



First Quarterly Report
2014/15



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>

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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 2014

		(Unaudited)	
		Three months ended	
		30 September	
	<i>Note</i>	2014	2013
		HK\$'000	<i>HK\$'000</i>
			(Restated)
Continuing operations			
Turnover	4	13,785	6,807
Cost of sales and services rendered		(11,505)	(5,023)
Gross profit		2,280	1,784
Other income		1,327	1,298
Impairment of goodwill	5	(3,200)	–
Selling expenses		(91)	(122)
Administrative expenses		(6,219)	(7,978)
Loss from operations		(5,903)	(5,018)
Finance costs		(605)	(574)
Share of losses of an associate		(2,076)	–
Loss before tax		(8,584)	(5,592)
Income tax expense	6	–	–
Loss for the period from continuing operations		(8,584)	(5,592)
Discontinued operation			
Loss for the period from discontinued operation	7	(8,346)	(7,966)
Loss for the period	8	(16,930)	(13,558)

		(Unaudited)	
		Three months ended	
		30 September	
<i>Note</i>	2014	2013	
	HK\$'000	<i>HK\$'000</i>	(Restated)
Attributable to:			
Owners of the Company			
	(7,846)	(4,836)	
	(4,220)	(3,925)	
	(12,066)	(8,761)	
Non-controlling interests			
	(372)	(756)	
	(4,492)	(4,041)	
	(4,864)	(4,797)	
	(16,930)	(13,558)	
Loss per share			
From continuing and discontinued operations			
Basic	(HK1.22 cent)	(HK0.89 cent)	
Diluted	(HK1.22 cent)	(HK0.89 cent)	
From continuing operations			
Basic	(HK0.80 cent)	(HK0.49 cent)	
Diluted	(HK0.80 cent)	(HK0.49 cent)	



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 September 2014

	(Unaudited)	
	Three months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Loss for the period	(16,930)	(13,558)
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	2	(2)
Fair value changes of available-for-sale financial assets	(279)	334
Other comprehensive income for the period, net of tax	(277)	332
Total comprehensive income for the period	(17,207)	(13,226)
Attributable to:		
Owners of the Company	(12,343)	(8,429)
Non-controlling interests	(4,864)	(4,797)
	(17,207)	(13,226)



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 September 2014

	(Unaudited)									
	Attributable to owners of the Company									
	Share capital	Share premium	Translation reserve	Plant and machinery revaluation reserve	Capital redemption reserve	Investment revaluation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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	-	-	(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
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	-	-	(279)	(12,066)	(12,343)	(4,864)	(17,207)
Capital reorganisation (note 11)	(236,726)	-	-	-	-	-	236,726	-	-	-
Changes in equity for the period	(236,726)	-	2	-	-	(279)	224,660	(12,343)	(4,864)	(17,207)
At 30 September 2014	175,364	612,523	(72)	1,377	150	(722)	(395,469)	393,151	(20,318)	372,833



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the three months ended 30 September 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 (discontinued operation); 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 2014 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 2014.



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 2014. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; 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.

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. The Group does not plan to adopt these standards prior to their mandatory effective date.

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:

	(Unaudited)	
	Three months ended	
	30 September	
	2014	2013
	HK\$’000	HK\$’000
Sales of goods	40,873	39,713
On-line shopping, advertising and media related service income	1,782	1,095
	42,655	40,808
Representing:		
Continuing operations	13,785	6,807
Discontinued operation (trading and retail of apparel and related accessories) (<i>Note 7</i>)	28,870	34,001
	42,655	40,808



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 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 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 reflects 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 13.95%. 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\$3,050,000 through recognition of an impairment loss against goodwill of approximately HK\$3,200,000 during the three months ended 30 September 2014 (2013: HK\$Nil).

6. Income tax expense

No provision for Hong Kong Profits Tax is required for the three months ended 30 September 2014 (2013: Nil) since the Group has no assessable profit for the period.



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.

