle the holder thereof to subscribe in cash for one warrant share at an initial subscription price of HK\$0.18 per warrant share, subject to adjustment, on the date falling 12 months from the date of issue of the warrants.

The issue of bonus shares and bonus warrants were approved by the shareholders at the extraordinary general meeting of the Company held on 24 June 2015 and a total of 3,945,435,032 bonus shares and 986,358,758 warrants were issued on 13 July 2015.

- (d) During the six months ended 31 December 2015, 167,000,000 ordinary shares of HK\$0.01 each were issued as a result of the conversion of 33,400,000 series B convertible non-voting preference shares.

18. 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.

19. Contingent liabilities

The Group did not have any significant contingent liabilities at 31 December 2015 (At 30 June 2015: Nil).

20. Capital commitments

The Group did not have any significant capital commitments at 31 December 2015 (At 30 June 2015: Nil).

21. Lease commitments

At 31 December 2015 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	(Unaudited) 31 December 2015 <i>HK\$'000</i>	(Audited) 30 June 2015 <i>HK\$'000</i>
Within one year	4,694	4,554
In the second to fifth years inclusive	11,276	11,704
After five years	6,490	7,417
	22,460	23,675

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:

	(Unaudited) Six months ended 31 December 2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Sales to an associate	—	511
Purchases from an associate	—	1,061

23. Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 5 February 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Bonus Issue of Shares and Warrants

On 18 May 2015, (i) the Board proposed a bonus share issue to the qualifying shareholders on the basis of four bonus shares for every one existing share held on 3 July 2015 (the "Record Date"); and (ii) the Board also proposed the bonus warrant issue to the qualifying shareholders on the basis of one warrant for every one existing share held on the Record Date.

By an ordinary resolution passed on 24 June 2015, a bonus share will be issued to shareholders on the basis of four bonus shares for every one existing share held on the Record Date. The bonus shares will be credited as fully paid at par by way of capitalization of an amount equal to the total par value of bonus shares standing to the credit of the share premium account of the Company. On the same day, another ordinary resolution passed for an issuance of bonus warrant to shareholders on the basis of one warrant for every one existing share held on the Record Date. Each warrant will entitle the holder to subscribe in cash for one share at an initial subscription price of HK\$0.18 per warrant share, on the date falling 12 months from the date of issuance of the warrant. Issuance of bonus shares and bonus warrant are completed on 13 July 2015.

Pursuant to the terms of Convertible Non-voting Preference Shares ("CPS") and Series B Convertible Non-voting Preference Shares ("Series B CPS"), the conversion price of the outstanding CPS and Series B CPS are adjusted from HK\$0.65 per share to HK\$0.13 per share and HK\$0.16 per share to HK\$0.032 per share respectively as a result of the bonus share issue. The said adjustments take effect immediately after 3 July 2015. No adjustment is required to be made as a result of the bonus warrant issue.

Financial Performance

For the six months ended 31 December 2015 (the "Current Period"), loss attributable to owners of the Company (including continuing and discontinued operations) was approximately HK\$3,853,000 (six months ended 31 December 2014: HK\$21,775,000), representing a decrease of approximately 82% over the corresponding period in 2014.

Gross profit (including continuing and discontinued operations) for the Current Period was approximately HK\$6,050,000 (six months ended 31 December 2014: HK\$32,487,000), representing a decrease of approximately 81% over the corresponding period in 2014.

For the Current Period, the Group's unaudited total turnover (including continuing and discontinued operations) amounted to approximately HK\$57,465,000 (six months ended 31 December 2014: HK\$80,634,000) representing a decrease of approximately 29% over the corresponding period in 2014. Details of the decrease in total revenue and gross profit are discussed below:

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

The turnover generated from Swimwear and garment segment for the Current Period was approximately HK\$52,965,000 (six months ended 31 December 2014: HK\$41,961,000). Gross profit for the Current Period was approximately HK\$1,707,000 (six months ended 31 December 2014: HK\$6,538,000). Gross profit ratio for the Current Period was 3% (six months ended 31 December 2014: 16%). Increase in turnover was mainly due to the contribution from a non-wholly owned subsidiary, Ricotex Industrial Company Limited ("Ricotex"), and it was partially offset by the decrease in orders for high-end swimwear from several customers whose affected by the economic downtown of European market in the Current Period. Decrease in gross profit for the Current Period was mainly due to lower gross profit margin of garment products, of which run by Ricotex, in the new factory in Kingdom of Cambodia ("Cambodia") and the factory overhead in Cambodia had not been fully utilised by the current operation in Cambodia as the operation is still in a very beginning stage.

