



# 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>

INTERIM  
REPORT  
2012



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

**GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock 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.**

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*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\$162,205,000 for the six months ended 30 June 2012 representing approximately 122% increase over the corresponding period of 2011.
- The Group's total gross profit amounted to approximately HK\$90,892,000 for the six months ended 30 June 2012 whereas the total gross profit of approximately HK\$9,848,000 in the corresponding period of 2011.
- The Group has recorded unaudited loss attributable to owners of the Company for the six months ended 30 June 2012 of approximately HK\$4,902,000 representing a basic loss per share of HK0.16 cent.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012.
- The Group has a sound financial position with bank and cash balances of approximately HK\$111,963,000 as at 30 June 2012.

## CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2012

		(Unaudited)			
		Three months ended		Six months ended	
		30 June		30 June	
		2012	2011	2012	2011
Note		<i>HK\$'000</i>	<i>HK\$'000</i> (restated)	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)
<b>Continuing operations</b>					
<b>Turnover</b>	6	<b>61,487</b>	21,930	<b>162,205</b>	24,212
Cost of sales and service rendered		<u>(27,914)</u>	<u>(15,069)</u>	<u>(71,313)</u>	<u>(16,203)</u>
<b>Gross profit</b>		<b>33,573</b>	6,861	<b>90,892</b>	8,009
Other income		<b>4,501</b>	1,772	<b>9,102</b>	1,862
Impairment of goodwill		-	-	-	(250,206)
Selling expenses		<b>(19,774)</b>	-	<b>(39,858)</b>	-
Administrative expenses		<b>(35,704)</b>	(13,944)	<b>(63,011)</b>	(24,117)
<b>Loss from operations</b>		<b>(17,404)</b>	(5,311)	<b>(2,875)</b>	(264,452)
Finance costs	7	<b>(1,089)</b>	(574)	<b>(2,643)</b>	(636)
<b>Loss before tax</b>		<b>(18,493)</b>	(5,885)	<b>(5,518)</b>	(265,088)
Income tax credit/(expense)	8	<b>2,817</b>	(327)	<b>(2,888)</b>	(327)
<b>Loss for the period from continuing operations</b>		<b>(15,676)</b>	(6,212)	<b>(8,406)</b>	(265,415)
<b>Discontinued operation</b>					
Loss for the period from discontinued operation	9	-	(3,446)	-	(2,934)
<b>Loss for the period</b>	10	<b>(15,676)</b>	(9,658)	<b>(8,406)</b>	(268,349)

		(Unaudited)			
		Three months ended		Six months ended	
		30 June		30 June	
		2012	2011	2012	2011
Note		<i>HK\$'000</i>	<i>HK\$'000</i> (restated)	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)
<b>Attributable to:</b>					
Owners of the Company					
	Loss from continuing operations	<b>(10,612)</b>	(5,419)	<b>(4,902)</b>	(264,065)
	Loss from discontinued operation	<u>          -</u>	<u>(3,446)</u>	<u>          -</u>	<u>(2,934)</u>
	Loss attributable to owners of the Company	<b><u>(10,612)</u></b>	<b><u>(8,865)</u></b>	<b><u>(4,902)</u></b>	<b><u>(266,999)</u></b>
Non-controlling interests					
	Loss from continuing operations	<b><u>(5,064)</u></b>	<u>(793)</u>	<b><u>(3,504)</u></b>	<u>(1,350)</u>
	Loss attributable to non-controlling interests	<b><u>(5,064)</u></b>	<u>(793)</u>	<b><u>(3,504)</u></b>	<u>(1,350)</u>
		<b><u>(15,676)</u></b>	<b><u>(9,658)</u></b>	<b><u>(8,406)</u></b>	<b><u>(268,349)</u></b>
<b>Loss per share</b>					
From continuing and discontinued operations					
	Basic	<b><u>HK(0.33) cent</u></b>	<u>HK(0.38) cent</u>	<b><u>HK(0.16) cent</u></b>	<u>HK(12.17) cents</u>
	Diluted	<b><u>N/A</u></b>	<u>N/A</u>	<b><u>N/A</u></b>	<u>N/A</u>
From continuing operations					
	Basic	<b><u>HK(0.33) cent</u></b>	<u>HK(0.23) cent</u>	<b><u>HK(0.16) cent</u></b>	<u>HK(12.04) cents</u>
	Diluted	<b><u>N/A</u></b>	<u>N/A</u>	<b><u>N/A</u></b>	<u>N/A</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	(Unaudited)			
	Three months ended		Six months ended	
	30 June		30 June	
	2012	2011	2012	2011
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
			(restated)	
<b>Loss for the period</b>	<b>(15,676)</b>	(9,658)	<b>(8,406)</b>	(268,349)
<b>Other comprehensive income:</b>				
Exchange differences on translating foreign operations	-	1	<b>(81)</b>	588
<b>Other comprehensive income for the period, net of tax</b>	<b>-</b>	1	<b>(81)</b>	588
<b>Total comprehensive income for the period</b>	<b>(15,676)</b>	(9,657)	<b>(8,487)</b>	(267,761)
<b>Attributable to:</b>				
Owners of the Company	<b>(10,612)</b>	(8,864)	<b>(4,983)</b>	(266,411)
Non-controlling interests	<b>(5,064)</b>	(793)	<b>(3,504)</b>	(1,350)
	<b>(15,676)</b>	(9,657)	<b>(8,487)</b>	(267,761)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