The loss for the period from the discontinued operation is analysed as follows:

	(Unaudited)	
	Three months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Turnover (Note 4)	28,870	34,001
Cost of sales	(8,480)	(10,262)
Gross profit	20,390	23,739
Other income	3,603	2,995
Selling expenses	(16,935)	(17,181)
Administrative expenses	(14,477)	(16,804)
Loss from operations	(7,419)	(7,251)
Finance costs	(927)	(715)
Loss before tax	(8,346)	(7,966)
Income tax expense	–	–
Loss for the period	(8,346)	(7,966)



8. Loss for the period

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

	(Unaudited)					
	Three months ended 30 September					
	Continuing operations		Discontinued operation		Total	
	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	(252)	(485)	(6)	(6)	(258)	(491)
Amortisation of trademark (included in administrative expenses)	–	–	104	104	104	104
Depreciation	742	643	1,002	1,183	1,744	1,826
Directors' remuneration	711	995	114	114	825	1,109
Reversal of allowance for inventories	–	–	(541)	–	(541)	–

9. Loss per share**(a) From continuing and discontinued operations***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\$12,066,000 (2013: HK\$8,761,000) 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.

Diluted loss per share

The exercise of the Group's outstanding convertible non-voting preference shares for the three months ended 30 September 2014 and 30 September 2013 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 the same as the basic loss per share from the continuing and discontinued operations for the three months ended 30 September 2014 and 30 September 2013.

(b) From continuing operations*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\$7,846,000 (2013: HK\$4,836,000) 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 for the three months ended 30 September 2014 and 30 September 2013 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 the same as the basic loss per share from the continuing operations for the three months ended 30 September 2014 and 30 September 2013.

(c) From discontinued operation

Basic loss per share from the discontinued operation is HK0.43 cent per share (2013: HK0.40 cent per share), based on the loss for the period from discontinued operation attributable to the owners of the Company of approximately HK\$4,220,000 (2013: HK\$3,925,000) and the denominator used is the same as that detailed above for basic loss per share from continuing and discontinued operations.

The exercise of the Group's outstanding convertible non-voting preference shares for the three months ended 30 September 2014 and 30 September 2013 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 three months ended 30 September 2014 and 30 September 2013.

10. Dividend

The directors do not recommend the payment of dividend for the three months ended 30 September 2014 (2013: Nil).

11. Capital reorganisation

On 18 March 2014, the board of directors proposed to implement the share consolidation and capital reorganisation which was approved by the shareholders at the extraordinary general meeting of the Company held on 23 April 2014. Immediately after the share consolidation effected on 23 April 2014, the board of directors proposed 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 completed on 20 August 2014 and the credit of approximately HK\$236,726,000 arising from the capital reorganisation was applied by the board of directors to set off part of the Company's accumulated losses.



12. 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.

13. Events after the reporting period

- (a) On 9 July 2014, Charmston, Synergy, Datamax Limited and Capital Master Holdings Limited (together holds 49% of the issued share capital of Charmston) (the "Minority Shareholders") and Hoyden Ventures Limited (the "Purchaser") entered into a memorandum of understanding (the "MOU").

Pursuant to the MOU, the Purchaser shall subscribe for new shares in Charmston equivalent to 45% of the enlarged issued share capital at a total consideration of HK\$30 million ("Subscription") and Synergy shall sell to the Purchaser its shares in Charmston equivalent to 15% of the enlarged issued share capital at a consideration of HK\$10 million ("Share Disposal"). The Subscription and Share Disposal shall be completed simultaneously and conditional upon (i) satisfactory due diligence result; (ii) capitalisation or waiver of the existing shareholders loan of Charmston; and (iii) the Company having obtained approval from its shareholders and the Stock Exchange of Hong Kong Limited. The Purchaser shall also procure discharge of the existing corporate guarantee given by the Company in favour of Charmston's banker.

On 28 July 2014, Charmston, Synergy, the Minority Shareholders and the Purchaser entered into a subscription agreement regarding the Subscription, and Synergy and the Purchaser entered into a sale and purchase agreement regarding the Share Disposal.

