



Luxey

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

(formerly known as China Post E-Commerce (Holdings) Limited 中郵電貿(控股)有限公司)
(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8041)

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



FIRST QUARTERLY REPORT 2012



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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.

HIGHLIGHTS

- The Group has recorded total unaudited turnover of approximately HK\$100,718,000 for the three months ended 31 March 2012 representing approximately 217% increase over the corresponding period of 2011.
- The Group's gross profit amounted to approximately HK\$57,319,000 for the three months ended 31 March 2012 whereas the gross profit of approximately HK\$6,234,000 in the corresponding period of 2011.
- The Group has recorded unaudited profit attributable to owners of the Company for the three months ended 31 March 2012 of approximately HK\$5,710,000 representing a basic earnings per share of HK0.184 cent.
- The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2012.
- The Group has a sound financial position with bank and cash balances of approximately HK\$77,760,000 as at 31 March 2012.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE THREE MONTHS ENDED 31 MARCH 2012

The Board of Directors (the "Board") of the Company announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2012, together with the comparative unaudited figures for the same period in 2011 as follows:

		(Unaudited)	
		Three months ended	
		31 March	
	<i>Note</i>	2012	2011
		HK\$'000	<i>HK\$'000</i>
			(Restated)
Continuing operations			
Turnover	3	100,718	2,282
Cost of sales and service rendered		(43,399)	(1,134)
Gross profit		57,319	1,148
Other income		4,601	90
Impairment of goodwill	4	–	(250,206)
Selling expenses		(20,084)	–
Administrative expenses		(27,307)	(10,173)
Profit/(loss) from operations		14,529	(259,141)
Finance costs		(1,554)	(62)
Profit/(loss) before tax		12,975	(259,203)
Income tax expense	5	(5,705)	–
Profit/(loss) for the period from continuing operations		7,270	(259,203)
Discontinued operation			
Profit for the period from discontinued operation	6	–	512
Profit/(loss) for the period		7,270	(258,691)

(Unaudited)
Three months ended
31 March

	<i>Note</i>	2012 HK\$'000	2011 HK\$'000 (Restated)
Attributable to:			
Owners of the Company			
Profit/(loss) from continuing operations		5,710	(258,646)
Profit from discontinued operation		—	512
		<hr/>	<hr/>
Profit/(loss) attributable to owners of the Company		5,710	(258,134)
		<hr/>	<hr/>
Non-controlling interests			
Profit/(loss) from continuing operations		1,560	(557)
		<hr/>	<hr/>
Profit/(loss) attributable to non-controlling interests		1,560	(557)
		<hr/>	<hr/>
		7,270	(258,691)
		<hr/>	<hr/>
EARNINGS/(LOSS) PER SHARE			
From continuing and discontinued operations			
Basic	<i>7(a)</i>	HK0.184 cent	HK(12.666) cents
		<hr/>	<hr/>
Diluted	<i>7(a)</i>	HK0.124 cent	HK(12.666) cents
		<hr/>	<hr/>
From continuing operations			
Basic	<i>7(b)</i>	HK0.184 cent	HK(12.691) cents
		<hr/>	<hr/>
Diluted	<i>7(b)</i>	HK0.124 cent	HK(12.691) cents
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 31 MARCH 2012

	(Unaudited)	
	Three months ended	
	31 March	
	2012	2011
	HK\$'000	HK\$'000
		(Restated)
Profit/(loss) for the period	<u>7,270</u>	<u>(258,691)</u>
Other comprehensive income:		
Exchange differences on translating foreign operations	<u>(81)</u>	<u>587</u>
Other comprehensive income for the period, net of tax	<u>(81)</u>	<u>587</u>
Total comprehensive income for the period	<u>7,189</u>	<u>(258,104)</u>
Attributable to:		
Owners of the Company	5,629	(257,547)
Non-controlling interests	<u>1,560</u>	<u>(557)</u>
	<u>7,189</u>	<u>(258,104)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2012

