



*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>

FIRST QUARTERLY  
REPORT 2013/14



## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "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 three months ended 30 September 2013

		(Unaudited) Three months ended 30 September	
	Note	2013 HK\$'000	2012 HK\$'000
<b>Turnover</b>	4	<b>40,808</b>	45,726
Cost of sales and service rendered		<u>(15,285)</u>	<u>(15,950)</u>
<b>Gross profit</b>		<b>25,523</b>	29,776
Other income		<b>4,293</b>	3,724
Impairment of goodwill		–	(8,700)
Selling expenses		<b>(17,303)</b>	(17,550)
Administrative expenses		<b>(24,782)</b>	(27,471)
<b>Loss from operations</b>		<b>(12,269)</b>	(20,221)
Finance costs		<u>(1,289)</u>	<u>(1,049)</u>
<b>Loss before tax</b>		<b>(13,558)</b>	(21,270)
Income tax credit	5	<u>–</u>	<u>512</u>
<b>Loss for the period</b>	6	<b><u>(13,558)</u></b>	<b><u>(20,758)</u></b>
<b>Attributable to:</b>			
Owners of the Company		<b>(8,761)</b>	(17,443)
Non-controlling interests		<b>(4,797)</b>	(3,315)
		<b><u>(13,558)</u></b>	<b><u>(20,758)</u></b>
<b>Loss per share</b>	7		
Basic		<b><u>(HK0.18 cent)</u></b>	<b><u>(HK0.36 cent)</u></b>
Diluted		<b><u>N/A</u></b>	<b><u>N/A</u></b>

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

For the three months ended 30 September 2013

	<b>(Unaudited)</b>	
	<b>Three months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Loss for the period</b>	<b>(13,558)</b>	(20,758)
<b>Other comprehensive income:</b>		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	(2)	85
Fair value changes of available-for-sale financial assets	<b>334</b>	–
<b>Other comprehensive income for the period, net of tax</b>	<b>332</b>	85
<b>Total comprehensive income for the period</b>	<b>(13,226)</b>	(20,673)
<b>Attributable to:</b>		
Owners of the Company	<b>(8,429)</b>	(17,358)
Non-controlling interests	<b>(4,797)</b>	(3,315)
	<b>(13,226)</b>	(20,673)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 September 2013

	(Unaudited)										
	Attributable to owners of the Company										
	Share capital	Share premium	Translation reserve	Plant and machinery revaluation reserve	Equity-settled share-based payment reserve	Capital redemption reserve	Investment revaluation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
At 1 July 2012	334,354	611,332	(169)	8	1,364	150	-	(437,367)	509,672	2,537	512,209
Total comprehensive income for the period	-	-	85	-	-	-	-	(17,443)	(17,358)	(3,315)	(20,673)
Exercise of options issued by a non wholly-owned subsidiary	-	-	-	-	(1,364)	-	-	1,472	108	(108)	-
Issue of new shares under the rights issue	81,427	(2,500)	-	-	-	-	-	-	78,927	-	78,927
Changes in equity for the period	81,427	(2,500)	85	-	(1,364)	-	-	(15,971)	61,677	(3,423)	58,254
At 30 September 2012	415,781	608,832	(84)	8	-	150	-	(453,338)	571,349	(886)	570,463
At 1 July 2013	412,090	612,523	(78)	809	-	150	(531)	(615,738)	509,225	(3,744)	505,481
Total comprehensive income and changes in equity for the period	-	-	(2)	-	-	-	334	(8,761)	(8,429)	(4,797)	(13,226)
At 30 September 2013	412,090	612,523	(80)	809	-	150	(197)	(524,499)	500,796	(8,541)	492,255

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the three months ended 30 September 2013*

## **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 Room 702, 7th Floor, Goodluck Industrial Centre, 808 Lai Chi Kok Road, Lai Chi Kok, 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;
- (ii) trading and retail of apparel and related accessories; and
- (iii) 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 2013 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 eighteen months ended 30 June 2013.

### **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 2013. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years except as stated below.

