



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>

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement, 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 announcement 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 announcement misleading.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2013

		(Unaudited)			
		Three months ended		Six months ended	
		31 December		31 December	
		2013	2012	2013	2012
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	6	71,216	77,861	112,024	123,587
Cost of sales and service rendered		<u>(32,272)</u>	<u>(33,595)</u>	<u>(47,557)</u>	<u>(49,545)</u>
Gross profit		38,944	44,266	64,467	74,042
Other income		6,125	1,571	10,418	5,295
Impairment of goodwill	13	(18,400)	(1,100)	(18,400)	(9,800)
Selling expenses		(21,657)	(21,369)	(38,960)	(38,919)
Administrative expenses		<u>(22,701)</u>	<u>(25,570)</u>	<u>(47,483)</u>	<u>(53,041)</u>
Loss from operations		(17,689)	(2,202)	(29,958)	(22,423)
Finance costs	7	<u>(1,381)</u>	<u>(1,172)</u>	<u>(2,670)</u>	<u>(2,221)</u>
Loss before tax		(19,070)	(3,374)	(32,628)	(24,644)
Income tax expense	8	<u>(656)</u>	<u>(3,383)</u>	<u>(656)</u>	<u>(2,871)</u>
Loss for the period	9	<u>(19,726)</u>	<u>(6,757)</u>	<u>(33,284)</u>	<u>(27,515)</u>
Attributable to:					
Owners of the Company		(19,590)	(6,270)	(28,351)	(23,713)
Non-controlling interests		<u>(136)</u>	<u>(487)</u>	<u>(4,933)</u>	<u>(3,802)</u>
		<u>(19,726)</u>	<u>(6,757)</u>	<u>(33,284)</u>	<u>(27,515)</u>
Loss per share	10				
Basic		<u>HK(0.397) cent</u>	<u>HK(0.128) cent</u>	<u>HK(0.575) cent</u>	<u>HK(0.487) cent</u>
Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2013

	(Unaudited)			
	Three months ended		Six months ended	
	31 December		31 December	
	2013	2012	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	<u>(19,726)</u>	<u>(6,757)</u>	<u>(33,284)</u>	<u>(27,515)</u>
Other comprehensive income:				
<i>Items that may be reclassified</i>				
<i>to profit or loss:</i>				
Exchange differences on translating foreign operations	–	(6)	(2)	79
Fair value changes of available-for-sale financial assets	<u>(64)</u>	<u>–</u>	<u>270</u>	<u>–</u>
Other comprehensive income for the period, net of tax	<u>(64)</u>	<u>(6)</u>	<u>268</u>	<u>79</u>
Total comprehensive income for the period	<u><u>(19,790)</u></u>	<u><u>(6,763)</u></u>	<u><u>(33,016)</u></u>	<u><u>(27,436)</u></u>
Attributable to:				
Owners of the Company	(19,654)	(6,276)	(28,083)	(23,634)
Non-controlling interests	<u>(136)</u>	<u>(487)</u>	<u>(4,933)</u>	<u>(3,802)</u>
	<u><u>(19,790)</u></u>	<u><u>(6,763)</u></u>	<u><u>(33,016)</u></u>	<u><u>(27,436)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

		(Unaudited) 31 December 2013 <i>HK\$'000</i>	(Audited) 30 June 2013 <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	12	15,264	16,591
Goodwill	13	406,596	424,996
Trademark	14	9,776	9,984
Available-for-sale financial assets		10,688	10,418
Club debenture		205	205
		<u>442,529</u>	<u>462,194</u>
Current assets			
Inventories		85,759	51,643
Trade and other receivables	15	48,662	44,876
Current tax assets		461	463
Pledged bank deposits		8,293	8,608
Bank and cash balances		52,150	72,367
		<u>195,325</u>	<u>177,957</u>
Current liabilities			
Trade and other payables	16	57,097	41,331
Bank and other loans		51,095	38,164
Finance lease payables		72	72
Employee benefit obligations		5,395	4,698
Current tax liabilities		6,053	5,851
		<u>119,712</u>	<u>90,116</u>
Net current assets		<u>75,613</u>	<u>87,841</u>
Total assets less current liabilities		<u>518,142</u>	<u>550,035</u>

