



Third
Quarterly
Report
2015/16


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>

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

GEM has been positioned as a market designed to accommodate 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 the emerging nature of companies listed on GEM, 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 nine months ended 31 March 2016

		(Unaudited)			
		Three months ended 31 March		Nine months ended 31 March	
Note		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Continuing operations					
Revenue	4	38,989	61,377	96,454	105,608
Cost of sales and service rendered		<u>(34,852)</u>	(47,995)	<u>(86,267)</u>	(84,755)
Gross profit		4,137	13,382	10,187	20,853
Other income		1,786	670	4,353	2,858
Impairment of goodwill	5	-	-	-	(6,250)
Selling expenses		(64)	(89)	(193)	(264)
Administrative expenses		<u>(6,090)</u>	(8,656)	<u>(19,918)</u>	(21,262)
(Loss)/profit from operations		(231)	5,307	(5,571)	(4,065)
Finance costs		(169)	-	(355)	(4,297)
Share of losses of an associate		-	(1,933)	-	(6,562)
(Loss)/profit before tax		(400)	3,374	(5,926)	(14,924)
Income tax expense	6	<u>(100)</u>	(1,500)	<u>(1,503)</u>	(2,140)
(Loss)/profit for the period from continuing operations		(500)	1,874	(7,429)	(17,064)
Discontinued operation					
Loss for the period from discontinued operation	7	-	-	-	(9,255)
(Loss)/profit for the period	8	<u>(500)</u>	1,874	<u>(7,429)</u>	(26,319)

		(Unaudited)			
		Three months ended 31 March		Nine months ended 31 March	
Note	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	
Attributable to:					
Owners of the Company					
(Loss)/profit from continuing operations	(1,443)	2,382	(5,296)	(15,613)	
Loss from discontinued operation	-	-	-	(3,780)	
	<u>(1,443)</u>	<u>2,382</u>	<u>(5,296)</u>	<u>(19,393)</u>	
(Loss)/profit attributable to owners of the Company					
Non-controlling interests					
Profit/(loss) from continuing operations	943	(508)	(2,133)	(1,451)	
Loss from discontinued operation	-	-	-	(5,475)	
	<u>943</u>	<u>(508)</u>	<u>(2,133)</u>	<u>(6,926)</u>	
Profit/(loss) attributable to non-controlling interests					
	<u>(500)</u>	<u>1,874</u>	<u>(7,429)</u>	<u>(26,319)</u>	
(Loss)/earnings per share		(Restated)		(Restated)	
From continuing and discontinued operations	9(a)				
Basic	<u>HK(0.028) cent</u>	HK0.048 cent	<u>HK(0.106) cent</u>	HK(0.393) cent	
Diluted	<u>HK(0.028) cent</u>	HK0.019 cent	<u>HK(0.106) cent</u>	HK(0.393) cent	
From continuing operations	9(b)				
Basic	<u>HK(0.028) cent</u>	HK0.048 cent	<u>HK(0.106) cent</u>	HK(0.316) cent	
Diluted	<u>HK(0.028) cent</u>	HK0.019 cent	<u>HK(0.106) cent</u>	HK(0.316) cent	

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 March 2016

	(Unaudited)			
	Three months ended 31 March		Nine months ended 31 March	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
(Loss)/profit for the period	(500)	1,874	(7,429)	(26,319)
Other comprehensive income:				
<i>Items that may be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	(223)	(12)	(349)	2
Fair value changes of available-for-sale financial assets	-	66	-	(551)
Other comprehensive income for the period, net of tax	(223)	54	(349)	(549)
Total comprehensive income for the period	(723)	1,928	(7,778)	(26,868)
Attributable to:				
Owners of the Company	(1,666)	2,436	(5,645)	(19,942)
Non-controlling interests	943	(508)	(2,133)	(6,926)
	(723)	1,928	(7,778)	(26,868)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 March 2016

