



# Luxey



## 3rd

Quarterly Report

2013/14

**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 “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 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.**

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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 nine months ended 31 March 2014

		(Unaudited)			
		Three months ended		Nine months ended	
		31 March		31 March	
	Note	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Turnover</b>	4	<b>92,601</b>	99,853	<b>204,625</b>	223,440
Cost of sales and service rendered		<b>(55,636)</b>	(52,228)	<b>(103,193)</b>	(101,773)
<b>Gross profit</b>		<b>36,965</b>	47,625	<b>101,432</b>	121,667
Other income		7,940	2,648	<b>18,358</b>	7,943
Impairment of goodwill	5	<b>(12,200)</b>	(34,500)	<b>(30,600)</b>	(44,300)
Selling expenses		<b>(20,215)</b>	(20,464)	<b>(59,175)</b>	(59,383)
Administrative expenses		<b>(26,578)</b>	(26,594)	<b>(74,061)</b>	(79,635)
<b>Loss from operations</b>		<b>(14,088)</b>	(31,285)	<b>(44,046)</b>	(53,708)
Finance costs		<b>(1,505)</b>	(1,338)	<b>(4,175)</b>	(3,559)
<b>Loss before tax</b>		<b>(15,593)</b>	(32,623)	<b>(48,221)</b>	(57,267)
Income tax (expense)/credit	6	<b>(1,980)</b>	1,381	<b>(2,636)</b>	(1,490)
<b>Loss for the period</b>	7	<b>(17,573)</b>	(31,242)	<b>(50,857)</b>	(58,757)
<b>Attributable to:</b>					
Owners of the Company		<b>(16,944)</b>	(32,764)	<b>(45,295)</b>	(56,477)
Non-controlling interests		<b>(629)</b>	1,522	<b>(5,562)</b>	(2,280)
		<b>(17,573)</b>	(31,242)	<b>(50,857)</b>	(58,757)
<b>Loss per share</b>	8		(Restated)		
Basic		<b>HK(1.718) cents</b>	HK(3.322) cents	<b>HK(4.592) cents</b>	HK(5.775) cents
Diluted		<b>N/A</b>	N/A	<b>N/A</b>	N/A

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

For the nine months ended 31 March 2014

	(Unaudited)			
	Three months ended		Nine months ended	
	31 March		31 March	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Loss for the period</b>	<b>(17,573)</b>	<b>(31,242)</b>	<b>(50,857)</b>	<b>(58,757)</b>
<b>Other comprehensive income:</b>				
<i>Items that may be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	172	145	170	224
Fair value changes of available-for-sale financial assets	(94)	-	176	-
<b>Other comprehensive income for the period, net of tax</b>	<b>78</b>	<b>145</b>	<b>346</b>	<b>224</b>
<b>Total comprehensive income for the period</b>	<b>(17,495)</b>	<b>(31,097)</b>	<b>(50,511)</b>	<b>(58,533)</b>
<b>Attributable to:</b>				
Owners of the Company	(16,866)	(32,619)	(44,949)	(56,253)
Non-controlling interests	(629)	1,522	(5,562)	(2,280)
	<b>(17,495)</b>	<b>(31,097)</b>	<b>(50,511)</b>	<b>(58,533)</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 March 2014

	(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
	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 2012	334,354	611,332	(169)	8	1,364	150	-	(437,367)	509,672	2,537	512,209
Total comprehensive income for the period	-	-	224	-	-	-	-	(56,477)	(56,253)	(2,280)	(58,533)
Conversion of convertible non-voting preference shares into ordinary shares	(3,691)	3,691	-	-	-	-	-	-	-	-	-
Exercise of options issued by a non wholly-owned subsidiary	-	-	-	-	(1,364)	-	-	1,472	108	(108)	-
Purchase of non-controlling interests	-	-	-	-	-	-	-	247	247	(447)	(200)
Issue of new shares under rights issue	81,427	(2,500)	-	-	-	-	-	-	78,927	-	78,927
Changes in equity for the period	77,736	1,191	224	-	(1,364)	-	-	(54,758)	23,029	(2,835)	20,194
At 31 March 2013	412,090	612,523	55	8	-	150	-	(492,125)	532,701	(298)	532,403
At 1 July 2013	412,090	612,523	(78)	809	-	150	(531)	(515,738)	509,225	(3,744)	505,481
Total comprehensive income and changes in equity for the period	-	-	170	-	-	-	176	(45,295)	(44,949)	(5,562)	(50,511)
At 31 March 2014	412,090	612,523	92	809	-	150	(355)	(561,033)	464,276	(9,306)	454,970

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the nine months ended 31 March 2014*

### 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 except as stated below.

### 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 2013. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); 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.