		(Unaudited) 31 December 2013 <i>HK\$'000</i>	(Audited) 30 June 2013 <i>HK\$'000</i>
	<i>Note</i>		
Non-current liabilities			
Deposits received		270	270
Promissory notes		44,514	43,355
Finance lease payables		48	84
Deferred tax liabilities		845	845
		<u>45,677</u>	<u>44,554</u>
NET ASSETS		<u>472,465</u>	<u>505,481</u>
Capital and reserves			
Share capital	17	412,090	412,090
Reserves		<u>69,052</u>	<u>97,135</u>
Equity attributable to owners of the Company		481,142	509,225
Non-controlling interests		<u>(8,677)</u>	<u>(3,744)</u>
TOTAL EQUITY		<u>472,465</u>	<u>505,481</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2013

(Unaudited)											
Attributable to owners of the Company											
	Share capital	Share premium	Translation reserve	Plant and machinery revaluation reserve	Equity-settled share-based payment reserve	Capital redemption reserve	Investment revaluation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2012	334,354	611,332	(169)	8	1,364	150	–	(437,367)	509,672	2,537	512,209
Total comprehensive income for the period	–	–	79	–	–	–	–	(23,713)	(23,634)	(3,802)	(27,436)
Conversion of convertible non-voting preferences shares into ordinary shares	(3,691)	3,691	–	–	–	–	–	–	–	–	–
Exercise of options issued by a non wholly-owned subsidiary	–	–	–	–	(1,364)	–	–	1,472	108	(108)	–
Purchase of non-controlling interests	–	–	–	–	–	–	–	247	247	(447)	(200)
Issue of new shares under the rights issue	81,427	(2,500)	–	–	–	–	–	–	78,927	–	78,927
Changes in equity for the period	77,736	1,191	79	–	(1,364)	–	–	(21,994)	55,648	(4,357)	51,291
At 31 December 2012	412,090	612,523	(90)	8	–	150	–	(459,361)	565,320	(1,820)	563,500
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)	–	–	–	270	(28,351)	(28,083)	(4,933)	(33,016)
At 31 December 2013	412,090	612,523	(80)	809	–	150	(261)	(544,089)	481,142	(8,677)	(472,465)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2013

	(Unaudited)	
	Six months ended	
	31 December	
	2013	2012
	HK\$'000	HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	<u>(30,925)</u>	<u>(31,065)</u>
Purchases of property, plant and equipment	(2,502)	(9,820)
Other investing cash flows (net)	<u>1,190</u>	<u>204</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,312)</u>	<u>(9,616)</u>
NET CASH GENERATED FROM FINANCING ACTIVITIES	<u>12,022</u>	<u>8,509</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(20,215)	(32,172)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	72,367	111,963
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>(2)</u>	<u>84</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY	<u><u>52,150</u></u>	<u><u>79,875</u></u>
Bank and cash balances	52,150	80,300
Bank overdrafts	<u>–</u>	<u>(425)</u>
	<u><u>52,150</u></u>	<u><u>79,875</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2013

1. General information

Luxey International (Holdings) Limited (the “Company”) was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Room 702, 7th Floor, Goodluck Industrial Centre, 808 Lai Chi Kok Road, Lai Chi Kok, Kowloon, Hong Kong. The Company’s shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

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

- (i) manufacturing and trading of high-end swimwear and related garment products;
- (ii) trading and retail of apparel and related accessories; and
- (iii) provision of on-line shopping, advertising and media related services.

2. Basis of preparation and accounting policies

These unaudited condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

These unaudited condensed financial statements should be read in conjunction with the 2013 annual financial statements. The accounting policies and methods of computation used in the preparation of these unaudited condensed financial statements are consistent with those used in the annual financial statements for the eighteen months ended 30 June 2013 except as stated below.

3. Adoption of new and revised Hong Kong Financial Reporting Standards

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 July 2013. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years except as stated below.

a. Amendments to HKAS 1 “Presentation of Financial Statements”

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

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

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

b. HKFRS 13 “Fair Value Measurement”

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

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

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

4. Fair value measurements

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

The recurring fair value measurement of the debt investments classified as available-for-sale financial assets was using Level 1 as at 30 June 2013 and 31 December 2013.