	(Unaudited)									
	Attributable to owners of the Company									
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Plant and machinery revaluation reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non-controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
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	-	-	2	-	-	(551)	(19,393)	(19,942)	(6,926)	(26,868)
Capital reorganisation	(236,726)	-	-	-	-	-	236,726	-	-	-
Settlement of promissory notes	50,000	-	-	-	-	-	-	50,000	-	50,000
Disposal of subsidiaries	-	-	-	-	-	-	-	-	5,470	5,470
Changes in equity for the period	(186,726)	-	2	-	-	(551)	217,333	30,058	(1,456)	28,602
At 31 March 2015	225,364	612,523	(72)	1,377	150	(994)	(402,796)	435,552	(16,910)	418,642
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	-	-	(349)	-	-	-	(5,296)	(5,645)	(2,133)	(7,778)
Bonus issue (note 11(a))	39,454	(39,454)	-	-	-	-	-	-	-	-
Conversion of series B convertible non-voting preference shares into ordinary shares (note 11(b))	(3,674)	3,674	-	-	-	-	-	-	-	-
De-registration of subsidiary	-	-	-	-	-	-	-	-	450	450
Changes in equity for the period	35,780	(35,780)	(349)	-	-	-	(5,296)	(5,645)	(1,683)	(7,328)
At 31 March 2016	261,144	576,743	(423)	2,593	150	-	(650,413)	189,794	9,150	198,944

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the nine months ended 31 March 2016

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 swimwear and 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 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 Hong Kong Institute of Certified Public Accountants 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. Revenue

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

	(Unaudited)	
	Nine months ended	
	31 March	
	2016	2015
	HK\$'000	HK\$'000
Sales of goods	91,204	138,897
On-line shopping, advertising and media related service income	5,250	3,114
	96,454	142,011
Representing:		
Continuing operations	96,454	105,608
Discontinued operation (trading and retail of apparel and related accessories) (note 7)	–	36,403
	96,454	142,011

5. Impairment of goodwill

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 nine months ended 31 March 2015.

6. Income tax expense

	(Unaudited)	
	Nine months ended	
	31 March	
	2016	2015
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	868	2,140
Deferred tax	635	–
	1,503	2,140
Representing:		
Continuing operations	1,503	2,140

Hong Kong Profits Tax has been provided at 16.5% (2015: 16.5%) on the estimated assessable profit for the nine months ended 31 March 2016.

Tax charges on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

7. 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 statement of profit or loss, were as follows:

	(Unaudited)	
	Nine months ended	
	31 March	
	2016	2015
	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>
Revenue (<i>note 4</i>)	–	36,403
Cost of sales	–	(11,387)
	<u>–</u>	<u>(11,387)</u>
Gross profit	–	25,016
Other income	–	4,307
Selling expenses	–	(21,015)
Administrative expenses	–	(18,181)
	<u>–</u>	<u>(18,181)</u>
Loss from operations	–	(9,873)
Finance costs	–	(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>

8. **(Loss)/profit for the period**

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

	(Unaudited)					
	Nine months ended 31 March					
	Continuing operations		Discontinued operation		Total	
	2016	2015	2016	2015	2016	2015
	<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	(98)	(476)	–	(8)	(98)	(484)
Amortisation of trademark (included in administrative expenses)	–	–	–	128	–	128
Depreciation	6,072	2,178	–	1,251	6,072	3,429
Directors' remuneration	1,975	2,133	–	140	1,975	2,273
Reversal of allowance for inventories	–	–	–	(662)	–	(662)
Gain on disposal of property, plant and equipment	(120)	–	–	–	(120)	–
Write off of property, plant and equipment	–	320	–	–	–	320

9. **(Loss)/earnings per share**

(a) From continuing and discontinued operations

For the nine months ended 31 March 2016

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\$5,296,000 (2015: HK\$19,393,000) and the weighted average number of ordinary shares of 5,005,273,790 (2015: 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 nine months ended 31 March 2016. 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 nine months ended 31 March 2015. Diluted loss per share was the same as the basic loss per share from the continuing and discontinued operations for the nine months ended 31 March 2016 and 2015.