The Subscription and Share Disposal were approved by the shareholders on 15 October 2014 and completed on 21 October 2014. Details of the Subscription and Share Disposal are set out in the announcements of the Company dated 9 July 2014 and 31 July 2014 and circular dated 25 September 2014.



Upon completion of the Subscription and Share Disposal, the Group held approximately 13% of the issued share capital of Charmston. Charmston ceased to be a subsidiary of the Company and the financial results and position of Charmston and its subsidiaries will be deconsolidated from the financial statements of the Group and will be accounted for as available-for-sale financial assets. As the Group has not yet completed the fair value determination of the remaining interest in Charmston, the disclosure of such amounts and the loss on disposal is impracticable.

- (b) On 6 October 2014, the Company and Big Good Management Limited (“Big Good”) entered into a subscription agreement, pursuant to which the Company has conditionally agreed to issue and Big Good has conditionally agreed to subscribe for 312,500,000 convertible preference shares with conversion price of HK\$0.16 per share in the principal amount of HK\$50,000,000, to be settled by Big Good by way of setting off against the promissory note in full upon completion. The subscription of convertible preference shares has not been completed up to the date of approval of this report. Further details are set out in the Company’s announcement dated 6 October 2014 and circular dated 10 November 2014.



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. The voluntarily winding up process is not yet completed as at the date of this report.

Capital Reorganisation

On 18 March 2014, the board of directors (the “Board”) proposed to implement the share consolidation and capital reorganisation. Immediately after the share consolidation with effective on 23 April 2014, the Board 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 (“Capital Reorganisation”). The Capital Reorganisation was approved by a special resolution passed at the extraordinary general meeting of the Company held on 23 April 2014 and with sanction of an Order of the Grand Court of the Cayman Islands dated 15 August 2014. The Capital Reorganisation became effective on 20 August 2014.

Please refer to announcements dated 18 March 2014, 23 April 2014, 11 August 2014 and 20 August 2014 and circular dated 28 March 2014 for details.



Events After The Reporting Period

1. ***Subscription agreement and disposal of partial issued share capital of Charmston (Holdings) Limited ("Charmston")***

- (a) On 28 July 2014, (i) Charmston, a non-wholly owned subsidiary of the Company, (ii) Synergy Chain Limited ("Synergy"), a wholly-owned subsidiary of the Company, which held 51% of the issued share capital of Charmston; (iii) Datamax Limited and Capital Master Holdings Limited, which held 49% of the issued share capital of Charmston; and (iv) Hoyden Ventures Limited ("Hoyden"), an independent third party, entered into the subscription agreement pursuant to which Hoyden has conditionally agreed to subscribe for 45% of the total number of issued share of Charmston as enlarged by the subscription at the consideration of HK\$30,000,000 in cash ("Subscription").
- (b) On 28 July 2014, Synergy entered into the sale and purchase agreement with Hoyden, pursuant to which Hoyden has conditionally agreed to acquire and Synergy has conditionally agreed to sell 273 Charmston shares which represented 15% of the total number of issued share capital of Charmston as enlarged by the Subscription, at the consideration of HK\$10,000,000 in cash ("Share Disposal").

The Subscription and Share Disposal shall be completed simultaneously and conditional upon (i) satisfactory due diligence result; (ii) capitalisation or waiver of the existing shareholders loan of Charmston; and (iii) the Company having obtained approval from its shareholders and the Stock Exchange of Hong Kong Limited. The Purchaser shall also procure discharge of the existing corporate guarantee given by the Company in favour of Charmston's banker.

The Subscription and Share Disposal were approved by the shareholders on 15 October 2014 and completed on 21 October 2014. Details of the Subscription and Share Disposal are set out in the announcement of the Company dated 31 July 2014 and circular dated 25 September 2014.



Upon completion of the Subscription and Share Disposal, the Group held approximately 13% of the issued share capital of Charmston. Charmston ceased to be a subsidiary of the Company and the financial results and position of Charmston and its subsidiaries were deconsolidated from the financial statements of the Group and were accounted for as available-for-sale financial assets. As the Group has not yet completed the fair value determination of the remaining interest in Charmston, the disclosure of such amounts and the loss on disposal is impracticable.