5. Segment information

The Group has three reportable segments as follows:

Swimwear	–	Manufacturing and trading of high-end swimwear and related garment products
Apparel and related accessories	–	Trading and retail of apparel and related accessories
On-line shopping and advertising	–	Provision of on-line shopping, advertising and media related services

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The Group's other operating segment includes general trading business. This segment does not meet any of the quantitative thresholds for determining reportable segment. The information of this other operating segment is included in the 'others' column.

Segment profits or losses do not include other income, finance costs, impairment of goodwill and corporate administrative expenses. Segment assets do not include available-for-sale financial assets, club debenture, goodwill and other assets for general administrative use. Segment liabilities do not include promissory notes and other liabilities for general administrative use.

			(Unaudited)		
	Swimwear	Apparel and related accessories	On-line shopping and advertising	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 31 December 2013:					
Revenue from external customers	25,760	84,798	1,466	–	112,024
Segment loss	(579)	(11,489)	(3,978)	–	(16,046)
As at 31 December 2013:					
Segment assets	59,149	121,423	3,323	475	184,370
Segment liabilities	<u>35,455</u>	<u>81,318</u>	<u>1,787</u>	<u>–</u>	<u>118,560</u>
Six months ended 31 December 2012:					
Revenue from external customers	18,013	92,183	11,317	2,074	123,587
Segment (loss)/profit	(2,776)	(8,326)	(1,727)	80	(12,749)
			(Audited)		
As at 30 June 2013:					
Segment assets	31,266	111,298	5,886	2,432	150,882
Segment liabilities	<u>19,803</u>	<u>65,270</u>	<u>3,576</u>	<u>10</u>	<u>88,659</u>

(Unaudited)
Six months ended
31 December
2013 2012
HK\$'000 *HK\$'000*

Reconciliation of segment profit or loss:

Total profit or loss of reportable segments	(16,046)	(12,749)
Impairment of goodwill	(18,400)	(9,800)
Other profit or loss	<u>1,162</u>	<u>(4,966)</u>
Consolidated loss for the period	<u><u>(33,284)</u></u>	<u><u>(27,515)</u></u>

6. 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)
Six months ended
31 December
2013 2012
HK\$'000 *HK\$'000*

Sales of goods	110,558	112,270
On-line shopping, advertising and media related service income	<u>1,466</u>	<u>11,317</u>
	<u><u>112,024</u></u>	<u><u>123,587</u></u>

7. Finance costs

(Unaudited)
Six months ended
31 December
2013 2012
HK\$'000 *HK\$'000*

Finance lease charges	4	6
Interest on bank loans	759	746
Interest on promissory notes	1,159	1,090
Interest on other loans	<u>748</u>	<u>379</u>
	<u><u>2,670</u></u>	<u><u>2,221</u></u>

8. Income tax expense

	(Unaudited)	
	Six months ended	
	31 December	
	2013	2012
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	656	3,043
Current tax – People's Republic of China Enterprise Income Tax		
Overprovision in prior period	<u>–</u>	<u>(172)</u>
Income tax expense	<u>656</u>	<u>2,871</u>

Hong Kong Profits Tax has been provided at a rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the six months ended 31 December 2013.

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.

9. Loss for the period

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

	(Unaudited)	
	Six months ended	
	31 December	
	2013	2012
	HK\$'000	HK\$'000
Interest income	(875)	(399)
Amortisation of trademark (included in administrative expenses)	208	208
Depreciation	3,821	2,762
Directors' remuneration	2,054	2,257
(Reversal of allowance)/allowance for inventories	(913)	722
Allowance for receivables	–	1,500
Gain on disposal of property, plant and equipment	–	(14)
Write off of property, plant and equipment	<u>8</u>	<u>711</u>

10. Loss per share

Basic loss per share

For the six months ended 31 December 2013

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\$28,351,000 (2012: HK\$23,713,000) and the weighted average number of ordinary shares of 4,931,793,790 (2012: 4,868,941,694) in issue during the period.

For the three months ended 31 December 2013

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\$19,590,000 (2012: HK\$6,270,000) and the weighted average number of ordinary shares of 4,931,793,790 (2012: 4,887,646,633) in issue during the period.

Diluted loss per share

For the six months ended 31 December 2013

The exercise of the Group's outstanding convertible non-voting preference shares for the six months ended 31 December 2013 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's options granted to an investor. The exercise of the Group's outstanding convertible non-voting preference shares and options issued by a non wholly-owned subsidiary for the six months ended 31 December 2012 would be anti-dilutive and there were no dilutive potential ordinary shares for the options granted to an investor, no diluted loss per share was presented for both periods.