#### a. *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.

#### b. *HKFRS 13 “Fair Value Measurement”*

HKFRS 13 “Fair Value Measurement” establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. HKFRS 13 has been applied prospectively.

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>Nine months ended</b>	
	<b>31 March</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Sales of goods	<b>202,445</b>	208,062
On-line shopping, advertising and media related service income	<b>2,180</b>	15,378
	<b>204,625</b>	223,440

#### 5. Impairment of goodwill

The Group carried out reviews of the recoverable amount of the provision of on-line shopping, advertising and media related services, having regard to turnover generated from the provision of on-line shopping, advertising and media related services cash-generating unit ("CGU") carried on by Luxey Online Solutions Limited decreased substantially as a result of (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.

The recoverable amount of the provision of on-line shopping, advertising and media related services CGU is determined from value in use calculation. The key assumptions are those regarding the discount rate, growth rate and budgeted gross margin and turnover during the period. The Group estimates discount rate using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rate is 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 are based on past practices and expectations on market development.



The Group prepares 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 does 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 is 15.41%. Based on the past performance, the Group has revised its cash flow forecasts for this CGU. The goodwill has therefore been reduced to its recoverable amount of approximately HK\$12,043,000 through recognition of an impairment loss against goodwill of approximately HK\$30,600,000 during the nine months ended 31 March 2014 (2013: HK\$7,100,000).

#### 6. Income tax expense/(credit)

	<b>(Unaudited)</b>	
	<b>Nine months ended</b>	
	<b>31 March</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	<b>2,636</b>	1,662
Current tax – People's Republic of China		
Overprovision in prior period	<b>–</b>	(172)
	<b>2,636</b>	1,490

Hong Kong Profits Tax has been provided at a rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the nine months ended 31 March 2014.

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. Loss for the period**

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

	<b>(Unaudited)</b>	
	<b>Nine months ended</b>	
	<b>31 March</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Interest income	<b>(1,359)</b>	(555)
Amortisation of trademark (included in administrative expenses)	<b>312</b>	312
Depreciation	<b>5,815</b>	4,575
Directors' remuneration	<b>3,508</b>	3,366
(Reversal of allowance)/allowance for inventories	<b>(1,689)</b>	506
Allowance for receivables	–	1,500
Gain on disposal of property, plant and equipment	–	(14)
Write off of property, plant and equipment	<b>8</b>	711

**8. Loss per share*****Basic loss per share****For the nine months ended 31 March 2014*

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\$45,295,000 (2013: HK\$56,477,000) and the weighted average number of ordinary shares of 986,358,758 (2013: 977,917,309, as adjusted to reflect the share consolidation on 23 April 2014, details refer to note 13a) in issue during the period, as adjusted to reflect the share consolidation on 23 April 2014.

*For the three months ended 31 March 2014*

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\$16,944,000 (2013: HK\$32,764,000) and the weighted average number of ordinary shares of 986,358,758 (2013: 986,358,758, as adjusted to reflect the share consolidation on 23 April 2014) in issue during the period, as adjusted to reflect the share consolidation on 23 April 2014.

***Diluted loss per share***

*For the nine months ended 31 March 2014*

The exercise of the Group's outstanding convertible non-voting preference shares for the nine months ended 31 March 2014 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 nine months ended 31 March 2013 would be anti-dilutive and there were no dilutive potential ordinary shares for the options granted to an investor. No diluted loss per share was presented for both periods.

*For the three months ended 31 March 2014*

The exercise of the Group's outstanding convertible non-voting preference shares for the three months ended 31 March 2014 and 31 March 2013 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's options granted to an investor, no diluted loss per share was presented for both periods.

**9. Dividend**

The directors do not recommend the payment of dividend for the nine months ended 31 March 2014 (2013: Nil).

**10. 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 each October to the next February. 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.

## 11. Litigation

- (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 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 29 October 2013 for details.

**12. Capital commitments**

The Group's capital commitments at the end of the reporting period are as follows:

	<b>(Unaudited)</b> <b>31 March</b> <b>2014</b> <b>HK\$'000</b>	(Audited) 30 June 2013 HK\$'000
Property, plant and equipment		
Contracted but not provided for	–	511
Capital contribution to an associate	<b>18,000</b>	–
	<b>18,000</b>	511

**13. Events after the reporting period**

On 18 March 2014, the board of directors proposed to implement the share consolidation and capital reorganisation.

**a. Share consolidation**

The board of directors proposed to implement the share consolidation on the basis that every 5 issued and unissued shares of HK\$0.05 each will be consolidated into one consolidated share of HK\$0.25 each.

Share consolidation was effected immediately after the approval of shareholders by an ordinary resolution passed at the extraordinary general meeting of the Company held on 23 April 2014.