#### ***Amendments to HKAS 1 “Presentation of Financial Statements”***

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

#### 4. 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 is as follows:

	<b>(Unaudited)</b> <b>Three months ended</b> <b>30 September</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Sales of goods	<b>39,713</b>	40,459
On-line shopping, advertising and media related service income	<b>1,095</b>	5,267
	<b>40,808</b>	45,726

#### 5. Income tax credit

	<b>(Unaudited)</b> <b>Three months ended</b> <b>30 September</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Current tax – Hong Kong Profits Tax Overprovision in prior period	–	(906)
Current tax – People's Republic of China Enterprise Income Tax Provision for the period	–	394
	–	(512)

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the period (2012: Nil).

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.



## 6. Loss for the period

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

	<b>(Unaudited)</b>	
	<b>Three months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Interest income	<b>(491)</b>	(199)
Depreciation	<b>1,826</b>	1,788
Directors' remuneration	<b>1,109</b>	1,081
Allowance for inventories	–	2
Allowance for receivables	–	1,500
Gain on disposal of property, plant and equipment	–	(13)

## 7. Loss per share

### *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\$8,761,000 (2012: HK\$17,443,000) and the weighted average number of ordinary shares of 4,931,793,790 (2012: 4,850,236,756) in issue during the period.

### *Diluted loss per share*

The exercise of the Group's outstanding convertible non-voting preference shares for the three months ended 30 September 2013 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's options granted to an investor. The exercise of the Group's outstanding convertible non-voting preference shares and options issued by a non wholly-owned subsidiary for the three months ended 30 September 2012 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's share options and options granted to an investor, no diluted loss per share was presented for both periods.

## 8. Dividend

The directors do not recommend the payment of dividend for the three months ended 30 September 2013 (2012: Nil).

## 9. Seasonality

- (i) The Group's sales of high-end swimwear and related 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.
- (ii) The Group's sales of apparel and related accessories are subject to seasonal fluctuations, with peak demand from October to February each year. This is due to the increase in purchasing power of the market during the holiday season.

The Group's other operations are not subject to material seasonal fluctuations.

## 10. Events after the reporting period

- (i) The Company received a writ of summons HCA 1977/2013 ("First Writ") dated 16 October 2013 issued from High Court of Hong Kong by the plaintiff ("Plaintiff"), a third party, in which the Company and all Directors were named as defendants. As appeared on the indorsement of claim in the First Writ, the Plaintiff alleged that in reliance of the representations made by the Company and its Directors in the Company information sheet dated 7 February 2013, 5th quarterly report 2012/2013 and annual report 2013 to the effect that Excel Courage Holdings Limited ("ECHL"), whose sole owner was Mr. Wong Sin Lai, was a substantial shareholder of the Company holding 974,180,000 shares ("Sale Shares"), the Plaintiff entered into an agreement with ECHL to purchase the Sale Shares. The Plaintiff alleged that such representations were false and he suffered loss and damages as a result. The Plaintiff claims against the Company and its Directors for, among others, damages to be assessed. The Company and its Directors are of the view that there is no merit in the Plaintiff's claim against the Company and its Directors will defend the action vigorously. Please refer to the announcement dated on 17 October 2013 for details.
- (ii) The Company received a writ of summons HCA 2063/2013 (the "Second Writ") dated 28 October 2013, issued from High Court of Hong Kong by the Plaintiff, in which the Company and all Directors were named as defendants among others. As appeared on the indorsement of claim in the Second Writ, the Plaintiff claimed against the defendants for damages of HK\$39,326,264 and interest and costs. The Plaintiff alleged that, among others, one of the Directors, Mr. Lau Chi Yuen, Joseph ("Mr. Lau") had deceived him by making false statements in the Company's circular published on 11 June 2012, in various documents of a company known as Excel and in certain declarations in the action HCA 1827/2013; that Mr. Lau had abused the court process and had engaged in false dealings with the Company's shares; and that other Directors of the Company have been negligent and in breach of their duties of directors. The Company and its Directors (including Mr. Lau) are of the view that there is no merit in the Plaintiff's claims against the Company and its Directors (including Mr. Lau) and the Company and its Directors (including Mr. Lau) will defend the action vigorously. Please refer to the announcement dated on 29 October 2013 for details.