For the three months ended 31 December 2013

The exercise of the Group's outstanding convertible non-voting preference shares for the three months ended 31 December 2013 and 31 December 2012 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's options granted to an investor, no diluted loss per share was presented for both periods.

11. Dividend

The directors do not recommend the payment of dividend for the six months ended 31 December 2013 (2012: Nil).

12. Property, plant and equipment

During the six months ended 31 December 2013, the Group acquired property, plant and equipment of approximately HK\$2,502,000.

13. Goodwill

	(Unaudited) 31 December 2013 HK\$'000	(Audited) 30 June 2013 HK\$'000
Cost		
At beginning and end of period	<u>745,102</u>	<u>745,102</u>
Accumulated impairment losses		
At beginning of period	320,106	260,806
Impairment loss recognised during the period	<u>18,400</u>	<u>59,300</u>
At end of period	<u>338,506</u>	<u>320,106</u>
Carrying amount		
At beginning of period	<u>424,996</u>	<u>484,296</u>
At end of period	<u>406,596</u>	<u>424,996</u>

The Group carried out reviews of the recoverable amount of the provision of on-line shopping, advertising and media related services, having regard to turnover generated from the provision of on-line shopping, advertising and media related services cash-generating unit (“CGU”) carried on by Luxey Online Solutions Limited decreased substantially as a result of (i) keen competition in the on-line group buying market in Hong Kong; (ii) the on-line group buying market is slowing down in Hong Kong; and (iii) no income was received from provision of information technology consulting and on-line marketing services.

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 5%. This rate does not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows from the provision of on-line shopping, advertising and media related services CGU is 15.55%. 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\$24,243,000 through recognition of an impairment loss against goodwill of approximately HK\$18,400,000 during the six months ended 31 December 2013 (Eighteen months ended 30 June 2013: HK\$22,100,000).

14. Trademark

	(Unaudited) 31 December 2013 HK\$'000	(Audited) 30 June 2013 HK\$'000
Cost		
At beginning of period	10,400	–
Addition	<u>–</u>	<u>10,400</u>
At end of period	<u>10,400</u>	<u>10,400</u>
Accumulated amortisation		
At beginning of period	416	–
Amortisation for the period	<u>208</u>	<u>416</u>
At end of period	<u>624</u>	<u>416</u>
Carrying amount		
At beginning of period	<u>9,984</u>	<u>–</u>
At end of period	<u>9,776</u>	<u>9,984</u>

The Group's trademark protects the design and specification of the Group's products. The remaining amortisation period of the trademark is 23.5 years (At 30 June 2013: 24 years).

15. Trade and other receivables

	(Unaudited) 31 December 2013 HK\$'000	(Audited) 30 June 2013 HK\$'000
Trade and bills receivables	20,893	16,324
Prepayments, deposits and other receivables	27,769	28,552
	<u>48,662</u>	<u>44,876</u>

The Group normally allows credit terms to customers except for retail customers ranging from 30 to 120 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The ageing analysis of trade and bills receivables, based on invoice date, is as follows:

	(Unaudited) 31 December 2013 HK\$'000	(Audited) 30 June 2013 HK\$'000
Current to 30 days	15,995	8,186
31 – 90 days	1,747	1,501
91 – 180 days	975	3,364
Over 180 days	2,176	3,273
	<u>20,893</u>	<u>16,324</u>

16. Trade and other payables

	(Unaudited) 31 December 2013 HK\$'000	(Audited) 30 June 2013 HK\$'000
Trade payables	26,035	11,792
Due to a substantial shareholder	495	495
Other payables	30,567	29,044
	<u>57,097</u>	<u>41,331</u>

The amount due to a substantial shareholder is unsecured, interest-free and has no fixed terms of payment.

