

The image is a composite of three fashion-related photographs. On the left, a woman in a white dress is shown from the chest up, wearing a large gold chain necklace. In the center, a woman's face and neck are shown in profile, with her hand near her neck, set against a purple and blue background. On the right, a woman in a colorful floral dress is shown from the waist up, looking upwards, with her hands clasped near her neck. The background of the right side shows a sunset over a body of water.

THIRD QUARTERLY REPORT
2014/2015

A stylized sunburst logo with eight rays, positioned above the brand name.

Luxey

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

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

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

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

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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 2015

		(Unaudited)			
		Three months ended		Nine months ended	
		31 March		31 March	
Note	2015	2014	2015	2014	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
		<i>(Restated)</i>		<i>(Restated)</i>	
Continuing operations					
Turnover	4	61,377	41,665	105,608	68,891
Cost of sales and service rendered		(47,995)	(39,000)	(84,755)	(60,383)
Gross profit		13,382	2,665	20,853	8,508
Other income		670	3,495	2,858	6,838
Impairment of goodwill	5	-	(12,200)	(6,250)	(30,600)
Selling expenses		(89)	(121)	(264)	(372)
Administrative expenses		(8,656)	(9,610)	(21,262)	(25,695)
Profit/(loss) from operations		5,307	(15,771)	(4,065)	(41,321)
Finance costs		-	(591)	(4,297)	(1,750)
Share of losses of an associate		(1,933)	-	(6,562)	-
Profit/(loss) before tax		3,374	(16,362)	(14,924)	(43,071)
Income tax expense	6	(1,500)	(1,582)	(2,140)	(2,231)
Profit/(loss) for the period from continuing operations		1,874	(17,944)	(17,064)	(45,302)
Discontinued operation					
Profit/(loss) for the period from discontinued operation	7	-	371	(9,255)	(5,555)
Profit/(loss) for the period	8	1,874	(17,573)	(26,319)	(50,857)

		(Unaudited)			
		Three months ended		Nine months ended	
		31 March		31 March	
Note	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> <i>(Restated)</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> <i>(Restated)</i>	
Attributable to:					
Owners of the Company					
	2,382	(17,285)	(15,613)	(43,122)	
	–	341	(3,780)	(2,173)	
	2,382	(16,944)	(19,393)	(45,295)	
Non-controlling interests					
	(508)	(659)	(1,451)	(2,180)	
	–	30	(5,475)	(3,382)	
	(508)	(629)	(6,926)	(5,562)	
	1,874	(17,573)	(26,319)	(50,857)	
Earnings/(loss) per share					
From continuing and discontinued operations					
	HK0.241 cent	HK(1.718) cents	HK(1.966) cents	HK(4.592) cents	
	HK0.093 cent	HK(1.718) cents	HK(1.966) cents	HK(4.592) cents	
From continuing operations					
	HK0.241 cent	HK(1.752) cents	HK(1.583) cents	HK(4.372) cents	
	HK0.093 cent	HK(1.752) cents	HK(1.583) cents	HK(4.372) cents	

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 March 2015

	(Unaudited)			
	Three months ended		Nine months ended	
	31 March		31 March	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit/(loss) for the period	1,874	(17,573)	(26,319)	(50,857)
Other comprehensive income:				
<i>Items that may be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	(12)	172	2	170
Fair value changes of available-for-sale financial assets	66	(94)	(551)	176
Other comprehensive income for the period, net of tax	54	78	(549)	346
Total comprehensive income for the period	1,928	(17,495)	(26,868)	(50,511)
Attributable to:				
Owners of the Company	2,436	(16,866)	(19,942)	(44,949)
Non-controlling interests	(508)	(629)	(6,926)	(5,562)
	1,928	(17,495)	(26,868)	(50,511)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 March 2015

	(Unaudited)									
	Attributable to owners of the Company									
	Share capital	Share premium	Translation reserve	Plant and machinery revaluation reserve	Capital redemption reserve	Investment revaluation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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)
At 1 July 2014	412,090	612,523	(74)	1,377	150	(443)	(620,129)	405,494	(15,454)	390,040
Total comprehensive income for the period	-	-	2	-	-	(551)	(19,393)	(19,942)	(6,926)	(26,868)
Capital reorganisation (note 11)	(236,726)	-	-	-	-	-	236,726	-	-	-
Settlement of promissory notes	50,000	-	-	-	-	-	-	50,000	-	50,000
Disposal of subsidiaries (note 12)	-	-	-	-	-	-	-	-	5,470	5,470
Changes in equity for the period	(186,726)	-	2	-	-	(551)	217,333	30,058	(1,456)	28,602
At 31 March 2015	225,364	612,523	(72)	1,377	150	(994)	(402,796)	435,552	(16,910)	418,642