***Provision of on-line shopping, advertising and media related services
("On-line shopping and advertising segment")***

The turnover generated from On-line shopping and advertising segment for the Current Period was approximately HK\$4,500,000 (six months ended 31 December 2014: HK\$2,270,000). Gross profit for the Current Period was approximately HK\$4,343,000 (six months ended 31 December 2014: HK\$933,000). Gross profit ratio for the Current Period was 97% (six months ended 31 December 2014: 41%). Increase in gross profit for the Current Period was mainly due to the On-line shopping and advertising segment has focused on and transformed to information technology and marketing services provider during the Current Period and the gross profit for provision for information technology and marketing services are relatively higher than the on-line shopping, advertising and media related services.

Trading and retail of apparel and related accessories ("Apparel and related accessories segment") (Discontinued Operation)

No turnover generated from Apparel and related accessories segment for the Current Period (six months ended 31 December 2014: HK\$36,403,000). This segment had been disposed in October 2014 and no consolidation is required for this segment upon disposal.

Impairment of Goodwill

For the Current Period, no impairment of goodwill has been made for any cash-generating unit. Impairment of goodwill of approximately HK\$6,250,000 was made for the provision of on-line shopping, advertising and media related services cash-generating unit for the six months ended 31 December 2014.

- (i) *The impairment of goodwill relates to the provision of on-line shopping, advertising and media related services cash-generating unit ("Provision of on-line shopping, advertising and media related services CGU")*

The recoverable amount of the Provision of on-line shopping, advertising and media related services CGU was determined from value in use calculation. The key assumptions for the value in use calculation were those regarding the discount rate, growth rate and budgeted gross margin and turnover during the six months ended 31 December 2014. The Group estimated discount rate using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the Provision of on-line shopping, advertising and media related services CGU. The growth rate was based on long-term average economic growth rate of the geographical area in which the business of the Provision of on-line shopping, advertising and media related services CGU operated. Budgeted gross margin and turnover were based on past practices and expectations on market development.

During the six months ended 31 December 2014, the Group prepared cash flow forecasts derived from the most recent financial budgets approved by the Directors for the next five years with the residual period using the growth rate of 5%. This rate did not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows from the Provision of on-line shopping, advertising and media related services CGU was 13.22%. Based on the past performance, the Group had revised its cash flow forecasts and the recoverable amount had been fully impaired through recognition of an impairment loss against goodwill of approximately HK\$6,250,000 during the six months ended 31 December 2014.

Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2015 (six months ended 31 December 2014: Nil).

Operations

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

Connected Transactions

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

Purchases of raw materials and sell of products

During the Current Period, Ricotex, a non-wholly owned subsidiary of the Company, entered into (i) the supply agreement with Dakota Industrial Company Limited ("Dakota") pursuant to which Dakota has agreed to supply raw materials to Ricotex and (ii) the sales agreement with Dakota pursuant to which Ricotex has agreed to sell products to Dakota.

During the Current Period, Dakota supplied raw materials to Ricotex totally approximately HK\$13,137,000 and Ricotex sold products to Dakota totally approximately HK\$22,462,000.