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	(Unaudited) 31 December 2013 HK\$'000	(Audited) 30 June 2013 HK\$'000
Current to 30 days	7,962	2,303
31 – 90 days	14,062	6,452
91 – 180 days	3,473	213
Over 180 days	538	2,824
	<u>26,035</u>	<u>11,792</u>

17. Share capital

	(Unaudited) 31 December 2013 HK\$'000	(Audited) 30 June 2013 HK\$'000
Authorised:		
14,000,000,000 ordinary shares of HK\$0.05 each	700,000	700,000
2,000,000,000 convertible non-voting preference shares of HK\$0.15 each	300,000	300,000
	<u>1,000,000</u>	<u>1,000,000</u>

Issued and fully paid:

4,931,793,790 (At 30 June 2013: 4,931,793,790) ordinary shares of HK\$0.05 each	246,590	246,590
1,103,333,333 (At 30 June 2013: 1,103,333,333) convertible non-voting preference shares of HK\$0.15 each	165,500	165,500
	<u>412,090</u>	<u>412,090</u>

A summary of the movements in the issued share capital of the Company is as follows:

		Number of ordinary shares of HK\$0.05 each '000	Number of convertible non-voting preference shares of HK\$0.15 each '000	Par value HK\$'000
	<i>Note</i>			
At 1 January 2012		3,097,093	1,303,333	350,354
Conversion of convertible non-voting preference shares	(a)	206,154	(200,000)	(19,691)
Issue of new shares under the rights issue	(b)	<u>1,628,547</u>	<u>—</u>	<u>81,427</u>
At 30 June 2013, 1 July 2013 and 31 December 2013		<u><u>4,931,794</u></u>	<u><u>1,103,333</u></u>	<u><u>412,090</u></u>

Notes:

- (a) During the eighteen months ended 30 June 2013, 206,153,846 ordinary shares of HK\$0.05 each were issued as a result of the conversion of 200,000,000 convertible non-voting preference shares.
- (b) On 3 July 2012, 1,628,546,648 ordinary shares of HK\$0.05 each were issued at HK\$0.05 per share by way of a rights issue on the basis of one rights share for every two shares held. The shares rank pari passu in all respects with the ordinary shares of the Company in issue on that date.

18. 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.

19. Contingent liabilities

The Group did not have any significant contingent liabilities at 31 December 2013 (At 30 June 2013: Nil).

20. Capital commitments

The Group did not have any significant capital commitments at 31 December 2013 (At 30 June 2013: Nil).

21. Other commitments

(a) Lease commitments

At 31 December 2013 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	(Unaudited) 31 December 2013 HK\$'000	(Audited) 30 June 2013 HK\$'000
Within one year	33,799	36,656
In the second to fifth years inclusive	33,015	30,727
After five years	—	649
	<u>66,814</u>	<u>68,032</u>

(b) Royalty payments

At 31 December 2013 the total future minimum royalty payments under a non-cancellable contract are payable as follows:

	(Unaudited) 31 December 2013 HK\$'000	(Audited) 30 June 2013 HK\$'000
Within one year	11,991	10,203
In the second to fifth years inclusive	61,215	56,207
After five years	543,281	531,028
	<u>616,487</u>	<u>597,438</u>

22. 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)	
	Six months ended	
	31 December	
	2013	2012
	HK\$'000	HK\$'000
Commission in relation to rights issue paid to a substantial shareholder (<i>note</i>)	<u>–</u>	<u>611</u>

Note:

The substantial shareholder is a company wholly-owned by Mr. Lau Chi Yuen, Joseph, a director of the Company.

23. Litigation

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

24. Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 10 February 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.

Financial Performance

For the six months ended 31 December 2013 (the “Current Period”), loss attributable to owners of the Company was approximately HK\$28,351,000 (six months ended 31 December 2012: HK\$23,713,000). Increased in loss attributable to owners of the Company was mainly attributable to approximately HK\$18,400,000 impairment of goodwill made in the Current Period (six months ended 31 December 2012: HK\$9,800,000).

Gross profit for the Current Period was approximately HK\$64,467,000 (six months ended 31 December 2012: HK\$74,042,000), representing a decrease of approximately 13% over the corresponding period in 2012.

For the Current Period, the Group’s unaudited total turnover amounted to approximately HK\$112,024,000 (six months ended 31 December 2012: HK\$123,587,000) representing a decrease of approximately 9% over the corresponding period in 2012. Details of the decrease in total turnover are discussed below:

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

The turnover generated from Swimwear segment for the Current Period was approximately HK\$25,760,000 (six months ended 31 December 2012: HK\$18,013,000). 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\$5,446,000 (six months ended 31 December 2012: HK\$2,357,000).