For the three months ended 31 March 2016

The calculation of basic and diluted (loss)/earnings per share is based on the following:

	(Unaudited)	
	Three months ended	
	31 March	
	2016	2015
	HK\$'000	HK\$'000
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company, used in the basic and diluted (loss)/earnings per share calculation	(1,443)	2,382
Number of shares		(Restated)
Weighted average number of ordinary shares used in basic (loss)/earnings per share calculation	5,098,793,790	4,931,793,790
Effect of dilutive potential ordinary shares arising from convertible non-voting preference shares outstanding	–	7,927,884,615
Weighted average number of ordinary shares used in diluted (loss)/earnings per share calculation	5,098,793,790	12,859,678,405

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 March 2016. 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 March 2016.

(b) From continuing operations

For the nine months ended 31 March 2016

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\$5,296,000 (2015: HK\$15,613,000) 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 nine months ended 31 March 2016. 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 nine months ended 31 March 2015. Diluted loss per share was the same as the basic loss per share from the continuing operations for the nine months ended 31 March 2016 and 2015.

For the three months ended 31 March 2016

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings 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\$1,443,000 (2015: Profit of HK\$2,382,000) and the denominator used is the same as that detailed above for basic (loss)/earnings per share from continuing and discontinued operations.

Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings 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\$1,443,000 (2015: Profit of HK\$2,382,000) and the denominator used is the same as that detailed above for diluted (loss)/earnings per share from continuing and discontinued operations.

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 March 2016. Diluted loss per share was the same as the basic loss per share from the continuing operations for the three months ended 31 March 2016.

(c) From discontinued operation

For the nine months ended 31 March 2016

Because there was no discontinued operation during the nine months ended 31 March 2016, no basic or diluted loss per share from discontinued operation was presented for the nine months ended 31 March 2016.

Basic loss per share from the discontinued operation for the nine months ended 31 March 2015 (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 nine months ended 31 March 2015 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 nine months ended 31 March 2015.

For the three months ended 31 March 2016

Because there was no discontinued operation during the three months ended 31 March 2016 and 2015, no basic or diluted loss per share from discontinued operation was presented for the three months ended 31 March 2016 and 2015.

10. Dividend

The directors do not recommend the payment of dividend for the nine months ended 31 March 2016 (2015: Nil).

11. Share capital

- (a) 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.

- (b) During the nine months ended 31 March 2016, 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.

12. 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.

13. 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)	
	Nine months ended	
	31 March	
	2016	2015
	HK\$'000	HK\$'000
Sales to an associate	–	511
Purchases from an associate	–	1,061

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 nine months ended 31 March 2016 (the "Current Period"), loss attributable to owners of the Company (including continuing and discontinued operations) was approximately HK\$5,296,000 (nine months ended 31 March 2015: HK\$19,393,000), representing a decrease of approximately 73% over the corresponding period in 2015. Decreased in loss attributable to owners of the Company was mainly due to (i) no impairment of goodwill has been made for any cash-generating unit (nine months ended 31 March 2015: HK\$6,250,000); (ii) decreased in finance costs to approximately HK\$355,000 (nine months ended 31 March 2015: HK\$5,178,000) as the promissory notes had been settled during the nine months ended 31 March 2015 and (iii) no loss was incurred from discontinued operation for the Current Period as the discontinued operation had been disposed in October 2014 (nine months ended 31 March 2015: HK\$3,780,000).

Gross profit (including continuing and discontinued operations) for the Current Period was approximately HK\$10,187,000 (nine months ended 31 March 2015: HK\$45,869,000), representing a decrease of approximately 78% over the corresponding period in 2015.

For the Current Period, the Group's unaudited total turnover (including continuing and discontinued operations) amounted to approximately HK\$96,454,000 (nine months ended 31 March 2015: HK\$142,011,000) representing a decrease of approximately 32% over the corresponding period in 2015. Details of the decreased 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\$91,204,000 (nine months ended 31 March 2015: HK\$102,494,000). Gross profit for the Current Period was approximately HK\$5,162,000 (nine months ended 31 March 2015: HK\$19,479,000). Gross profit ratio for the Current Period was 6% (nine months ended 31 March 2015: 19%). Decrease in turnover was mainly due to the decrease in orders for high-end swimwear from several customers who were affected by the economic downturn of European market in the Current Period and it was partially offset by the contribution from a non-wholly owned subsidiary, Ricotex Industrial Company Limited ("Ricotex"). 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 factory in Kingdom of Cambodia ("Cambodia") and the factory overhead in Cambodia had not been fully utilised by the current operation in Cambodia.