(Unaudited)

For the three month ended 31 March 2012 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	Convertible bond 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 January 2012	350,354	595,332	(88)	8	5,634	150	1,190	(437,925)	514,655	6,041	520,696
Total comprehensive income for the period	-	-	(81)	-	-	-	-	5,710	5,629	1,560	7,189
Share options lapsed during the period	-	-	-	-	(4,270)	-	-	4,270	-	-	-
Changes in equity for the period	-	-	(81)	-	(4,270)	-	-	9,980	5,629	1,560	7,189
At 31 March 2012	350,354	595,332	(169)	8	1,364	150	1,190	(427,945)	520,284	7,601	527,885

(Unaudited)
(Restated)

For the three month ended 31 March 2011 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	Convertible bond 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 January 2011	101,903	193,678	3,025	19,169	4,270	150	-	(118,567)	203,628	(5,295)	198,333
Total comprehensive income for the period	-	-	587	-	-	-	-	(258,134)	(257,547)	(557)	(258,104)
Acquisition of subsidiaries	260,000	225,333	-	-	-	-	-	-	485,333	-	485,333
Changes in equity for the period	260,000	225,333	587	-	-	-	-	(258,134)	227,786	(557)	227,229
At 31 March 2011	361,903	419,011	3,612	19,169	4,270	150	-	(376,701)	431,414	(5,852)	425,562

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 31 MARCH 2012

1. General information

Luxey International (Holdings) Limited (formerly known as China Post E-Commerce (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.

The Group was also engaged in the manufacturing and trading of ceramic blanks and ferrules during the three months ended 31 March 2011. The Group's ceramic blanks and ferrules business was ceased during the year ended 31 December 2011.

2. Basis of preparation and accounting policies

These unaudited condensed consolidated 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 condensed consolidated financial statements should be read in conjunction with the 2011 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the 2011 annual financial statements.

3. Turnover

The Group's turnover which represents sales of goods to customers and revenue from provision of on-line shopping, advertising and media related services is as follows:

	(Unaudited)	
	Three months ended	
	31 March	
	2012	2011
	HK\$'000	HK\$'000
Sales of goods	95,841	29,461
On-line shopping, advertising and media related service income	4,877	2,282
	100,718	31,743
Representing:		
Continuing operations	100,718	2,282
Discontinued operation (<i>note 6</i>)	–	29,461
	100,718	31,743

4. Impairment of goodwill

On 31 March 2011, the Group acquired the entire issued share capital of Easy Time Trading Limited ("Easy Time"). The fair value of the identifiable assets and liabilities of Easy Time and its subsidiaries ("Easy Time Group") acquired were determined provisionally in the financial statements of the Group for three months ended 31 March 2011. An allowance for impairment of goodwill of approximately HK\$278,231,000 was made in the financial statements of the Group for the three months ended 31 March 2011.

During the year ended 31 December 2011, the Group made certain fair value adjustments to the carrying amounts of the identifiable assets and liabilities of Easy Time Group as a result of completing the initial accounting. The adjustments to the fair values at the acquisition date of the identifiable assets and liabilities were made as if initial accounting had been incorporated from the date of acquisition. As a result of this change in accounting estimate, allowance for impairment of goodwill decreased by approximately HK\$28,025,000 to HK\$250,206,000 for the year ended 31 December 2011.

5. Income tax expense

	(Unaudited)	
	Three months ended	
	31 March	
	2012	2011
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	4,500	–
Current tax – People’s Republic of China (“PRC”)		
Enterprise Income Tax		
Provision for the period	<u>1,205</u>	<u>520</u>
	<u>5,705</u>	<u>520</u>
Representing:		
Continuing operations	5,705	–
Discontinued operation (<i>note 6</i>)	<u>–</u>	<u>520</u>
	<u>5,705</u>	<u>520</u>

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the three months ended 31 March 2012. No provision for Hong Kong Profits Tax was made for the three months ended 31 March 2011 as the Group did not generate any assessable profits arising in Hong Kong during that period.