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

The turnover generated from Apparel and related accessories segment for the Current Period was approximately HK\$84,798,000 (six months ended 31 December 2012: HK\$92,183,000). Gross profit for the Current Period was approximately HK\$58,624,000 (six months ended 31 December 2012: HK\$67,151,000).

Provision of on-line shopping, advertising and media related services (“On-line shopping and advertising segment”)

The turnover generated from On-line shopping and advertising segment for the Current Period was approximately HK\$1,466,000 (six months ended 31 December 2012: HK\$11,317,000). Substantial decrease in turnover for the Current Period was mainly due to (i) keen competition in the on-line group buying market in Hong Kong; (ii) the on-line group buying market is slowing down in Hong Kong; and (iii) no income was received from provision of information technology consulting and on-line marketing services during the Current Period (six months ended 31 December 2012: HK\$3,375,000). Gross profit for the Current Period was approximately HK\$397,000 (six months ended 31 December 2012: HK\$4,454,000).

Impairment of Goodwill

For the Current Period, impairment of goodwill of approximately HK\$18,400,000 are made for the provision of on-line shopping, advertising and media related services cash-generating unit, whereas impairment of goodwill of approximately HK\$2,700,000 and HK\$7,100,000 are made for the swimwear cash-generating unit and the provision of on-line shopping, advertising and media related services cash-generating unit respectively during the six months ended 31 December 2012.

(i) The impairment of goodwill relates to the provision of on-line shopping, advertising and media related services cash-generating unit (“Provision of on-line shopping, advertising and media related services CGU”)

The recoverable amount of the Provision of on-line shopping, advertising and media related services CGU is determined from value in use calculation. The key assumptions are those regarding the discount rate, growth rate and budgeted gross margin and turnover during the Current Period. The Group estimates discount rate using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the Provision of on-line shopping, advertising and media related services CGU. The growth rate is based on long-term average economic growth rate of the geographical area in which the business of the Provision of on-line shopping, advertising and media related services CGU operates. Budgeted gross margin and turnover are based on past practices and expectations on market development. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors for the next five years with

the residual period using the growth rate of 5%. This rate does not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows from the Provision of on-line shopping, advertising and media related services CGU is 15.55%. 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\$18,400,000 during the Current Period (six months ended 31 December 2012: HK\$7,100,000).

Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2013 (six months ended 31 December 2012: Nil).

Operations

During the Current Period under review, the Group keeps on maintaining an effective cost measures in controlling the cost structure of its operations. Besides, the Group will be extremely prudent in the development of its operations. We also believe that it is of the Group's best interest to explore different sources of income while still maintains an effective and efficient overhead structure for our supporting departments in each of the business segments under operation.

Connected Transactions

The Group has entered into the following connected transactions during the Current Period and up to the date of this announcement:

(a) Lease of 2 self-operated retail stores

Easy Harvest International Limited had signed 2 leasing agreements of self-operated retailed stores on behalf of the Group. During the Current Period, the total rental payments of these 2 self-operated retailed stores were approximately HK\$1,068,000.

(b) Lease of an office premise

During the Current Period, the Group signed a leasing agreement with Gain Easy Development Limited for an office premise. During the Current Period, the total rental payment was approximately HK\$1,152,000.

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

Except for the aforesaid, during the Current Period and up to the date of this announcement, 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.

Liquidity and Financial Resources

As at 31 December 2013, the Group had net current assets of approximately HK\$75,613,000 (At 30 June 2013: HK\$87,841,000). The current assets comprised bank and cash balances of approximately HK\$52,150,000 (At 30 June 2013: HK\$72,367,000), pledged bank deposits of approximately HK\$8,293,000 (At 30 June 2013: HK\$8,608,000), trade and other receivables of approximately HK\$48,662,000 (At 30 June 2013: HK\$44,876,000) and inventories of approximately HK\$85,759,000 (At 30 June 2013: HK\$51,643,000). The current liabilities comprised trade payables, bank and other loans, accrued charges and other payables of approximately HK\$119,712,000 (At 30 June 2013: HK\$90,116,000).

As at 31 December 2013, the Group had no significant exposure to fluctuations in exchange rates and any related hedges.