***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\$5,250,000 (nine months ended 31 March 2015: HK\$3,114,000). Gross profit for the Current Period was approximately HK\$5,025,000 (nine months ended 31 March 2015: HK\$1,374,000). Gross profit ratio for the Current Period was 96% (nine months ended 31 March 2015: 44%). 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 (nine months ended 31 March 2015: 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 nine months ended 31 March 2015.

- (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 and nine months ended 31 March 2015.

Interim dividend

The Board does not recommend the payment of an interim dividend for the nine months ended 31 March 2016 (nine months ended 31 March 2015: 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 sale 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\$19,839,000 and Ricotex sold products to Dakota totally approximately HK\$29,590,000.

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.

Contingent liabilities

As at 31 March 2016, the Group did not have any material contingent liabilities (At 31 March 2015: Nil).

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 factory located in the People's Republic of China 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 March 2016, 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:

- 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 March 2016.
- 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 March 2016, 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 March 2016, no option was outstanding under the New Share Option Scheme (At 31 March 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 March 2016, 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:

- Big Good is wholly-owned by Mr. Ma who is deemed to be interested in underlying shares held by Big Good.
- see Note 1 on page 22.

(ii) Long positions in underlying shares of equity derivatives of the Company

Name of Shareholder	Number of Shares	Type of interests	Approximate percentage of issued share capital (%) <i>(Note 1)</i>
Big Good	2,782,823,076 <i>(Note 3, 4 & 5)</i>	Beneficial	54.58%
Mr. Ma	2,782,823,076 <i>(Note 2)</i>	Corporate	54.58%

Notes:

1. see Note 1 on page 22.
2. see Note 1 on page 24.
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.

Save as disclosed above, as at 31 March 2016, 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company had not redeemed any of its Shares during the Current Period. Neither the Company nor any of its subsidiaries had purchased or sold any Shares during the Current Period.

COMPETING INTERESTS

The Directors are not aware of, as at 31 March 2016, any business or interest of each Director, substantial shareholder and management shareholder (as defined in the GEM Listing Rules) and their respective associates that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules.

The primary duties of the audit committee are (i) to review the annual reports and accounts, half-year reports and quarterly reports and give advice and comments thereon to the Directors; and (ii) to review and supervise the financial reporting process and internal controls. The audit committee comprises three Independent Non-executive Directors of the Company.

The audit committee has reviewed the Group's unaudited results for the nine months ended 31 March 2016.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintain high standards of corporate governance for the Company. During the Current Period, the Company is in compliance with the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules except provisions A.2.1 and A.4.1 of the CG Code as detailed below:

Code Provision A.2.1

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Lau, the chairman of the Company, took up the role of Chief Executive Officer (“CEO”) since the position became vacant on 30 June 2014, and thus there has been no segregation of duties during the Current Period. The Board has evaluated the current situation of the Group and taken into account of the experience and past performance of Mr. Lau, the Board was of the opinion that it was appropriate and in the best interest of the Company at the present stage for vesting the roles of the Chairman and the CEO of the Company in the same person as it helps to facilitates the execution of the Group’s business strategies and maximises the effectiveness of its operation. The Board will nevertheless review this structure from time to time and will consider the segregation of the two roles at the appropriate time.

Code Provision A.4.1

Under the code provision A.4.1 of the CG Code, Non-executive Directors should be appointed for a specific term, subject to re-election. The current Independent Non-executive Directors are not appointed for specific terms, but are subject to retirement and re-election at Annual General Meeting of the Company in line with the Company’s Articles of Association. As such, the Company considers that sufficient measures have been taken to ensure the Company’s corporate governance practices are no less exacting than those in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors of the Company have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the nine months ended 31 March 2016.

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, 11 May 2016