		(Unaudited) 30 June 2012 <i>HK\$'000</i>	(Audited) 31 December 2011 <i>HK\$'000</i>
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment	13	10,684	11,772
Long term prepayments		–	1,800
Goodwill	14	484,296	484,296
Trademark	15	10,400	–
Available-for-sale financial assets		–	–
Club debenture		205	205
		<u>505,585</u>	<u>498,073</u>
<b>Current assets</b>			
Inventories		62,046	77,196
Trade and other receivables	16	46,342	56,019
Pledged bank deposits		8,256	6,248
Bank and cash balances		111,963	78,516
		<u>228,607</u>	<u>217,979</u>
<b>Current liabilities</b>			
Trade and other payables	17	127,170	71,375
Promissory notes		–	12,400
Convertible bonds		–	12,276
Bank and other loans		37,397	44,895
Finance lease payables		65	65
Employee benefit obligations		4,392	4,885
Current tax liabilities		11,413	8,933
		<u>180,437</u>	<u>154,829</u>
<b>Net current assets</b>		<u>48,170</u>	<u>63,150</u>
<b>Total assets less current liabilities</b>		<u>553,755</u>	<u>561,223</u>

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2012</b>	2011
<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current liabilities</b>		
Promissory notes	<b>41,163</b>	40,112
Finance lease payables	<b>158</b>	190
Deferred tax liabilities	<b>225</b>	225
	<b>41,546</b>	40,527
<b>NET ASSETS</b>	<b>512,209</b>	520,696
<b>Capital and reserves</b>		
Share capital	<b>334,354</b>	350,354
Reserves	<b>175,318</b>	164,301
Equity attributable to owners of the Company	<b>509,672</b>	514,655
Non-controlling interests	<b>2,537</b>	6,041
<b>TOTAL EQUITY</b>	<b>512,209</b>	520,696



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	(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	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	-	-	588	-	-	-	-	(266,999)	(266,411)	(1,350)	(267,761)
Acquisition of subsidiaries	262,698	234,074	-	-	-	-	1,190	-	497,962	11,327	509,289
Conversion of convertible non-voting preference shares into ordinary shares	(38,000)	38,000	-	-	-	-	-	-	-	-	-
Changes in equity for the period	224,698	272,074	588	-	-	-	1,190	(266,999)	231,551	9,977	241,528
At 30 June 2011	326,601	465,752	3,613	19,169	4,270	150	1,190	(385,566)	435,179	4,682	439,861
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)	-	-	-	-	(4,902)	(4,983)	(3,504)	(8,487)
Share options lapsed	-	-	-	-	(4,270)	-	-	4,270	-	-	-
Conversion of convertible non-voting preference shares into ordinary shares	(16,000)	16,000	-	-	-	-	-	-	-	-	-
Repayment of convertible bonds	-	-	-	-	-	-	(1,190)	1,190	-	-	-
Changes in equity for the period	(16,000)	16,000	(81)	-	(4,270)	-	(1,190)	558	(4,983)	(3,504)	(8,487)
At 30 June 2012	334,354	611,332	(169)	8	1,364	150	-	(437,367)	509,672	2,537	512,209

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	(Unaudited)	
	Six months ended	
	30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(2,109)</b>	(2,836)
Purchases of property, plant and equipment	<b>(2,074)</b>	(358)
Other investing cash flows (net)	<b>(10,300)</b>	24,128
<b>NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES</b>	<b>(12,374)</b>	23,770
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>48,002</b>	–
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>33,519</b>	20,934
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>78,516</b>	40,603
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>(72)</b>	577
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY</b>	<b>111,963</b>	62,114
Bank and cash balances	<b>111,963</b>	62,114

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 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.