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the nine months ended 31 March 2015

1. General information

Luxey International (Holdings) Limited (the "Company") was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Unit B, 5th Floor, Hang Cheong Factory Building, 1 Wing Ming Street, Cheung Sha Wan, Kowloon, Hong Kong. The Company's shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Company and its subsidiaries (collectively the "Group") are engaged in:

- (i) manufacturing and trading of high-end swimwear and related garment products;
- (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)	
	Nine months ended	
	31 March	
	2015	2014
	HK\$'000	HK\$'000
Sales of goods	138,897	202,445
On-line shopping, advertising and media related service income	3,114	2,180
	142,011	204,625
Representing:		
Continuing operations	105,608	68,891
Discontinued operation (trading and retail of apparel and related accessories) (note 7)	36,403	135,734
	142,011	204,625

5. Impairment of goodwill

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

The recoverable amount of the provision of on-line shopping, advertising and media related services CGU 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.

During the six months ended 31 December 2014, the Group prepared cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 5%. This rate did not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows from the provision of on-line shopping, advertising and media related services CGU was 13.22%. Based on the past performance, the Group had revised its cash flow forecasts for this CGU and the goodwill allocated to this CGU was considered as non-recoverable. The goodwill had therefore been fully impaired through recognition of an impairment loss against goodwill of approximately HK\$6,250,000 during the six months ended 31 December 2014 and nine months ended 31 March 2015 (2014: HK\$30,600,000).



6. Income tax expense

	(Unaudited) Nine months ended 31 March	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the period	2,140	2,636
Representing:		
Continuing operations	2,140	2,231
Discontinued operation (<i>note 7</i>)	–	405
	2,140	2,636

Hong Kong Profits Tax has been provided at 16.5% (2014: 16.5%) on the estimated assessable profit for the nine months ended 31 March 2015.

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

7. Discontinued operation

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

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

	(Unaudited)	
	Period from 1 July 2014 to 21 October 2014 HK\$'000	Nine months ended 31 March 2014 HK\$'000
Loss of discontinued operation	(10,754)	(5,555)
Gain on disposal of discontinued operation (note 12)	1,499	-
	(9,255)	(5,555)
Turnover (note 4)	36,403	135,734
Cost of sales	(11,387)	(42,810)
Gross profit	25,016	92,924
Other income	4,307	11,520
Selling expenses	(21,015)	(58,803)
Administrative expenses	(18,181)	(48,366)
Loss from operations	(9,873)	(2,725)
Finance costs	(881)	(2,425)
Loss before tax	(10,754)	(5,150)
Income tax expense (note 6)	-	(405)
Loss for the period	(10,754)	(5,555)

8. Profit/(loss) for the period

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

	(Unaudited)					
	Nine months ended 31 March					
	Continuing operations		Discontinued operation		Total	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Interest income	(476)	(1,341)	(8)	(18)	(484)	(1,359)
Amortisation of trademark (included in administrative expenses)	–	–	128	312	128	312
Depreciation	2,178	2,038	1,251	3,777	3,429	5,815
Directors' remuneration	2,133	3,166	140	342	2,273	3,508
Reversal of allowance for inventories	–	–	(662)	(1,689)	(662)	(1,689)
Write off of property, plant and equipment	320	–	–	8	320	8
	<u>320</u>	<u>–</u>	<u>–</u>	<u>8</u>	<u>320</u>	<u>8</u>

9. Earnings/(loss) per share**(a) From continuing and discontinued operations**

For the nine months ended 31 March 2015

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK\$19,393,000 (2014: HK\$45,295,000) and the weighted average number of ordinary shares of 986,358,758 (2014: 986,358,758) in issue during the period.