## MANAGEMENT DISCUSSION AND ANALYSIS

### **Voluntarily winding up of Info-Source Media Limited**

On 11 January 2013, a special resolution was passed by the shareholders of Info-Source Media Limited (“Info-Source”) to voluntarily wind up Info-Source. The Group holds 20% equity interests in Info-Source and is classified as available-for-sale financial assets. The investment was fully impaired during the year ended 31 December 2010. It is the directors’ opinion that the winding up of Info-Source will not have a material impact on the Group’s financial position.

### **Financial Performance**

For the three months ended 30 September 2013 (the “Current Period”), loss attributable to owners of the Company was approximately HK\$8,761,000 (three months ended 30 September 2012: HK\$17,443,000). The improvement was mainly attributable to (i) no allowance for impairment of goodwill is made in the Current Period (three months ended 30 September 2012: HK\$8,700,000) and (ii) no allowance for receivables is made in the Current Period (three months ended 30 September 2012: HK\$1,500,000).

Gross profit for the Current Period was approximately HK\$25,523,000 (three months ended 30 September 2012: HK\$29,776,000), representing a decrease of approximately 14% over the corresponding period in 2012.

For the Current Period, the Group’s unaudited total turnover amounted to approximately HK\$40,808,000 (three months ended 30 September 2012: HK\$45,726,000) representing a decrease of approximately 11% over the corresponding period in 2012. Details of the decrease in total revenue are discussed below:

### ***Manufacturing and trading of high-end swimwear and related garment products (“Swimwear segment”)***

The turnover generated from Swimwear segment for the Current Period was approximately HK\$5,712,000 (three months ended 30 September 2012: HK\$4,620,000). Gross profit for the Current Period was approximately HK\$1,517,000 (three months ended 30 September 2012: HK\$961,000).

### ***Trading and retail of apparel and related accessories (“Apparel and related accessories segment”)***

The turnover generated from Apparel and related accessories segment for the Current Period was approximately HK\$34,001,000 (three months ended 30 September 2012: HK\$35,839,000). Gross profit for the Current Period was approximately HK\$23,739,000 (three months ended 30 September 2012: HK\$26,661,000).

### ***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\$1,095,000 (three months ended 30 September 2012: HK\$5,267,000). Substantial decreased in turnover for the Current Period was mainly due to (i) keen competition in the on-line group buying market in Hong Kong; (ii) the on-line group buying market is slowing down in Hong Kong; and (iii) no income was received from provision of information technology consulting and on-line marketing services during the Current Period (three months ended 30 September 2012: HK\$1,697,000). Gross profit for the Current Period was approximately HK\$267,000 (three months ended 30 September 2012: HK\$2,154,000).

### **Interim dividend**

The Board does not recommend the payment of an interim dividend for the three months ended 30 September 2013 (three months ended 30 September 2012: Nil).

### **Operations**

During the Current Period under review, 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:

**(a) *Lease of 2 self-operated retail stores***

Easy Harvest International Limited had signed 2 leasing agreements of self-operated retail stores on behalf of the Group. During the Current Period, the total rental payments of these 2 self-operated retail stores were approximately HK\$606,000.

**(b) *Lease of an office premise***

During the Current Period, the Group signed a leasing agreement with Gain Easy Development Limited for an office premise. During the Current Period, the total rental payment was approximately HK\$576,000.

Mr. Lee Tang Kit, Philip, is a connected person of the Company by virtue of his beneficial interest in Charmston, Easy Harvest International Limited and Gain Easy Development Limited and he is also a director of a subsidiary of the Company. Accordingly, lease of 2 self-operated retail stores and lease of an office premise constituted connected transactions of the Company under the Rules Governing of the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (“GEM Listing Rules”).

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

## **Contingent liabilities**

As at 30 September 2013, the Group did not have any material contingent liabilities.

As at 30 September 2013, the Company has issued a guarantee of approximately HK\$26,650,000 (At 30 September 2012: HK\$26,650,000) to a bank in respect of a banking facility granted to a subsidiary.

## Events After the Reporting Period

In October 2013, the Company received two writ of summons, HCA 1977/2013 and HCA 2063/2013, in which the Company and all Directors were named as defendants.