**b. Capital reorganisation**

Immediately after the share consolidation, as set out in (a) above becoming effective, the board of directors proposes to implement the capital reorganisation involving (i) a reduction in the par value of each issued consolidated share from HK\$0.25 to HK\$0.01 and (ii) a subdivision of each authorised but unissued consolidated share into 25 new shares of HK\$0.01 each. The capital reorganisation was approved by a special resolution passed at the extraordinary general meeting of the Company held on 23 April 2014. The capital reorganisation was still subject to other conditions and not yet completed as at the date of this report.

Please refer to announcements dated 18 March 2014 and 23 April 2014 and circular dated 28 March 2014 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.

### **Formation of a Joint Venture**

On 25 February 2014, Ratio Knitting Factory Limited (“Ratio”), a wholly-owned subsidiary of the Company and two independent third parties entered into a shareholders agreement (the “Shareholders Agreement”) in relation to the formation and operation of Ricotex Industrial Company Limited (“Ricotex”) (formerly known as Upper Mega Limited). Ricotex and its subsidiaries will be principally engaged in trading and manufacturing of garment products and related accessories and other related business, including but not limited to establishing and operating garment manufacturing plant in the Kingdom of Cambodia. Pursuant to the Shareholders Agreement, Ratio is holding 45% of the issued share capital of Ricotex. Ratio will contribute HK\$18,000,000 in cash by way of capital contribution in its respective shares and Ratio is committed to contribute a further HK\$10,000,000 towards Ricotex by way of interest-bearing shareholders’ loan if Ricotex requires further financing. Therefore, the maximum contribution from Ratio to Ricotex is HK\$28,000,000. Ricotex will be accounted for as an associate of the Company. Please refer to announcement dated 25 February 2014 for detail.

During the Current Period, the Group has not yet contributed any capital to Ricotex.

## Financial Performance

For the nine months ended 31 March 2014 (the "Current Period"), loss attributable to owners of the Company was approximately HK\$45,295,000 (nine months ended 31 March 2013: HK\$56,477,000). Decrease in loss attributable to owners of the Company was mainly attributable to approximately HK\$30,600,000 impairment of goodwill made in the Current Period (nine months ended 31 March 2013: HK\$44,300,000).

Gross profit for the Current Period was approximately HK\$101,432,000 (nine months ended 31 March 2013: HK\$121,667,000), representing a decrease of approximately 17% over the corresponding period in 2013.

For the Current Period, the Group's unaudited total turnover amounted to approximately HK\$204,625,000 (nine months ended 31 March 2013: HK\$223,440,000) representing a decrease of approximately 8% over the corresponding period in 2013. Details of the decrease in total turnover 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\$66,711,000 (nine months ended 31 March 2013: HK\$58,822,000). Increase in turnover was mainly due to the Group has successfully received some new orders from several new customers during the Current Period. Gross profit for the Current Period was approximately HK\$7,823,000 (nine months ended 31 March 2013: HK\$10,846,000). Decrease in gross profit for the Current Period was mainly due to the continuously increase in raw materials cost and shortage of skilled labour which resulted increase in sub-contracting charges.

***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\$135,734,000 (nine months ended 31 March 2013: HK\$147,166,000). The decrease in turnover for the Current Period was mainly affected by the sluggish retail market in Hong Kong, which leading the demand for consumer goods is decreased and the consumer spending sentiment has fallen accordingly. Gross profit for the Current Period was approximately HK\$92,924,000 (nine months ended 31 March 2013: HK\$104,115,000).

***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\$2,180,000 (nine months ended 31 March 2013: HK\$15,378,000). Substantial decrease 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 (nine months ended 31 March 2013: HK\$5,092,000). Gross profit for the Current Period was approximately HK\$685,000 (nine months ended 31 March 2013: HK\$6,626,000).



### Impairment of Goodwill

For the Current Period, impairment of goodwill of approximately HK\$30,600,000 are made for the provision of on-line shopping, advertising and media related services cash-generating unit, whereas impairment of goodwill of approximately HK\$37,200,000 and HK\$7,100,000 are made for the swimwear cash-generating unit and the provision of on-line shopping, advertising and media related services cash-generating unit respectively during the nine months ended 31 March 2013.

**(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 is determined from value in use calculation. The key assumptions are those regarding the discount rate, growth rate and budgeted gross margin and turnover during the Current Period. The Group estimates 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 is 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 operates. Budgeted gross margin and turnover are based on past practices and expectations on market development. The Group prepares 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 does 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 is 15.41%. Based on the past performance, the Group has revised its cash flow forecasts for Provision of on-line shopping, advertising and media related services CGU. The goodwill has therefore been reduced to its recoverable amount through recognition of an impairment loss against goodwill of approximately HK\$30,600,000 during the Current Period (nine months ended 31 March 2013: HK\$7,100,000).