Diluted loss per share

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

For the three months ended 31 March 2015

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

	(Unaudited)	
	Three months ended	
	31 March	
	2015	2014
	HK\$'000	HK\$'000
Earnings/(loss)		
Profit/(loss) attributable to owners of the Company, used in the basic and diluted earnings/(loss) per share calculation	2,382	(16,944)
Number of shares		
Weighted average number of ordinary shares used in basic earnings/(loss) per share calculation	986,358,758	986,358,758
Effect of dilutive potential ordinary shares arising from convertible non-voting preference shares outstanding	1,585,576,923	–
Weighted average number of ordinary shares used in diluted earnings/(loss) per share calculation	2,571,935,681	986,358,758

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

(b) From continuing operations*For the nine months ended 31 March 2015*

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK\$15,613,000 (2014: HK\$43,122,000) 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 nine months ended 31 March 2015 and 31 March 2014 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's options granted to an investor. Diluted loss per share was the same as the basic loss per share from the continuing operations for the nine months ended 31 March 2015 and 31 March 2014.

For the three months ended 31 March 2015

Basic earnings/(loss) per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of approximately HK\$2,382,000 (2014: Loss of HK\$17,285,000) and the denominator used is the same as that detailed above for basic earnings/(loss) per share from continuing and discontinued operations.

Diluted earnings/(loss) per share

The calculation of diluted earnings per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of approximately HK\$2,382,000 (2014: Loss of HK\$17,285,000) and the denominator used is the same as that detailed above for diluted earnings/(loss) per share from continuing and discontinued operations.

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

(c) From discontinued operation

For the nine months ended 31 March 2015

Basic loss per share from the discontinued operation is HK0.383 cent per share (2014: HK0.220 cent per share), based on the loss for the period from discontinued operation attributable to the owners of the Company of approximately HK\$3,780,000 (2014: HK\$2,173,000) 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 nine months ended 31 March 2015 and 31 March 2014 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's options granted to an investor. Diluted loss per share was same as the basic loss per share from the discontinued operation for the nine months ended 31 March 2015 and 31 March 2014.

For the three months ended 31 March 2015

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

Basic earnings per share from the discontinued operation for the three months ended 31 March 2014 was HK0.034 cent per share, based on the profit for the period from discontinued operation attributable to the owners of the Company of approximately HK\$341,000 and the denominator used was the same as that detailed above for basic loss per share from continuing and discontinued operations.

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

10. Dividend

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

11. Capital reorganisation

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

As referred to in note 7 to the financial statements, on 21 October 2014, the Group discontinued its trading and retail of apparel and related accessories business at the time of the disposal of Charmston. At the same time, the Company waived a loan to Charmston of approximately HK\$29,000,000.

Net liabilities at the date of disposal were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	7,673
Trademark	9,429
Club debenture	205
Inventories	64,422
Trade and other receivables	30,064
Current tax assets	934
Pledged bank deposits	8,049
Bank and cash balances	8,541
Trade and other payables	(56,776)
Bank and other loans	(81,469)
Finance lease payables	(58)
Employee benefit obligations	(368)
Current tax liabilities	(120)
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Net liabilities disposed of	(9,474)
Reversal of write-down of non-current assets held for sale	(10,142)
Non-controlling interests	5,470
Waiver of loan to Charmston	29,000
Direct cost to the disposal	723
Fair value of investment in subsidiary retained	(7,076)
Gain on disposal of subsidiaries (<i>note 7</i>) (*)	1,499
	<hr/>
Total consideration – satisfied by cash	10,000
	<hr/>
Net cash inflow arising on disposal:	
Cash consideration received	10,000
Cash paid for direct cost	(723)
Cash and cash equivalents disposed of	(8,541)
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	736
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(*): The portion of the gain attributable to recognising the investment retained in the subsidiary at its fair value is approximately HK\$8,937,000. The gain is included in loss for the period from discontinued operation.

13. Seasonality

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.

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

14. Related party transactions

In addition to those related party transactions and balances disclosed elsewhere in the condensed financial statements, the Group had the following transactions with its related parties during the period:

	(Unaudited)	
	Nine months ended	
	31 March	
	2015	2014
	HK\$'000	HK\$'000
Sales to an associate	510	–
Purchases from an associate	1,061	–
Rental paid to a related company (<i>Note</i>)	174	–
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Note: The related company is beneficially owned by Mr. Lau Chi Yuen, Joseph, a director of the Company.