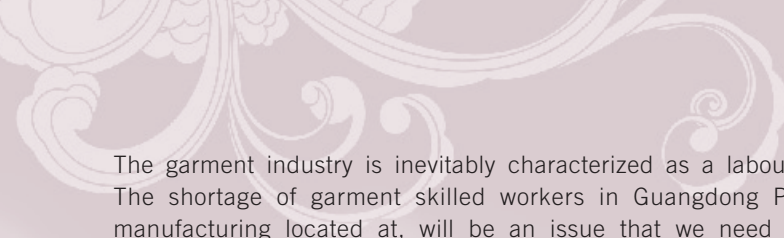
Please refer to note 10 to the condensed financial statements on page 9 and announcements dated 17 October 2013 and 29 October 2013 for details.

## PROSPECT

It is believed that European countries remain to be a sluggish market for both retail and manufacturing goods in the foreseeable years. In fact, we also believe Asia will continue to maintain its robust growth momentum in economic areas especially in both manufacturing and retail businesses. The wealth accumulation effects in Asian countries should not be overlooked and there will be another revenue driver that the Group would consider.

The Group continues to formulate its business strategies to optimize the use of its operation and financial resources in assisting the sustainable growth of its three business segments: the Swimwear segment, the Apparel and related accessories segment as well as the On-line shopping and advertising segment.

Following the end of international garment quota regime in 2005, the garment manufacturing companies are no longer competing with each other dominantly on quota of their garment products alone. On the contrary, the garment manufacturing companies are shifting their competitive edges to pricing, variety of products and value-added services offered to customers instead. Incorporating with the hard work of our management and merchandising team in the Swimwear segment, the Group successfully acquires some new orders from new customers. On the other hand, our management team will continue to explore and source orders from both existing customers and other customers in swimwear related disciplines for the provision of our value-added manufacturing services.




The garment industry is inevitably characterized as a labour intensive industry. The shortage of garment skilled workers in Guangdong Province, where our manufacturing located at, will be an issue that we need to tackle with. The impact on rising operating costs and a shortage of skilled labour intensify our management team to consider to either establish another manufacturing base and/or subcontract out part of our orders to other garment factories in the newly developed Asian countries like Myanmar, Bangladesh, Cambodia and, in where, the general wages disparities between China remain competitive.

As there are always new entrants who attempt to manufacture goods cheaper, the implementation of our RFID (radio frequency identification) system and upgrading of the information system allows our factory to improve the logistic management in both the supply chain and the manufacturing process. Therefore, this can maintain our core competitive edges not only on costing but also on the provision of reliable delivery, flexible services in the industry.

In view of the Apparel and related accessories segment, there are currently around 37 retail outlets (including self-operated stores and shopping counters) in Hong Kong operated under the brand names either Tonino Lamborghini or Cour Carré. The management of this business segment observes that some factors can support the domestic retail growth in Hong Kong and they are the wealth effect of Hong Kong people (assuming that the property and stock market continues to perform well) coupling with the low unemployment rate in Hong Kong. We also hope that the number of China tourists can surge in the coming years.

The concept of fast fashion further intensifies the already fierce competition in the apparel retail market among the existing rivalries. As such, the management is speeding up the process on the exploration of new income source in wholesale business, licensing and distribution business to the Asian countries including China. Meanwhile, the management also closely monitors the variety, design and price range of our apparel products. It is hoping that the Group can always improve our core value in maintain the popularity of our brand names (Tonino Lamborghini, Cour Carré, Gay Giano, and Due G), providing more innovative and fashionable design as well as upgrading our salespersons' services.



The market competition for on-line group buying business is overwhelming and market consolidation will be expected, so the segmental turnover for the Current Period is declined in comparing with the same period of last year. The Group also considers other income sources apart from on-line group buying business as well.

Given the high level of smartphone penetration together with high usage volume in Hong Kong, our management of the On-line shopping and advertising segment believes purchase made via mobile phones will become another income sources. Viewing of this trend, the On-line shopping and advertising segment continues to develop its business in two aspects. Firstly, the segment successfully transforms the Babybamboo.com.hk web site from on-line group buying to on-line web-based buying platform. Moreover, we can also specialize in providing logistic and on-line shop management services and aim at providing one stop solution to our business partners and the on-line shoppers. Secondly, the management develops on-line solution services, including but not limited to, advertising, traffic redirecting, Facebook apps promotion, fans page setup and management. It is targeted to co-operate with major internet providers and mobile apps providers to open up new business whenever possible. Being an on-line solution provider, the business segment will extend its mobile apps business. There are some apps in the pipeline like location dining app and movie app that can provide updated information and discount offers to our customers.