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.

### 2. Basis of preparation and accounting policies

These 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 condensed 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 financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2011.

### 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 year beginning on 1 January 2012. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

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

**4. Change in accounting estimates**

***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 six months ended 30 June 2011. An allowance for impairment of goodwill of approximately HK\$254,853,000 was made in the financial statements of the Group for the six months ended 30 June 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\$4,647,000 to HK\$250,206,000 for the year ended 31 December 2011.

Change in accounting estimates resulted in changes in the consolidated amounts reported in the financial statements as follows:

	<b>(Unaudited)</b>	
	<b>30 June</b>	30 June
	<b>2012</b>	2011
	<b>HK\$'000</b>	<b>HK\$'000</b>
Decrease in goodwill	–	4,647
Decrease in impairment of goodwill and decrease in loss for the period	–	4,647
Decrease in loss for the period attributable to owners of the Company	–	4,647
Decrease in accumulated losses	–	4,647
Decrease in loss per share ( <i>HK cent</i> )	–	0.21

**5. Segment information**

The Group has four 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
Ceramic blanks and ferrules	–	Manufacturing and trading of ceramic blanks and ferrules (discontinued operation)
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.

Segment profits or losses do not include other income, finance costs, impairment of goodwill and corporate administrative and other operating expenses. Segment assets do not include club debenture, goodwill and other assets for general administrative use.

	Swimwear <i>HK\$'000</i>	Apparel and related accessories <i>HK\$'000</i>	(Unaudited) Ceramic blanks and ferrules (discontinued operation) <i>HK\$'000</i>	On-line shopping and advertising <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2012:					
Revenue from external customers	52,739	97,472	–	11,994	162,205
Segment profit/(loss)	7,239	(9,244)	–	(7,085)	(9,090)
As at 30 June 2012:					
Segment assets	<u>38,122</u>	<u>115,598</u>	<u>–</u>	<u>9,148</u>	<u>162,868</u>
Six months ended 30 June 2011:					
Revenue from external customers	18,515	–	48,974	5,697	73,186
Segment profit/(loss)	1,246	–	(2,896)	(5,243)	(6,893)
			(Audited)		
As at 31 December 2011:					
Segment assets	<u>46,626</u>	<u>128,735</u>	<u>–</u>	<u>10,354</u>	<u>185,715</u>

<b>(Unaudited)</b>	
<b>Six months ended</b>	
<b>30 June</b>	
<b>2012</b>	2011
<b>HK\$'000</b>	<i>HK\$'000</i>
	(restated)

**Reconciliation of segment profit or loss:**

Total profit or loss of reportable segments	<b>(9,090)</b>	(6,893)
Impairment of goodwill	-	(250,206)
Other profit or loss	<b>684</b>	(11,250)
Elimination of discontinued operation	-	2,934
	<hr/>	<hr/>
Consolidated loss for the period from continuing operations	<b>(8,406)</b>	(265,415)
	<hr/>	<hr/>
	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2012</b>	2011
	<b>HK\$'000</b>	<i>HK\$'000</i>

**Reconciliation of segment assets:**

Total assets of reportable segments	<b>162,868</b>	185,715
Goodwill	<b>484,296</b>	484,296
Club debenture	<b>205</b>	205
Other assets	<b>86,823</b>	45,836
	<hr/>	<hr/>
Consolidated total assets	<b>734,192</b>	716,052
	<hr/>	<hr/>

**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	
	30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of goods	150,211	67,489
On-line shopping, advertising and media related service income	<u>11,994</u>	<u>5,697</u>
	<u>162,205</u>	<u>73,186</u>
Representing:		
Continuing operations	162,205	24,212
Discontinued operation ( <i>note 9</i> )	<u>–</u>	<u>48,974</u>
	<u>162,205</u>	<u>73,186</u>

**7. Finance costs**

	(Unaudited)	
	Six months ended	
	30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance lease charges	8	–
Interest on bank loans	883	–
Interest on other loans	373	–
Interest on convertible bonds	224	–
Interest on promissory notes	<u>1,155</u>	<u>636</u>
	<u>2,643</u>	<u>636</u>
Representing:		
Continuing operations	<u>2,643</u>	<u>636</u>



**8. Income tax expense/(credit)**

	(Unaudited)	
	Six months ended	
	30 June	
	2012	2011
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	2,544	–
Current tax – People’s Republic of China (“PRC”)		
Enterprise Income Tax		
Provision for the period	344	1,846
Deferred tax	–	(1,752)
	<u>2,888</u>	<u>94</u>
Representing:		
Continuing operations	2,888	327
Discontinued operation ( <i>note 9</i> )	–	(233)
	<u>2,888</u>	<u>94</u>

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the six months ended 30 June 2012. No provision for Hong Kong Profits Tax was made for the six months ended 30 June 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.