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

6. Discontinued operation

Pursuant to a sale and purchase agreement dated 27 September 2011 entered into between the Company and an independent third party, the Company disposed of 100% interests in Opcom Holdings (BVI) Limited ("Opcom"), a company incorporated in the British Virgin Islands at a consideration of HK\$45,000,000. Opcom was engaged in investment holding and held 100% interests in Intcera High Tech (BVI) Limited, Rich Palace Limited and Intcera High Tech (HK) Limited. Opcom and its subsidiaries were engaged in manufacturing and trading of ceramic blanks and ferrules in the PRC. The disposal was completed on 9 December 2011 and the Group discontinued its ceramic blanks and ferrules business.

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

	(Unaudited)	
	Three months ended	
	31 March	
	2012	2011
	HK\$'000	HK\$'000
Turnover (note 3)	–	29,461
Cost of sales	–	(24,375)
	<hr/>	<hr/>
Gross profit	–	5,086
Other income	–	2
Administrative expenses	–	(1,243)
Other operating expenses	–	(2,813)
	<hr/>	<hr/>
Profit before tax	–	1,032
Income tax expense (note 5)	–	(520)
	<hr/>	<hr/>
Profit for the period	<hr/> –	<hr/> 512

7. Earnings/(loss) per share

(a) For continuing and discontinued operations

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

	(Unaudited)	
	Three months ended	
	31 March	
	2012	2011
	HK\$'000	HK\$'000
		(Restated)
Earnings/(loss)		
Earnings/(loss) for the purpose of calculating basic earnings/(loss) per share	5,710	(258,134)
<i>Add:</i> finance costs saving on conversion of convertible bonds outstanding	115	–
<i>Less:</i> profit of non-wholly owned subsidiary shared to non-controlling shareholder upon exercise of options granted to a consultant	(330)	–
	<hr/>	<hr/>
Earnings/(loss) for the purpose of calculating diluted earnings/(loss) per share	5,495	(258,134)
	<hr/>	<hr/>

(Unaudited)
Three months ended
31 March
2012 2011

Number of shares

Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	3,097,093,296	2,038,055,819
Effect of dilutive potential ordinary shares arising from convertible bonds and convertible non-voting preference shares outstanding	<u>1,348,297,362</u>	<u> </u> –
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	<u>4,445,390,658</u>	<u>2,038,055,819</u>

The exercise of the Group's outstanding convertible non-voting preference shares for the three months ended 31 March 2011 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's share options during the three months ended 31 March 2011.

(b) For continuing operations

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

	(Unaudited)	
	Three months ended	
	31 March	
	2012	2011
	HK\$'000	<i>HK\$'000</i>
		(Restated)
Earnings/(loss)		
Earnings/(loss) for the purpose of calculating basic earnings/(loss) per share	5,710	(258,646)
<i>Add:</i> finance costs saving on conversion of convertible bonds outstanding	115	–
<i>Less:</i> profit of non-wholly owned subsidiary shared to non-controlling shareholder upon exercise of options granted to a consultant	(330)	–
	<hr/>	<hr/>
Earnings/(loss) for the purpose of calculating diluted earnings/(loss) per share	5,495	(258,646)
	<hr/>	<hr/>

The weighted average number of ordinary shares in issue during the period is the same as that detailed above for basic earnings/(loss) per share from continuing and discontinued operations.

(c) For discontinued operation

Because there was no discontinued operation during the three months ended 31 March 2012, no basic or diluted earnings/(loss) per share from discontinued operation was presented for the three months ended 31 March 2012.

Basic earnings per share from discontinued operation for the three months ended 31 March 2011 is HK0.025 cent per share, based on the profit for the period from discontinued operation attributable to owners of the Company of approximately HK\$512,000 and the denominator used is the same as that detailed above for basic earnings/(loss) per share from continuing and discontinued operations.