Cash is king in times of uncertainty and volatility. The Group will deliver its best to manage its liquidity position carefully and protect the value of the surplus fund against inflation while can maintain capital gain.



## DISCLOSURE OF INTERESTS

### Interests in Securities of Directors and Chief Executive

As at 30 September 2013, the interests and short positions of the Directors in the shares (“Shares”), underlying Shares or debentures of the Company and its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance, the Laws of Hong Kong (the “SFO”)) which are required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules relating to securities transaction by Directors, were as follows:

#### (i) Long positions in Shares

Name of Director	Number of Shares	Capacity/nature of interest	Approximate percentage of issued share capital (Note 1)
Mr. Lau Chi Yuen, Joseph (“Mr. Lau”)	1,123,841,997 (Note 2)	Personal and corporate (Note 2)	22.79%

#### Notes:

1. The percentage of issued share capital had been arrived at on the basis of a total of 4,931,793,790 Shares in issue as at 30 September 2013.
2. These shares are held as to 7,100,000 shares by Mr. Lau personally and as to 1,116,741,997 shares by JL Investments Capital Limited, which is wholly-owned by Mr. Lau. Mr. Lau is deemed to be interested in the shares held by JL Investments Capital Limited.

Save as disclosed above, as at 30 September 2013, none of the Directors had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and 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.

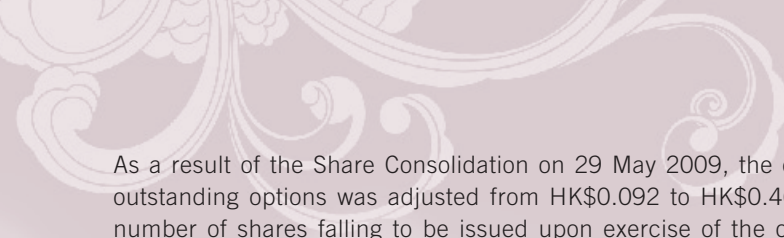
***(ii) Short positions in the Shares and underlying Shares of equity derivatives of the Company***

As at 30 September 2013, 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.



As a result of the Share Consolidation on 29 May 2009, the exercise price of the outstanding options was adjusted from HK\$0.092 to HK\$0.46 per share and the number of shares falling to be issued upon exercise of the options was adjusted from 402,360,000 shares to 80,472,000 shares. It was certified that the above adjustments are in compliance with Rule 23.03(13) of the GEM Listing Rules.

At 30 September 2013, no option was outstanding under the New Share Option Scheme (At 30 September 2012: 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; (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 30 September 2013, the persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

### (i) Long positions in Shares

Name of Shareholder	Number of Shares	Type of interests	Approximate percentage of issued share capital (%) (Note 2)
Big Good Management Limited	802,000,000	Beneficial	16.26%
Mr. Ma Hoi Cheuk ("Mr. Ma")	802,000,000 (Note 1)	Corporate	16.26%

#### Notes:

1. Big Good Management Limited is wholly-owned by Mr. Ma who is deemed to be interested in underlying shares held by Big Good Management Limited.
2. see Note 1 on page 16.

Save as disclosed above, as at 30 September 2013, the Directors were not aware of any other person who had an interest or short positions in the shares or underlying shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

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

Name of Shareholder	Number of Shares	Type of interests	Approximate percentage of issued share capital (%) <i>(Note 1)</i>
Big Good Management Limited	1,226,923,076 <i>(Note 3)</i>	Beneficial	24.88%
Mr. Ma	1,226,923,076 <i>(Note 2)</i>	Corporate	24.88%

*Notes:*

1. see Note 1 on page 16.
2. see Note 1 on page 19.
3. Big Good Management Limited 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\$0.15 per share to HK\$0.13 per share as a result of completion of the rights Issue.

As far as the Directors are aware, saved as disclosed herein, as at 30 September 2013, 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 30 September 2013, 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 three months ended 30 September 2013.

## 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 provision A.4.1 of the CG Code as detailed below:

### **Code Provision A.4.1**

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



## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors of the Company have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the three months ended 30 September 2013.

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 November 2013