**9. 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 loss for the period from the discontinued operation is analysed as follows:

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Turnover (note 6)	–	48,974
Cost of sales	–	(47,135)
Gross profit	–	1,839
Administrative expenses	–	(38)
Other operating expenses	–	(4,968)
Loss before tax	–	(3,167)
Income tax credit (note 8)	–	233
Loss for the period	–	(2,934)

#### 10. Loss for the period

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

	<b>(Unaudited)</b>					
	<b>Continuing operations</b>		<b>Discontinued operation</b>		<b>Total</b>	
	<b>2012</b>	2011	<b>2012</b>	2011	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Interest income	(173)	(6)	–	–	(173)	(6)
Depreciation	3,146	278	–	9,868	3,146	10,146
Directors' remuneration	2,359	1,936	–	–	2,359	1,936
Allowance for inventories	1,086	–	–	5,870	1,086	5,870
Allowance for other receivable	5,000	–	–	–	5,000	–
Gain on disposal of property, plant and equipment	(28)	–	(28)	–	(28)	–

**11. Loss per share**

**(a) From continuing and discontinued operations**

**For the six months ended 30 June 2012**

*Basic loss per share*

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK\$4,902,000 (2011 (restated): HK\$266,999,000) and the weighted average number of ordinary shares of 3,160,032,856 (2011: 2,193,713,039) in issue during the period.

*Diluted loss per share*

As the exercise of the Group's outstanding convertible bonds, convertible non-voting preference shares and options issued by a non wholly-owned subsidiary for the six months ended 30 June 2012 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's share options, no diluted loss per share was presented for both periods.

**For the three months ended 30 June 2012**

*Basic loss per share*

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK\$10,612,000 (2011 (restated): HK\$8,865,000) and the weighted average number of ordinary shares of 3,222,972,417 (2011: 2,347,659,740) in issue during the period.

*Diluted loss per share*

As the exercise of the Group's outstanding convertible bonds, convertible non-voting preference shares and options issued by a non wholly-owned subsidiary for the three months ended 30 June 2012 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's share options, no diluted loss per share was presented for both periods.

**(b) From continuing operations**

**For the six months ended 30 June 2012**

*Basic loss per share*

The calculation of basic loss per share from continuing operations attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK\$4,902,000 (2011 (restated): HK\$264,065,000) and the denominator used is the same as that detailed above for basic loss per share from continuing and discontinued operations.

*Diluted loss per share*

As the exercise of the Group's outstanding convertible bonds, convertible non-voting preference shares and options issued by a non wholly-owned subsidiary for the six months ended 30 June 2012 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's share options, no diluted loss per share was presented for both periods.

**For the three months ended 30 June 2012**

*Basic loss per share*

The calculation of basic loss per share from continuing operations attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK\$10,612,000 (2011 (restated): HK\$5,419,000) and the denominator used is the same as that detailed above for basic loss per share from continuing and discontinued operations.

*Diluted loss per share*

As the exercise of the Group's outstanding convertible bonds, convertible non-voting preference shares and options issued by a non wholly-owned subsidiary for the three months ended 30 June 2012 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's share options, no diluted loss per share was presented for both periods.

**(c) From discontinued operation**

**For the six months ended 30 June 2012**

Because there was no discontinued operation during the six months ended 30 June 2012, no basic or diluted loss per share from discontinued operation was presented for the six months ended 30 June 2012.

Basic loss per share from the discontinued operation for the six months ended 30 June 2011 is HK0.13 cent per share, based on the loss for the period from discontinued operation attributable to owners of the Company of approximately HK\$2,934,000 and the denominator used is the same as that detailed above for basic loss per share from continuing and discontinued operations.

As the exercise of the Group's outstanding convertible non-voting preference shares for the six months ended 30 June 2011 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's share options, no diluted loss per share for discontinued operation was presented for the six months ended 30 June 2011.

**For the three months ended 30 June 2012**

Because there was no discontinued operation during the three months ended 30 June 2012, no basic or diluted loss per share from discontinued operation was presented for the three months ended 30 June 2012.