As the exercise of the Group's outstanding convertible non-voting preference shares for the three months ended 31 March 2011 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's share options, no diluted earnings/(loss) per share for discontinued operation was presented for the three months ended 31 March 2011.

8. Dividend

The directors do not recommend the payment of any dividend for the three months ended 31 March 2012 (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Change of Name

At an extraordinary general meeting of the shareholders of the Company held on 19 December 2011, a special resolution was passed to change the name of the Company from China Post E-Commerce (Holdings) Limited to Luxey International (Holdings) Limited and adopt the new Chinese name “薈萃國際(控股)有限公司”.

Disposal and Discontinued Operation

On 27 September 2011, the Group entered into a sale and purchase agreement with Marks Silver Limited, an independent third party, to dispose of the entire issued share capital of a wholly-owned subsidiary, Opcom Holdings (BVI) Limited, at a consideration of HK\$45,000,000. Details of the disposal are set out in a circular issued by the Company on 23 November 2011. The completion took place on 9 December 2011 and the Group discontinued its ceramic blanks and ferrules business.

Financial Performance

For the three months ended 31 March 2012 (the “Current Period”), profit attributable to owners of the Company (including continuing and discontinued operations) was approximately HK\$5,710,000 (three months ended 31 March 2011: (restated) loss of HK\$258,134,000). The improvement was mainly due to the fact that there was an allowance for impairment of goodwill of approximately HK\$250,206,000 arising from acquisition of Easy Time Trading Limited (“Easy Time”) in the last period, representing the difference between the business value from valuation report and the fair values of consideration at the date of acquisition, and no such allowance for impairment of goodwill is made in the Current Period. Gross profit (including continuing and discontinued operations) for the Current Period was approximately HK\$57,319,000 (three months ended 31 March 2011: HK\$6,234,000), representing an increase of approximately 819% over the corresponding period in last year.

For the Current Period, the Group's unaudited total turnover (including continuing and discontinued operations) amounted to approximately HK\$100,718,000 (three months ended 31 March 2011: HK\$31,743,000) representing an increase of approximately 217% over the corresponding period in last year. Details of the increase in total revenue are discussed below:

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

The turnover generated from Swimwear segment for the Current Period was approximately HK\$36,285,000 (three months ended 31 March 2011: HK\$Nil). Turnover during the Current Period was contributed by Easy Time and its subsidiaries, which the Group has acquired on 31 March 2011. Gross profit for the Current Period was approximately HK\$15,232,000 (three months ended 31 March 2011: HK\$Nil).

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\$59,556,000 (three months ended 31 March 2011: HK\$Nil). Turnover during the Current Period was contributed by Charmston (Holdings) Limited ("Charmston") and its subsidiaries, which the Group has acquired on 30 June 2011. Gross profit for the Current Period was approximately HK\$41,031,000 (three months ended 31 March 2011: HK\$Nil).

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\$4,877,000 (three months ended 31 March 2011: HK\$2,282,000). Gross profit for the Current Period was approximately HK\$1,056,000 (three months ended 31 March 2011: HK\$1,148,000).

Manufacturing and trading of ceramic blanks and ferrules ("Ceramic blanks and ferrules segment") (discontinued operation)

No turnover generated from Ceramic blanks and ferrules segment for the Current Period (three months ended 31 March 2011: HK\$29,461,000). This operating segment was discontinued on 9 December 2011.

Operations

During the Current Period under review, the Group has taken effective measures to control its operating costs. This is the objective of the Group to adopt stringent cost control and maintain a thin but effective overhead structure. The Group is optimistic in enjoying a fruitful harvest and satisfying an anticipated growth of production capacity in the foreseeable future. The Group will also be prudently in expanding its apparel retails network in a pragmatic manner in the coming years by opening more stores and distribution outlets. We also believe that it is in the Group's best interest to negotiate to more apparel brands in future in order to build up its own brand portfolio to secure its market position and to maintain its competitive edges and well diversified product mix in Hong Kong and the People's Republic of China ("PRC").