Billions Field Development Limited ("Billions Field"), is a connected person of the Company at the subsidiary level by holding 45% of the issued share capital in Ricotex; all shareholders of Dakota are family members of each other. The majority shareholders of Dakota and their immediately family members are also majority shareholders of Billions Field. Hence, Dakota is an associate of Billions Field through common shareholders and is also a connected person of the Company at the subsidiary level. Therefore the transactions under the supply agreement and sales agreement constituted continuing connected transactions of the Company under the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

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

Liquidity and Financial Resources

As at 31 December 2015, the Group had net current assets of approximately HK\$36,933,000 (At 30 June 2015: HK\$44,257,000). The current assets comprised bank and cash balances of approximately HK\$55,880,000 (At 30 June 2015: HK\$71,773,000), pledged bank deposits of approximately HK\$678,000 (At 30 June 2015: HK\$641,000), trade and other receivables of approximately HK\$19,344,000 (At 30 June 2015: HK\$7,364,000) and inventories of approximately HK\$20,561,000 (At 30 June 2015: HK\$6,664,000). The current liabilities comprised trade payables, accrued charges and other payables of approximately HK\$40,030,000 (At 30 June 2015: HK\$32,185,000), and loan from a non-controlling shareholder of a subsidiary approximately HK\$19,500,000 (At 30 June 2015: HK\$10,000,000).

As at 31 December 2015, the Group had no significant exposure to fluctuations in exchange rates and any related hedges.

As at 31 December 2015, the Group had total assets of approximately HK\$259,320,000 (At 30 June 2015: HK\$248,457,000). As at 31 December 2015, the Group did not have any long term borrowings (At 30 June 2015: Nil). As at 31 December 2015, the Group had a current ratio of approximately 1.62 comparing to that of 2.05 as at 30 June 2015. As at 31 December 2015, the Group gearing ratio of 1.89% (At 30 June 2015: -14.34%) was calculated as net debt divided by total equity. Net debt is calculated as total liabilities (including current and non-current liabilities as shown in the condensed consolidated statement of financial position) less cash and cash equivalents. Total equity represents the equity as shown in the condensed consolidated statement of financial position.

Foreign Exchange Exposure

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

Capital Structure

By an ordinary resolution passed on 24 June 2015, a bonus share was issued to shareholders on the basis of four bonus shares for every one existing share held on the Record Date. The bonus shares will be credited as fully paid at par by way of capitalization of an amount equal to the total par value of bonus shares standing to the credit of the share premium account of the Company. On the same day, another ordinary resolution passed for an issuance of bonus warrant to shareholders on the basis of one warrant for every one existing share held on the Record Date. Each warrant will entitle the holder to subscribe in cash for one share at an initial subscription price of HK\$0.18 per warrant. Issuance of bonus shares and bonus warrant are completed on 13 July 2015.

Subsequent to the issuance of bonus share, the conversion price of the outstanding CPS has been adjusted from HK\$0.65 per share to HK\$0.13 per share; and Series B CPS has been adjusted from HK\$0.16 per share to HK\$0.032 per share. These said adjustments effected immediately after 3 July 2015.

During the Current Period, 167,000,000 ordinary shares of HK\$0.01 each were issued as a result of the conversion of 33,400,000 series B convertible non-voting preference shares.

As at 31 December 2015, issued and fully paid share capital of the Company included (a) 5,098,793,790 ordinary shares of HK\$0.01 each (At 30 June 2015: 986,358,758 of HK\$0.01 each); (b) 1,103,333,333 CPS (At 30 June 2015: 1,103,333,333) of HK\$0.15 each; and (c) 279,100,000 Series B CPS (At 30 June 2015: 312,500,000) of HK\$0.16 each.

Employees and Remuneration Policy

As at 31 December 2015, the Group had 1,563 full time employees (At 30 June 2015: 1,276). The staff costs, including directors' remuneration, were approximately HK\$23,974,000 (Six months ended 31 December 2014: HK\$23,892,000). 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 2015, the Group did not have any material contingent liabilities (At 30 June 2015: Nil).

Charge on Assets

The Group has pledged bank deposits of approximately HK\$678,000 (At 30 June 2015: HK\$641,000) to secure banking facilities granted to the Group.