2. *Connected transaction issue of series B convertible preference shares for settlement of promissory note*

On 6 October 2014, the Company and Big Good Management Limited (“Big Good”), a substantial shareholder of the Company, entered into a subscription agreement pursuant to which the Company has conditionally agreed to issue and Big Good has conditionally agreed to subscribe for 312,500,000 series B convertible preference shares (“Series B CPS”) in the principal amount of HK\$50,000,000 to be settled by Big Good by way of set off against the promissory note, which will be due on 31 March 2016. The conversion price of the Series B CPS is HK\$0.16 of the same principal amount per Series B CPS. The transaction was still subject to conditions and not yet completed as at the date of this report.

Details of the transaction is set out in the announcement of the Company dated 6 October 2014 and circular dated 10 November 2014.

Financial Performance

For the three months ended 30 September 2014 (the “Current Period”), loss attributable to owners of the Company (including continuing and discontinued operations) was approximately HK\$12,066,000 (three months ended 30 September 2013: HK\$8,761,000).

Gross profit (including continuing and discontinued operations) for the Current Period was approximately HK\$22,670,000 (three months ended 30 September 2013: HK\$25,523,000), representing a decrease of approximately 11% over the corresponding period in 2013.

For the Current Period, the Group’s unaudited total turnover (including continuing and discontinued operations) amounted to approximately HK\$42,655,000 (three months ended 30 September 2013: HK\$40,808,000) representing an increase of approximately 5% over the corresponding period in 2013. Details of the increase 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\$12,003,000 (three months ended 30 September 2013: HK\$5,712,000). Gross profit for the Current Period was approximately HK\$1,472,000 (three months ended 30 September 2013: HK\$1,517,000). Gross profit ratio for the Current Period was 12% (three months ended 30 September 2013: 27%). Increase in turnover was mainly due to the Group has successfully received some new orders from several new customers during the Current Period. Decrease in gross profit for the Current Period was mainly due to the continuous increase in raw materials cost and shortage of skilled labour which resulted in increase in sub-contracting charges.

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\$1,782,000 (three months ended 30 September 2013: HK\$1,095,000). Gross profit for the Current Period was approximately HK\$808,000 (three months ended 30 September 2013: HK\$267,000). Gross profit ratio for the Current Period was 45% (three months ended 30 September 2013: 24%). Increase in gross profit for the Current Period was mainly due to the Group has more focus on On-line shopping and advertising segment during the Current Period and the gross profit for provision for on-line and magazine advertisement are relatively higher than the online shopping.

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

The turnover generated from Apparel and related accessories segment for the Current Period was approximately HK\$28,870,000 (three months ended 30 September 2013: HK\$34,001,000). Gross profit for the Current Period was approximately HK\$20,390,000 (three months ended 30 September 2013: HK\$23,739,000). Gross profit ratio for the Current Period was 71% (three months ended 30 September 2013: 70%).



Impairment of Goodwill

For the Current Period, impairment of goodwill of approximately HK\$3,200,000 are made for the provision of on-line shopping, advertising and media related services cash-generating unit.

(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 13.95%. 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\$3,200,000 during the Current Period (three months ended 30 September 2013: HK\$Nil).

Interim dividend

The Board does not recommend the payment of an interim dividend for the three months ended 30 September 2014 (three months ended 30 September 2013: 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 21 October 2014:

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 and Gain Easy Development Limited and he is also a director of a subsidiary of the Company. Accordingly, 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"). After the completion of Subscription and Share Disposal on 21 October 2014, the Group held approximately 13% of the issued share capital of Charmston. Charmston ceased to be a subsidiary of the Company and therefore Mr. Lee Tang Kit, Philip, ceased to be a connected person of the Company from 21 October 2014.

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 2014, the Group did not have any material contingent liabilities.