Connected Transactions

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

(a) *Sales of Tonino Lamborghini products*

During the Current Period, the Group sold Tonino Lamborghini products of approximately HK\$415,000 and HK\$146,000 to Bestime (Macau) Limited and Mix N Match (Macau) Limited respectively.

(b) *Lease of 8 self-operated retail stores*

Easy Harvest International Limited had signed 8 leasing agreements of self-operated retailed stores on behalf of the Group. During the Current Period, the total rental payments of these 8 self-operated retailed stores were approximately HK\$2,455,000.

Mr. Lee Tang Kit, Philip, is a connected person of the Company by virtue of his beneficial interests in Charmston, Bestime (Macau) Limited, Mix N Match (Macau) Limited and Easy Harvest International Limited and he is also a director of a subsidiary of the Company. Accordingly, the sales of Tonino Lamborghini products and lease of 8 self-operated retail stores constituted connected transactions of the Company under the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited ("GEM Listing Rules").

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

Liquidity and Financial Resources

As at 31 March 2012, the Group had net current assets of approximately HK\$70,703,000 (At 31 March 2011: net current liabilities of HK\$18,132,000). The current assets comprised bank and cash balances of approximately HK\$77,760,000 (At 31 March 2011: HK\$59,071,000), pledged bank deposits of approximately HK\$6,251,000 (At 31 March 2011: HK\$2,000,000), trade and other receivables of approximately HK\$59,434,000 (At 31 March 2011: HK\$123,600,000) and inventories of approximately HK\$63,145,000 (At 31 March 2011: HK\$25,770,000). The current liabilities comprised trade and promissory note payables, bank and other loans, accrued charges and other payables of approximately HK\$135,887,000 (At 31 March 2011: HK\$228,573,000).

As at 31 March 2012, the Group had no significant exposure to fluctuations in exchange rates and any related hedges.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2012 (three months ended 31 March 2011: Nil).

PROSPECTS

Following the successful acquisitions of Easy Time and Charmston, the Company is gradually transformed and diversified itself into a garment and apparel retail focused group with both internet and physical shops sales platforms. The Company undertook a very careful strategic review and consideration of all its existing businesses and together with the potential revenue and income contributions on both the swimwear trading business and apparel retails business, and which will become the key business drivers of the Company. The on-line shopping and advertising business segment will fully assist and create synergy on the retailing, promotion and advertising for these business segments in the internet platform in both Hong Kong and the PRC.

The Group will continuously strive for, with its best effort, creating value to its shareholders. It is the core business strategy for the Group to grow in both organic and inorganic ways. The Group will proactively utilize and mobilize its operating and financial resources to assist the expansion and growth for its Swimwear segment and Apparel and related accessories segment. As such, the Company will always look for any potential business acquisitions or business cooperation with reputable apparel brands. Despite the volatile economic conditions in the United States of America ("US") and in some European countries, the economic and business environments in both Hong Kong and the PRC will generally remain stable with steady growth especially in the retail sector. The economic growth driver will be weighted more on the domestic demand in the PRC. Therefore, we have confident that the Group will continue to be formulate its operating strategies in order to capture the economic benefits by the growth in domestic consumptions stimulated by the strong anticipated GDP growth in the PRC and in Hong Kong. As such, for our two retail focused business segments, the Apparel and related accessories segment and the On-line shopping and advertising segment, we will deploy our resources effectively to seize the business opportunities and secure our major future income sources.

As for our Swimwear segment, the Group is now diversifying its customers based from the US and Europe to the emerging and dynamic markets like the Middle East and Asian countries in order to diversify the risk and impact from the European market. We also believe that these emerging markets are fast-growing and their international trade and capital growth will be the mega trend in the next decade. Meanwhile, the Group is studying the feasibility to establish a new factory in one of the Asian countries in future to cope with the possible expansion of the Swimwear segment.