PROSPECT

For the Swimwear and garment segment, due to the expecting of economic downturn of European market, the orders on hand for high-end swimwear for the PRC factory decreased and is expected to decrease in the coming year as comparing with last year. On the other hand, a non-wholly owned subsidiary, Ricotex, has established and is operating a factory in the Cambodia to manufacture swimwear and garment products. Due to the import tariff tax benefit offer to European customers, we believed the operation in Ricotex can attract more European customers to place order for swimwear and garment products and therefore Ricotex can stimulate and increase turnover for swimwear and garment segment in the future. 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 On-line shopping and advertising segment, it has been making losses for several years and the Group has restructured and transformed to information technology and marketing services provider in order to alleviate the financial situation of the Group and started making profit for the Current Period.

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 management 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 2015, the interests and short positions of the Directors in the shares ("Shares"), underlying Shares or debentures of the Company and its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance, the Laws of Hong Kong (the "SFO")) which are required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules relating to securities transaction by Directors, were as follows:

(i) *Long positions in Shares*

Name of Director	Number of Shares	Capacity/nature of interest	Approximate percentage of issued share capital (%) <i>(Note 1)</i>
Mr. Lau Chi Yuen, Joseph ("Mr. Lau")	1,179,841,995 <i>(Note 2)</i>	Personal and corporate <i>(Note 2)</i>	23.14%

Notes:

1. The percentage of issued share capital had been arrived at on the basis of a total of 5,098,793,790 Shares in issue as at 31 December 2015.
2. These shares are held as to 63,100,000 shares by Mr. Lau personally and as to 1,116,741,995 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 2015, 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 18 March 2008, the Company terminated share option scheme adopted by the Company on 29 April 2002 and the rules of the new share option scheme (the "New Share Option Scheme") be approved and adopted as the new share option scheme. For further details of these, please refer to the circular dated 29 February 2008.

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

At 31 December 2015, no option was outstanding under the New Share Option Scheme (At 30 June 2015: Nil). The total number of shares in respect of which options may be granted under the New Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of approval of the New Share Option Scheme, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. Options granted to a connected person (as such term defined in the GEM Listing Rules) of the Company in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

The subscription price will be determined by the Board and will be the highest of (i) the quoted closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; and (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets on the five business days immediately preceding the offer date. Any options granted under the New Share Option Scheme shall end in any event not later than ten years from the grant date. A nominal value of HK\$10.00 is payable on acceptance of each grant of options.

Interests in Securities of Substantial Shareholders

As far as was known to any Director or chief executive of the Company, as at 31 December 2015, 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 2)</i>
Big Good Management Limited ("Big Good")	969,000,000	Beneficial	19.00%
Mr. Ma Hoi Cheuk ("Mr. Ma")	969,000,000 <i>(Note 1)</i>	Corporate	19.00%

Notes:

1. Big Good is wholly-owned by Mr. Ma who is deemed to be interested in underlying shares held by Big Good.
2. see Note 1 on page 38.

Save as disclosed above, as at 31 December 2015, 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 (%) (Note 1)
Big Good	2,782,823,076 (Note 3, 4 & 5)	Beneficial	54.58%
Mr. Ma	2,782,823,076 (Note 2)	Corporate	54.58%

Notes:

1. see Note 1 on page 38.
2. see Note 1 on page 40.
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\$0.65 per share to HK\$0.13 per share as a result of the bonus share issue on 3 July 2015. No adjustment is required to be made as a result of bonus warrants issue.
4. Big Good was also the holder of 279,100,000 series B convertible non-voting preference shares of HK\$0.16 each which have no voting rights and are convertible into ordinary shares. Pursuant to the terms of the series B convertible non-voting preference shares, the conversion price of the outstanding series B convertible non-voting preference shares had been adjusted from HK\$0.16 to HK\$0.032 per share as a result of the bonus share issue on 3 July 2015. No adjustment is required to be made as a result of bonus warrants issue.
5. Big Good was the holder of 160,400,000 warrants of which are convertible into ordinary shares at HK\$0.18 on 12 July 2016.

As far as the Directors are aware, saved as disclosed herein, as at 31 December 2015, 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 2015, 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 2015.

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 Chi Yuen, Joseph, 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 Chi Yuen, Joseph, 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 2015.

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, 5 February 2016