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 has been 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.

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.

After the completion of the 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 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. Details of the gain on disposal is set out in note 12 to the condensed financial statements.

Connected transaction on issuance of series B convertible non-voting 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 non-voting 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 per share. The transaction was approved on 26 November 2014 by an ordinary resolution. On 15 December 2014, 312,500,000 Series B CPS were issued for settlement of the promissory note in the principal amount of HK\$50,000,000.

By an ordinary resolution passed on 26 November 2014 the authorised share capital was increased from HK\$1,000,000,000 divided into 70,000,000,000 ordinary shares of HK\$0.01 each and 2,000,000,000 convertible non-voting preference shares of HK\$0.15 each to HK\$1,050,000,000 divided into 70,000,000,000 ordinary shares of HK\$0.01 each, 2,000,000,000 convertible non-voting preference shares of HK\$0.15 each and 312,500,000 series B convertible non-voting preference shares of HK\$0.16 each by the creation of an additional 312,500,000 series B convertible non-voting preference shares of HK\$0.16 each.

Details of the transaction is set out in the announcements of the Company dated 6 October 2014 and 26 November 2014 and circular dated 10 November 2014.

Financial Performance

For the nine months ended 31 March 2015 (the "Current Period"), loss attributable to owners of the Company (including continuing and discontinued operations) was approximately HK\$19,393,000 (nine months ended 31 March 2014: HK\$45,295,000). Decreased in loss attributable to owners of the Company was mainly attributable to approximately HK\$6,250,000 impairment of goodwill made in the Current Period (nine months ended 31 March 2014: HK\$30,600,000).

Gross profit (including continuing and discontinued operations) for the Current Period was approximately HK\$45,869,000 (nine months ended 31 March 2014: HK\$101,432,000), representing a decrease of approximately 55% over the corresponding period in 2014.

For the Current Period, the Group's unaudited total turnover (including continuing and discontinued operations) amounted to approximately HK\$142,011,000 (nine months ended 31 March 2014: HK\$204,625,000) representing a decrease of approximately 31% over the corresponding period in 2014. Details of the decrease in total turnover (including continuing and discontinued operations) 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\$102,494,000 (nine months ended 31 March 2014: HK\$66,711,000). 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\$19,479,000 (nine months ended 31 March 2014: HK\$7,823,000). Increase in gross profit for the Current Period was mainly due to the increase of gross profit margin of those new customers and better cost control on sub-contracting charges and delivery charges compared to the same period of last year.

***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\$3,114,000 (nine months ended 31 March 2014: HK\$2,180,000). Gross profit for the Current Period was approximately HK\$1,374,000 (nine months ended 31 March 2014: HK\$685,000). Increase in gross profit for the Current Period was mainly due to the Group has more focus on on-line and magazine advertising section during the Current Period and the gross profit for provision of on-line and magazine advertisements are relatively higher than the online shopping. Although the performance of this segment had been improved compared to last year, keen competition and slowing down of the on-line group buying market adversely affect the development of this segment. As a result, the Group has restructured to significantly scale down this business segment in order to alleviate the financial situation of the Group during Current Period.

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\$36,403,000 (nine months ended 31 March 2014: HK\$135,734,000). Gross profit for the Current Period was approximately HK\$25,016,000 (nine months ended 31 March 2014: HK\$92,924,000). Significant decrease in turnover is mainly due to the disposal of this segment had been completed in October 2014 and no consolidation is required for this segment.

Impairment of Goodwill

For the Current Period, impairment of goodwill of approximately HK\$6,250,000 are made for the provision of on-line shopping, advertising and media related services cash-generating unit (nine months ended 31 March 2014: HK\$30,600,000).

(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. During the six months ended 31 December 2014, the Group prepared cash flow forecasts derived from the most recent financial budgets approved by the Directors for the next five years with the residual period using the growth rate of 5%. This rate did not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows from the Provision of on-line shopping, advertising and media related services CGU was 13.22%. Based on the past performance, the Group had revised its cash flow forecasts for this CGU and the goodwill allocated to this CGU was considered as non-recoverable. The goodwill had therefore been fully impaired through recognition of an impairment loss against goodwill of approximately HK\$6,250,000 during the six months ended 31 December 2014 and nine months ended 31 March 2015 (nine months ended 31 March 2014: HK\$30,600,000).