The development of our On-line shopping and advertising segment enters into a mature stage. In the coming year, our group purchase web-site, Babybamboo, keeps on expanding and collaborates with several strategic partners, such as mobile application developer, for further development, especially focusing on the food & beverage industry. We will strengthen our competitive edges through assisting the marketing promotion for our clients and, for instance, by providing mobile application, included Android and IOS, to our merchants. With the increasing market share, we strongly believe there will be a significant sales enhancement in the coming year. We will also provide multi-media and marketing services in order to fulfill the market need for our clients.

For the on-line services business, we have already equipped ourselves with an information system for logistics and stock management. Strategic partnership and solid facilities would be an advantage for us to further expand in future.

DISCLOSURE OF INTERESTS

Interests in Securities of Directors and Chief Executive

As at 31 March 2012, 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 interests	Approximate percentage of issued share capital (Note 1)
Mr. Lau Chi Yuen, Joseph ("Mr. Lau")	606,400,000 (Note 2)	Interest of a controlled corporation	Corporate	19.58%

Notes:

- The percentage of issued share capital had been arrived at on the basis of a total of 3,097,093,296 Shares in issue as at 31 March 2012.
- These shares are held by JL Investments Capital Limited, which is wholly-owned by Mr. Lau. Mr. Lau is therefore deemed to be interested in the shares held by JL Investments Capital Limited.

Save as disclosed above, as at 31 March 2012, 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 2012, 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 2012, no option was outstanding under the New Share Option Scheme (At 31 March 2011: 26.824 million). 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.

Details of the share options granted by the Company pursuant to the New Share Option Scheme and the options outstanding as at 31 March 2012 were as follows:

Grantees	Date granted	Balance as at 1 January 2012 '000	Lapsed during the period '000	Balance as at 31 March 2012 '000	Period during which the options are exercisable	Exercise price per share
Consultants	30 May 2008	<u>26,824</u>	<u>(26,824)</u>	<u>-</u>	30 May 2008 to 17 March 2017	HK\$0.46

Interests in Securities of Substantial Shareholders

As far as was known to any Director or chief executive of the Company, as at 31 March 2012, 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 4)
JL Investments Capital Limited	606,400,000	Corporate	19.58%
Mr. Lau	606,400,000 (Note 1)	Individual	19.58%
Senrigan Capital Group Limited on behalf of Senrigan Master Fund	292,000,000 (Note 2)	Corporate	9.43%
Big Good Management Limited	563,333,333	Corporate	18.19%
Mr. Ma Hoi Cheuk ("Mr. Ma")	563,333,333 (Note 3)	Individual	18.19%

Notes:

1. see Note 2 on page 20.
2. These shares are held by Senrigan Capital Group Limited on behalf of Senrigan Master Fund.
3. 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.
4. see Note 1 on page 20.

Save as disclosed above, as at 31 March 2012, the Directors were not aware of any other person who had an interest or short positions in the shares or underlying shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

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

Name of Shareholder	Number of Shares	Type of interests	Approximate percentage of issued share capital (%) <i>(Note 1)</i>
Big Good Management Limited	1,103,333,333 <i>(Note 3)</i>	Corporate	35.62%
Mr. Ma	1,103,333,333 <i>(Note 2)</i>	Individual	35.62%

Notes:

1. see Note 1 on page 20.
2. see Note 3 on page 23.
3. Big Good Management Limited was the holder of 1,103,333,333 convertible non-voting preference shares 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 2012, 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 2012, any business or interest of each Director, substantial shareholder and management shareholder (as defined in the GEM Listing Rules) and their respective associates that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

AUDIT COMMITTEE

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

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

The audit committee has reviewed the Group's unaudited results for the three months ended 31 March 2012.

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 Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules except provision A.4.1 of the CG Code as detailed below:

Code Provision A.4.1

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors of the Company have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the three months ended 31 March 2012.

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, 14 May 2012