As at 30 September 2014, the Company has issued a guarantee of approximately HK\$26,650,000 (At 30 September 2013: HK\$26,650,000) to a bank in respect of a banking facility granted to a subsidiary. Subsequent to the completion of Subscription and Share Disposal on 21 October 2014, the Company has been released from all the guarantee of approximately HK\$26,650,000 to a bank in respect of a banking facility granted to Charmston.

PROSPECT

For the Swimwear segment, with the effort of our management, the orders on hand increased gradually in comparing with last year. Coupling with the establishment of new associate, Ricotex Industrial Company Limited ("Ricotex"), which is aiming at starting a new factory in the Kingdom of Cambodia, we believed that the contributions of this business segment would be fruitful. Many of our existing swimwear customers placed more 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.

For the Apparel and related accessories segment, the apparel retail market in Hong Kong remains tough and highly competitive in the year of 2014 and the Company is of the view that the retail market will remain harsh in the near future. In view of this, the Group entered into the agreement for the Subscription and Share Disposal on 28 July 2014. The management of the Group believed that the Subscription and Share Disposal will relieve the Company from further straining its cashflow into Charmston and its subsidiaries (the "Charmston Group"). The release of the Company from the corporate guarantee will further relieve the Group from the contingent liabilities towards the Charmston Group. The proceeds from the Share Disposal will further improve the cash position of the Group.

Given the disappointing past performance of the Charmston Group and the unattractive prospects of the local retail market, the Group will focus its resources in developing its high-end swimwear manufacturing and trading business after completion of the Subscription and Share Disposal on 21 October 2014.



For the On-line shopping and advertising segment, it has been making losses for several years and this business segment's performance continues to be impacted by the keen on-line shopping and advertising competitive pressure. The Group is considering measures to restructure and/or scale down this business segment in order to alleviate the financial situation of the Group.

The management of the Group continues to formulate its business strategies to optimise the use of its operating and financial resources. 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 30 September 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")	227,968,399 (Note 2)	Personal and corporate (Note 2)	23.11%



Notes:

1. The percentage of issued share capital had been arrived at on the basis of a total of 986,358,758 Shares in issue as at 30 September 2014.
2. These shares are held as to 4,620,000 shares by Mr. Lau personally and as to 223,348,399 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 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 30 September 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.

At 30 September 2014, no option was outstanding under the New Share Option Scheme (At 30 September 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 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 30 September 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	160,400,000	Beneficial	16.26%
Mr. Ma Hoi Cheuk ("Mr. Ma")	160,400,000 <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 22.

Save as disclosed above, as at 30 September 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	245,384,615 <i>(Note 3)</i>	Beneficial	24.88%
Mr. Ma	245,384,615 <i>(Note 2)</i>	Corporate	24.88%

Notes:

1. see Note 1 on page 22.
2. see Note 1 on page 24.
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\$0.13 per share to HK\$0.65 per share as a result of completion of the share consolidation on 23 April 2014.

As far as the Directors are aware, saved as disclosed herein, as at 30 September 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 30 September 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 three months ended 30 September 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 provisions A. 2.1 and A.4.1 of the CG Code as detailed below:

Code Provision A.2.1

Pursuant to A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Following the resignation of Mr. Chung Man Wai on 30 June 2014, Mr. Lau Chi Yuen, Joseph, the chairman of the Company, took up the role of Chief Executive Officer ("CEO") and thus there has been no segregation of duties for a short period during the Current Period. The Board has evaluated the current situation of the Group and taken into account of the experience and past performance of Mr. Lau Chi Yuen, Joseph, the Board was of the opinion that it was appropriate and in the best interest of the Company at the present stage for vesting the roles of the Chairman and the CEO of the Company in the same person as it helps to facilitates the execution of the Group's business strategies and maximises the effectiveness of its operation. The Board will nevertheless review this structure from time to time and will consider the segregation of the two roles at the appropriate time.

Code Provision A.4.1

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



DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors of the Company have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the three months ended 30 September 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, 11 November 2014