As at 31 December 2013, the Group had total assets of approximately HK\$637,854,000 (At 30 June 2013: HK\$640,151,000). As at 31 December 2013, the Group had short term borrowings of approximately HK\$51,167,000 (At 30 June 2013: HK\$38,236,000) and long term borrowings of approximately HK\$44,562,000 (At 30 June 2013: HK\$43,439,000). As at 31 December 2013, the Group has a current ratio of approximately 1.63 comparing to that of 1.97 as at 30 June 2013. As at 31 December 2013, the Group’s gearing ratio of 24% was calculated as net debt divided by total equity (At 30 June 2013: 12%). Net debt is calculated as total liabilities (including current and non-current liabilities as shown in the condensed consolidated statement of financial position) less cash and cash equivalents. Total equity represents the equity as shown in the condensed consolidated statement of financial position.

Foreign Exchange Exposure

As most of the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars, United States dollars and Renminbi, the Group's exposure to exchange rate risk is limited. It is the Group's treasury policy to manage its foreign currency exposure only when its potential financial impact is material to the Group. The Group will continue to monitor its foreign exchange position and, if necessary, utilise hedging tools, if available, to manage its foreign currency exposure.

Capital Structure

For the Current Period, there was no change on the Company's issued share capital. As at 31 December 2013, total number of issued ordinary shares were 4,931,793,790 of HK\$0.05 each (At 30 June 2013: 4,931,793,790) and total number of issued convertible non-voting preference shares were 1,103,333,333 of HK\$0.15 each (At 30 June 2013: 1,103,333,333). Pursuant to the terms of the convertible non-voting preference shares, the conversion price of the outstanding convertible non-voting preference shares has been adjusted from HK\$0.15 per share to HK\$0.13 per share as a result of completion of the Rights Issue.

Employees and Remuneration Policy

As at 31 December 2013, the Group had 515 full time employees (At 30 June 2013: 476). The staff costs, including directors' remuneration, were approximately HK\$35,662,000 (Six months ended 31 December 2012: HK\$27,392,000). The Group offers a comprehensive remuneration package and benefits to its full time employees in compliance with the regulations in Hong Kong and the People's Republic of China (the "PRC") respectively, including medical scheme, provident fund or retirement fund. In addition, the Group adopts a share option scheme for eligible employees (including Directors) and consultants to provide incentives to participants for their contributions and continuing efforts to promote the interests of the Group.

Contingent liabilities

As at 31 December 2013, the Group did not have any material contingent liabilities.

As at 31 December 2013, the Company has issued a guarantee of approximately HK\$26,650,000 (At 30 June 2013: HK\$26,650,000) to a bank in respect of a banking facility granted to a subsidiary.

Charge on Assets

As at 31 December 2013, (i) the Group has pledged property, plant and equipment with the net carrying amount of approximately HK\$46,000 (At 30 June 2013: HK\$91,000) to secure the finance lease payables of approximately HK\$120,000 (At 30 June 2013: HK\$156,000); and (ii) the Group has pledged bank deposits of approximately HK\$8,293,000 (At 30 June 2013: HK\$8,608,000) to secure banking facilities granted to the Group.

Litigation

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

Please refer to note 23 to the unaudited condensed financial statements on page 21 and announcements dated 17 October 2013 and 29 October 2013 for details.

PROSPECT

We believe Asia will continue to maintain its robust growth momentum in economic areas especially in both manufacturing and retail businesses. The wealth accumulation effects in Asian countries should not be overlooked and there will be another revenue driver that the Group would consider.

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

The garment manufacturing companies are shifting their competitive edges to pricing, variety of products and value-added services offered to customers instead. Incorporating with the hard work of our management and merchandising team in the Swimwear segment, the Group successfully acquires some new orders from new customers. Our management team has successfully received new orders from both existing customers and other customers in swimwear related disciplines for the provision of our value-added manufacturing services. And we will continue our effort to source new orders from exploring new customers in the European, the US and other Asian markets as well.

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

In view of the Apparel and related accessories segment, there are currently around 37 retail outlets (including self-operated stores and shopping counters) in Hong Kong operated under the brand names either Tonino Lamborghini or Cour Carré. The management is considering operate more retail outlets in Hong Kong in 2014 as some retail shops were closed down because of the expiration of the tenancy.

We will trying to incorporate new valued added services attached to our brands like tailor making and the implementation of three dimensions design concepts to our fashion. We hope such services can be provided to our customers in the near future.