Basic loss per share from the discontinued operation for the three months ended 30 June 2011 is HK0.15 cent per share, based on the loss for the period from discontinued operation attributable to owners of the Company of approximately HK\$3,446,000 and the denominator used is the same as that detailed above for basic 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 30 June 2011 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's share options, no diluted loss per share for discontinued operation was presented for the three months ended 30 June 2011.

**12. Dividend**

The directors do not recommend the payment of dividend for the six months ended 30 June 2012 (2011: HK\$Nil).

**13. Property, plant and equipment**

During the six months ended 30 June 2012, the Group acquired property, plant and equipment of approximately HK\$2,074,000.

**14. Goodwill**

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2012</b>	2011
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Cost</b>		
At beginning of period/year	<b>745,102</b>	75,343
Acquisition of Easy Time	–	640,966
Acquisition of Charmston (Holdings) Limited ("Charmston")	–	28,793
	<u><b>745,102</b></u>	<u>745,102</u>
At end of period/year	<b>745,102</b>	745,102
<b>Accumulated impairment losses</b>		
At beginning of period/year	<b>260,806</b>	–
Impairment loss recognised during the period/year	–	260,806
	<u><b>260,806</b></u>	<u>260,806</u>
At end of period/year	<b>260,806</b>	260,806
<b>Carrying amount</b>		
At beginning of period/year	<b>484,296</b>	75,343
	<u><b>484,296</b></u>	<u>75,343</u>
At end of period/year	<b>484,296</b>	484,296
	<u><b>484,296</b></u>	<u>484,296</u>

**15. Trademark**

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
<b>Cost</b>		
Acquisition in the period and at end of period	<u><b>10,400</b></u>	<u>–</u>

The cost of trademark is composed of purchase consideration of HK\$8,500,000 paid to the vendor and capitalisation of prepaid licence fees of approximately HK\$1,900,000.

**16. Trade and other receivables**

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Trade and bills receivables	<b>15,317</b>	23,830
Prepayments, deposits and other receivables	<u><b>31,025</b></u>	<u>32,189</u>
	<u><b>46,342</b></u>	<u>56,019</u>

The Group normally allows credit terms to customers except for retail customers ranging from 30 to 75 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:

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Current to 30 days	<b>7,321</b>	14,084
31 – 90 days	<b>3,908</b>	6,066
91 – 180 days	<b>1,626</b>	2,266
Over 180 days	<b>2,462</b>	1,414
	<b>15,317</b>	23,830

**17. Trade and other payables**

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Trade payables	<b>9,571</b>	22,109
Due to a director	–	3,000
Due to a substantial shareholder	–	4,495
Other payables	<b>117,599</b>	41,771
	<b>127,170</b>	71,375

The amounts due to a director and a substantial shareholder are unsecured, interest-free and have no fixed terms of payment.

Included in other payables, there is approximately HK\$81,427,000 (2011: HK\$Nil) received in advance from right issue.



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

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Current to 30 days	<b>4,446</b>	7,295
31 – 90 days	<b>3,677</b>	10,758
91 – 180 days	<b>1,234</b>	3,868
Over 180 days	<b>214</b>	188
	<b>9,571</b>	22,109

**18. Share capital**

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
<b>Authorised:</b>		
14,000,000,000 ordinary shares of HK\$0.05 each	<b>700,000</b>	700,000
2,000,000,000 convertible non-voting preference shares of HK\$0.15 each	<b>300,000</b>	300,000
	<b>1,000,000</b>	1,000,000

**Issued and fully paid:**

3,257,093,296 (At 31 December 2011: 3,097,093,296) ordinary shares of HK\$0.05 each	<b>162,854</b>	154,854
1,143,333,333 (At 31 December 2011: 1,303,333,333) convertible non-voting preference shares of HK\$0.15 each	<b>171,500</b>	195,500
	<b>334,354</b>	350,354

A summary of the movements in the issued share capital of the Company during the year ended 31 December 2011 and the six months ended 30 June 2012 is as follows:

	<i>Note</i>	<b>Number of ordinary shares of HK\$0.05 each '000</b>	<b>Number of convertible non-voting preference shares of HK\$0.15 each '000</b>	<b>Par value HK\$'000</b>
At 1 January 2011		2,038,056	–	101,903
Issue of shares for acquisition of Easy Time	(a)	533,333	1,733,333	286,666
Issue of shares for acquisition of Charmston	(b)	53,957	–	2,698
Issue of commencement fee shares	(c)	11,236	–	562
Issue of new shares	(c)	30,511	–	1,525
Conversion of convertible non-voting preference shares	(d)	<u>430,000</u>	<u>(430,000)</u>	<u>(43,000)</u>
At 31 December 2011 and 1 January 2012		3,097,093	1,303,333	350,354
Conversion of convertible non-voting preference shares	(d)	<u>160,000</u>	<u>(160,000)</u>	<u>(16,000)</u>
At 30 June 2012		<u>3,257,093</u>	<u>1,143,333</u>	<u>334,354</u>