Interim dividend

The Board does not recommend the payment of an interim dividend for the nine months ended 31 March 2015 (nine months ended 31 March 2014: 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 transaction during the Current Period and up to the date of this report:

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\$710,000.

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 continuing 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 which were required to be disclosed pursuant to the GEM Listing Rules.

Contingent liabilities

As at 31 March 2015, the Group did not have any material contingent liabilities.

As at 31 March 2015, the Company did not have any material contingent liabilities. As at 31 March 2014, the Company had issued a guarantee of approximately HK\$26,650,000 to a bank in respect of a banking facility granted to a subsidiary.

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 a 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 release of the Company from the corporate guarantee has further relieved the Group from the contingent liabilities towards the Charmston and its subsidiaries (the “Charmston Group”). The proceeds from the Share Disposal has further improved 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 is focusing 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. During the Current Period, the Group has restructured and significantly 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 31 March 2015, the interests and short positions of the Directors in the shares ("Shares"), underlying Shares or debentures of the Company and its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance, the Laws of Hong Kong (the "SFO")) which are required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules relating to securities transaction by Directors, were as follows:

(i) Long positions in Shares

Name of Director	Number of Shares	Capacity/nature of interest	Approximate percentage of issued share capital (Note 1)
Mr. Lau Chi Yuen, Joseph ("Mr. Lau")	235,968,399 (Note 2)	Personal and corporate (Note 2)	23.92%

Notes:

- 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 31 March 2015.
- These shares are held as to 11,200,000 shares by Mr. Lau personally and as to 224,768,399 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 31 March 2015, 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 2015, none of the Directors had short positions in Shares or underlying Shares of equity derivatives of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION

On 18 March 2008, the Company terminated share option scheme adopted by the Company on 29 April 2002 and the rules of the new share option scheme (the "New Share Option Scheme") be approved and adopted as the new share option scheme. For further details of these, please refer to the circular dated 29 February 2008.

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

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 2015, no option was outstanding under the New Share Option Scheme (At 30 June 2014: 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 2015, the persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

(I) Long positions in Shares

Name of Shareholder	Number of Shares	Type of interests	Approximate percentage of issued share capital (%) <i>(Note 2)</i>
Big Good Management Limited	160,400,000	Beneficial	16.26%
Mr. Ma Hoi Cheuk ("Mr. Ma")	160,400,000 <i>(Note 1)</i>	Corporate	16.26%

Notes:

1. Big Good Management Limited is wholly-owned by Mr. Ma who is deemed to be interested in underlying shares held by Big Good Management Limited.
2. see Note 1 on page 25.

Save as disclosed above, as at 31 March 2015, the Directors were not aware of any other person who had an interest or short positions in the shares or underlying shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

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

Name of Shareholder	Number of Shares	Type of interests	Approximate percentage of issued share capital (%) <i>(Note 1)</i>
Big Good Management Limited	557,884,615 <i>(Note 3, 4)</i>	Beneficial	56.56%
Mr. Ma	557,884,615 <i>(Note 2)</i>	Corporate	56.56%

Notes:

1. see Note 1 on page 25.
2. see Note 1 on page 28.
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.
4. Big Good Management Limited was also the holder of 312,500,000 series B convertible non-voting preference shares of HK\$0.16 each which have no voting rights and are convertible into ordinary shares.

As far as the Directors are aware, saved as disclosed herein, as at 31 March 2015, no persons have short positions in shares or underlying shares of equity derivatives of the Company.

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

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

COMPETING INTERESTS

The Directors are not aware of, as at 31 March 2015, any business or interest of each Director, substantial shareholder and management shareholder (as defined in the GEM Listing Rules) and their respective associates that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

AUDIT COMMITTEE

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

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

The audit committee has reviewed the Group's unaudited results for the nine months ended 31 March 2015.



CODE ON CORPORATE GOVERNANCE PRACTICES

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

Code Provision A.2.1

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 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 nine months ended 31 March 2015.

The Company has adopted the same code of conduct for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the code of conduct by the relevant employees was noted by the Company.

By Order of the Board
Luxey International (Holdings) Limited
Lau Chi Yuen, Joseph
Chairman

Hong Kong, 11 May 2015