The slowdown in on-line group buying market adversely affected our turnover generated from the On-line shopping and advertising segment. In view of this, the Babybamboo.com.hk web site transformed from group buying into the web-based buying platform. Some new web sites for on-line marketing and social media are in the pipelines and, in the hope that, they can provide new services to attract our customers. On the other hand, we also provide other on-line marketing solution services to our customers like, advertising, mobile apps development, Facebook apps promotion, fan page setup and management services.

DISCLOSURE OF INTERESTS

Interests in Securities of Directors and Chief Executive

As at 31 December 2013, the interests and short positions of the Directors in the shares (“Shares”), underlying Shares or debentures of the Company and its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance, the Laws of Hong Kong (the “SFO”)) which are required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules relating to securities transaction by Directors, were as follows:

(i) Long positions in Shares

Name of Director	Number of Shares	Capacity/nature of interest	Approximate percentage of issued share capital (Note 1)
Mr. Lau Chi Yuen, Joseph (“Mr. Lau”)	1,139,841,997 (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 4,931,793,790 Shares in issue as at 31 December 2013.
2. These shares are held as to 23,100,000 shares by Mr. Lau personally and as to 1,116,741,997 shares by JL Investments Capital Limited, which is wholly-owned by Mr. Lau. Mr. Lau is deemed to be interested in the shares held by JL Investments Capital Limited.

Save as disclosed above, as at 31 December 2013, none of the Directors had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules relating to securities transaction by Directors.

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

As at 31 December 2013, none of the Directors had short positions in Shares or underlying Shares of equity derivatives of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION

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

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

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

At 31 December 2013, no option was outstanding under the New Share Option Scheme (At 30 June 2013: Nil). The total number of shares in respect of which options may be granted under the New Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of approval of the New Share Option Scheme, without prior approval from the Company’s shareholders. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point of time, without prior approval from the Company’s shareholders. Options granted to a connected person (as such term defined in the GEM Listing Rules) of the Company in excess of 0.1% of the Company’s share capital or with a value in excess of HK\$5 million must be approved in advance by the Company’s shareholders.

The subscription price will be determined by the Board and will be the highest of (i) the quoted closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets on the five business days immediately preceding the offer date. Any options granted under the New Share Option Scheme shall end in any event not later than ten years from the grant date. A nominal value of HK\$10.00 is payable on acceptance of each grant of options.

Interests in securities of substantial shareholders

As far as was known to any Director or chief executive of the Company, as at 31 December 2013, the persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

(i) Long positions in Shares

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

Notes:

1. Big Good Management Limited is wholly-owned by Mr. Ma who is deemed to be interested in underlying shares held by Big Good Management Limited.
2. see Note 1 on page 29.

Save as disclosed above, as at 31 December 2013, the Directors were not aware of any other person who had an interest or short positions in the shares or underlying shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

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

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

Notes:

1. see Note 1 on page 29.
2. see Note 1 on page 31.
3. Big Good Management Limited was the holder of 1,063,333,333 convertible non-voting preference shares of HK\$0.15 each which have no voting rights and are convertible into ordinary shares. Pursuant to the terms of the convertible non-voting preference shares, the conversion price of the outstanding convertible non-voting preference shares has been adjusted from HK\$0.15 per share to HK\$0.13 per share as a result of completion of the rights Issue.

As far as the Directors are aware, saved as disclosed herein, as at 31 December 2013, no persons have short positions in shares or underlying shares of equity derivatives of the Company.

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

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

COMPETING INTERESTS

The Directors are not aware of, as at 31 December 2013, any business or interest of each Director, substantial shareholder and management shareholder (as defined in the GEM Listing Rules) and their respective associates that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

AUDIT COMMITTEE

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

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

The audit committee has reviewed the Group's unaudited results for the six months ended 31 December 2013.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

Code Provision A.4.1

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors of the Company have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the six months ended 31 December 2013.

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

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

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

Hong Kong, 10 February 2014

As at the date of this announcement, the Board comprises two (2) executive Directors, namely, Mr. Lau Chi Yuen, Joseph (Chairman) and Mr. Chung Man Wai, and three (3) independent non-executive Directors, namely Dr. Lee Chung Mong, John, Mr. Tam Wing Kin and Mr. Fung Chan Man, Alex.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for 7 days from the date of its posting and on the website of the Company.