*Notes:*

- (a) On 31 March 2011, 1,733,333,333 new convertible non-voting preference shares of HK\$0.15 each were issued as part of the consideration for the acquisition of the entire issued share capital of Easy Time. The fair value of the convertible non-voting preference shares, at the date of issue, was approximately HK\$485,333,000. An amount of approximately HK\$225,333,000 was credited to the share premium account.

On 28 December 2011, 533,333,333 new ordinary shares of HK\$0.05 each were issued as part of the consideration for the acquisition of the entire issued share capital of Easy Time. The fair value of those 533,333,333 ordinary shares issued was determined by reference to the published share price of HK\$0.280 at the date of acquisition of Easy Time.

- (b) On 30 June 2011, 53,956,835 new ordinary shares of HK\$0.05 each were issued as part of the consideration for the acquisition of a 51% equity interest in Charmston. The fair value of those 53,956,835 ordinary shares issued was determined by reference to the published share price of HK\$0.212 at the date of acquisition of Charmston.
- (c) On 17 May 2011, the Company and SpringTree Special Opportunities Fund, LP (the "Investor") entered into a share subscription agreement (the "Subscription Agreement") in relation to the subscription of the shares in the Company up to a total amount of HK\$165,000,000. Pursuant to the Subscription Agreement, the Company paid the Investor a non-refundable commencement fee in the amount of 1.3% of the aggregate amount of the investment under the Subscription Agreement, to be satisfied by way of issuance of 11,236,249 ordinary shares credited as fully paid to the Investor on 10 August 2011.

On 11 August 2011, the Investor subscribe for 30,511,060 new ordinary shares of HK\$0.05 each. The subscription was completed on 8 September 2011. The net proceed of approximately HK\$4,000,000 was used as general working capital of the Group. The shares rank *pari passu* in all respects with the ordinary shares of the Company in issue on the date of allotment.

The Company also granted to the Investor 20,000,000 options to purchase shares in the Company at HK\$0.293 per share. Each option shall be exercisable at any time after the time of its grant and prior to the date that is 36 calendar months after the payment of the first tranche of shares issued in relation to the Subscription Agreement, after which time it will lapse.

The Subscription Agreement was terminated on 22 September 2011.

- (d) During the six months ended 30 June 2012, 160,000,000 (Year ended 31 December 2011: 430,000,000) ordinary shares of HK\$0.05 each were issued as a result of the conversion of 160,000,000 (Year ended 31 December 2011: 430,000,000) convertible non-voting preference shares.

## 19. 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 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 October to February each year. 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.

**20. Contingent liabilities**

The Group did not have any significant contingent liabilities at 30 June 2012 (At 31 December 2011: HK\$Nil).

**21. Capital commitments**

The Group did not have any significant capital commitments at 30 June 2012. (At 31 December 2011: HK\$Nil).

**22. Lease commitments**

**(a) Lease commitments**

At 30 June 2012 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>29,626</b>	21,923
In the second to fifth years inclusive	<b>29,296</b>	27,114
After five years	–	2,558
	<b>58,922</b>	51,595

**(b) Licensing arrangements**

At 30 June 2012 the Group had total distribution right fee income receivables in respect of licensing arrangements of approximately HK\$4,258,000 (At 31 December 2011: HK\$8,535,000) which were receivable within one year.

**(c) Royalty payments**

At 30 June 2012 the total future minimum royalty payments under non-cancellable contracts are payables as follows:

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>13,296</b>	5,351
In the second to fifth years inclusive	<b>45,862</b>	19,483
After five years	<b>536,994</b>	—
	<b>596,152</b>	24,834

**23. Events after the reporting period**

(a) 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 net proceed of approximately HK\$78,500,000 will be used for general working capital purposes, including but not limited to, for the expansion of the Group's businesses and operations; and/or to establish of new manufacturing facilities; and/or to acquire new office premises; and/or financing investment, as and when suitable opportunities arise. The shares rank pari passu in all respects with the ordinary shares of the Company in issue on that date.