### **Interim dividend**

The Board does not recommend the payment of an interim dividend for the nine months ended 31 March 2014 (nine months ended 31 March 2013: Nil).

### **Operations**

During the Current Period under review, the Group keeps on maintaining an effective cost measures in controlling the cost structure of its operations. Besides, the Group will be extremely prudent in the development of its operations. 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\$1,376,000.

#### **(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\$1,728,000.

Mr. Lee Tang Kit, Philip, is a connected person of the Company by virtue of his beneficial interest in Charmston (Holdings) Limited, 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 of Hong Kong Limited ("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 31 March 2014, the Group did not have any material contingent liabilities.

As at 31 March 2014, the Company has issued a guarantee of approximately HK\$26,650,000 (At 31 March 2013: HK\$26,650,000) to a bank in respect of a banking facility granted to a subsidiary.

### **Litigation**

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 11 to the unaudited condensed financial statements on page 11 and announcements dated 17 October 2013 and 29 October 2013 for details.

### **Events After the Reporting Period**

On 18 March 2014, the board of directors proposed to implement the share consolidation and capital reorganisation.

#### **1. *Share consolidation***

The board of directors proposed to implement the share consolidation on the basis that every 5 issued and unissued shares of HK\$0.05 each will be consolidated into one consolidated share of HK\$0.25 each.

Share consolidation was effected immediately after the approval of shareholders by an ordinary resolution passed at the extraordinary general meeting of the Company held on 23 April 2014.

#### **2. *Capital reorganisation***

Immediately after the share consolidation, as set out in (1) above becoming effective, the board of directors proposes to implement the capital reorganisation involving (i) a reduction in the par value of each issued consolidated share from HK\$0.25 to HK\$0.01 and (ii) a subdivision of each authorised but unissued consolidated share into 25 new shares of HK\$0.01 each. The capital reorganisation was approved by a special resolution passed at the extraordinary general meeting of the Company held on 23 April 2014. The capital reorganisation was still subject to other conditions and not yet completed as at the date of this report.

Please refer to announcements dated 18 March 2014 and 23 April 2014 and circular dated 28 March 2014 for details.

## PROSPECT

For the Swimwear segment, with the effort of our management, the orders on hand was increased gradually in comparing with last year. Coupling with the establishment of new joint venture, Ricotex, which is aiming at starting new factory in Cambodia, we believed that the contributions of this business segment would be fruitful. Many of our existing swimwear customers placed more orders emphasis on our future production capacity as well as the cost structures. As such, it is believed that Ricotex can provide workable solutions to tackle these issues while retaining our customers and providing more opportunity to secure new orders in future.

The apparel retail market in Hong Kong remains tough and highly competitive in the year of 2014. There was a slowdown in the customer purchasing power and desire recently. The Group's Apparel and related accessories segment has to formulate new marketing strategies to cope with the downturn in Hong Kong's retails market. This segment currently operates around 35 retail outlets (including self-operated stores and retail counters) in Hong Kong under the brand names either Tonino Lamborghini or Cour Carré.

For the On-line shopping and advertising segment, following the transformation of our group buying web-site (Babybamboo.com.hk) into web-based buying platform, the management of this business segment continuous to place effort to derive more revenue from this website like performing regular promotion exercise offering more variety of products in factory outlet prices. On the other hand, we also focus on the provision of online advertising in both Hong Kong and the PRC, social networking (e.g. Facebook apps promotion). Recently, we reactivate our business cooperation with China Post Hong Kong Limited to act as its advertising agent in its publication named “港澳游挺惠” which intends to provide Hong Kong's shopping information to the PRC travelers.

The management of the Group continues to formulate its business strategies to optimize the use of its operating and financial resources. It will also consider to reorganize 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 2014, 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")	1,139,841,997 (Note 2)	Personal and corporate (Note 2)	23.11%

#### Notes:

- 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 31 March 2014.
- These shares are held as to 23,100,000 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 31 March 2014, 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 31 March 2014, 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 31 March 2014, no option was outstanding under the New Share Option Scheme (At 30 June 2013: 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 higher 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 31 March 2014, 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	802,000,000	Beneficial	16.26%
Mr. Ma Hoi Cheuk ("Mr. Ma")	802,000,000 <i>(Note 1)</i>	Corporate	16.26%

*Notes:*

- 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.
- see Note 1 on page 20.

Save as disclosed above, as at 31 March 2014, 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 20.
2. see Note 1 on page 23.
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 31 March 2014, 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 March 2014, 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 2014.

## **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 nine months ended 31 March 2014.

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, 12 May 2014