(b) On 26 July 2012, Truetop Development Limited, an independent third party, had exercised its option right to acquire 20% of the share capital of Top Achiever Investments Limited ("Top Achiever"), a non wholly-owned subsidiary of the Company, from the Group at a consideration of HK\$156. Top Achiever and its subsidiaries is engaged in sale of fashion apparel products under the brand names of "Gay Giano", "Cour Carré" and "Due G". Since the disposal was completed on 26 July 2012, there is not sufficient time for management to prepare the financial statements of the disposed subsidiaries and the disclosure of gain/loss on disposal would be impracticable.

**24. Approval of financial statements**

The financial statements were approved and authorised for issue by the Board of Directors on 14 August 2012.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Change of Company 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 the Chinese name of the Company from “中郵電貿(控股)有限公司” to “薈萃國際(控股)有限公司”. The change of name of the Company took effect on 11 May 2012.

### 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 six months ended 30 June 2012 (“the Current Period”), loss attributable to owners of the Company (including continuing and discontinued operations) was approximately HK\$4,902,000 (six months ended 30 June 2011: (restated) loss of HK\$266,999,000). The improvement was mainly due to impairment of goodwill of approximately HK\$250,206,000 arising from acquisition of Easy Time Trading Limited, difference between the business value from valuation report and the fair values of consideration was made in the last period and no such impairment of goodwill is made in the Current Period. Gross profit (including continuing and discontinued operations) for the Current Period was approximately HK\$90,892,000 (six months ended 30 June 2011: HK\$9,848,000), representing an increase of approximately 823% over the corresponding period in 2011.

For the Current Period, the Group's unaudited total turnover (including continuing and discontinued operations) amounted to approximately HK\$162,205,000 (six months ended 30 June 2011: HK\$73,186,000) representing an increase of approximately 122% increase over the corresponding period in 2011. 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\$52,739,000 (six months ended 30 June 2011: HK\$18,515,000). Turnover increased during the Current Period was mainly contributed by Easy Time Trading Limited ("Easy Time") and its subsidiaries, which the Group acquired on 31 March 2011. Gross profit for the Current Period was approximately HK\$17,913,000 (six months ended 30 June 2011: HK\$5,430,000).

***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\$97,472,000 (six months ended 30 June 2011: HK\$Nil). Turnover during the Current Period was mainly contributed by Charmston (Holdings) Limited ("Charmston") and its subsidiaries, which the Group acquired on 30 June 2011. Gross profit for the Current Period was approximately HK\$69,665,000 (six months ended 30 June 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\$11,994,000 (six months ended 30 June 2011: HK\$5,697,000). Gross profit for the Current Period was approximately HK\$3,314,000 (six months ended 30 June 2011: HK\$2,579,000).

***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 (six months ended 30 June 2011: HK\$48,974,000). This operating segment was discontinued on 9 December 2011.

### **Interim dividend**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: HK\$Nil).

### **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\$662,000 and HK\$217,000 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\$4,090,000.

Mr. Lee Tang Kit, Philip, is a connected person of the Company by virtue of his beneficial interest 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 sale of Tonino Lamborghini products and lease of 8 self-operated retail stores constituted connected transactions of the Company under the Rules Governing of the Listing of Securities on the Growth Enterprise Market of the Stock Exchange ("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 30 June 2012, the Group had net current assets of approximately HK\$48,170,000 (At 31 December 2011: HK\$63,150,000). The current assets comprised bank balances and cash of approximately HK\$111,963,000 (At 31 December 2011: HK\$78,516,000), pledged bank deposits of approximately HK\$8,256,000 (At 31 December 2011: HK\$6,248,000), trade and other receivables of approximately HK\$46,342,000 (At 31 December 2011: HK\$56,019,000) and inventories of approximately HK\$62,046,000 (At 31 December 2011: HK\$77,196,000). The current liabilities comprised trade and promissory note payables, convertible bonds, bank loans, accrued charges and other payables of approximately HK\$180,437,000 (At 31 December 2011: HK\$154,829,000).

As at 30 June 2012, the Group had no significant exposure to fluctuations in exchange rates and any related hedges.

As at 30 June 2012, the Group had total assets of approximately HK\$734,192,000 (At 31 December 2011: HK\$716,052,000). As at 30 June 2012, the Group had short term borrowings of approximately HK\$37,462,000 (At 31 December 2011: HK\$69,636,000) and long term borrowings of approximately HK\$41,321,000 (At 31 December 2011: HK\$40,302,000). As at 30 June 2012, the Group has a current ratio of approximately 1.27 comparing to that of 1.41 as at 31 December 2011. As at 30 June 2012, the Group's gearing ratio of 21% was calculated as net debt divided by total equity (At 31 December 2011: 22%). 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**

During the six months ended 30 June 2012, 160,000,000 ordinary shares of HK\$0.05 each were issued as a result of the conversion of 160,000,000 convertible non-voting preference shares. As at 30 June 2012, the total number of issued ordinary shares were 3,257,093,296 of HK\$0.05 each (At 31 December 2011: 3,097,093,296) and total number of issued convertible non-voting preference shares were 1,143,333,333 of HK\$0.15 each (At 31 December 2011: 1,303,333,333).

### **Acquisition of Trade Marks**

On 21 June 2012, the Group has entered into agreement with an independent third party (the "Seller") to acquire the trade mark namely "Gay Giano", "Cour Carré" and "Due G" registered in the names of the Seller in Hong Kong and PRC ("Trade Marks") at a consideration of HK\$8,500,000 in cash and terminated the licence agreement dated 13 July 2011 made between the Seller and the Group relating to the grant of the license to use the Trade Marks (the "Licence Agreement"). The Group shall pay a sum of HK\$1,500,000 in cash to the Seller being payment in lieu of performing the Group's minimum purchase obligation under the Licence Agreement prior to its termination.

### **Employees and Remuneration Policy**

As at 30 June 2012, the Group had 574 full time employees (At 31 December 2011: 575). The staff costs, including directors' remuneration, were approximately HK\$39,241,000 (Six months ended 30 June 2011: HK\$16,676,000). The Group offers a comprehensive remuneration package and benefits to its full time employees in compliance with the regulations in Hong Kong and the 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 30 June 2012, the Group did not have any material contingent liabilities.

As at 30 June 2012, the Company has issued a guarantee of approximately HK\$20,650,000 (At 31 December 2011: HK\$Nil) to a bank in respect of a banking facility granted to a subsidiary.

### Charge on Assets

As at 30 June 2012, (i) the Group has pledged property, plant and equipment with the net carrying amount of approximately HK\$183,000 (At 31 December 2011: HK\$229,000) to secure the finance lease payables of approximately HK\$223,000 (At 31 December 2011: HK\$255,000); and (ii) the Group has pledged bank deposits of approximately HK\$8,256,000 (At 31 December 2011: HK\$6,248,000) to secure banking facilities granted to the Group.

### Events After the Reporting Period

- (a) 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 net proceed of approximately HK\$78,500,000 is intended to be applied by the Group for general working capital purposes, including but not limited to, for the expansion of the Group's businesses and operations such as to expand its retail sales network and/or its brands portfolio by obtaining the uses and/or distributions of additional brands and trademarks, and/or to establish new manufacturing facilities, and/or to acquire new office premises, and/or financing investment, as and when suitable opportunities arise. The shares rank pari passu in all respects with the ordinary shares of the Company in issue on that date.
- (b) On 26 July 2012, Truetop Development Limited, an independent third party, had exercised its option right to acquire 20% of the share capital of Top Achiever Investments Limited ("Top Achiever"), a non wholly-owned subsidiary of the Company, from the Group at a consideration of HK\$156. Top Achiever and its subsidiaries is engaged in sale of fashion apparel products under the brand names of "Gay Giano", "Cour Carré" and "Due G". Since the disposal was completed on 26 July 2012, there is not sufficient time for management to prepare the financial statements of the disposed subsidiaries and the disclosure of gain/loss on disposal would be impracticable.

### PROSPECT

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 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 actively looking for new customers to diversify the client base. Also, the Group is planning to upgrade its computer system. The development of our On-line shopping and advertising segment enters into a mature stage. In the coming year, our group purchase website, 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 30 June 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	18.62%

Notes:

- The percentage of issued share capital had been arrived at on the basis of a total of 3,257,093,296 Shares in issue as at 30 June 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 30 June 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 30 June 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 30 June 2012, no option was outstanding under the New Share Option Scheme (At 30 June 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 30 June 2012 were as follows:

Grantees	Date granted	Balance as at 1 January 2012 '000	Lapsed during the period '000	Balance as at 30 June 2012 '000	Period during which the options are exercisable	Exercise price per share
Consultants	30 May 2008	26,824	(26,824)	–	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 30 June 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	18.62%
Mr. Lau	606,400,000 (Note 1)	Individual	18.62%
Excel Courage Holdings Limited	203,180,000 (Note 2)	Corporate	6.24%
Mr. Wong Sin Lai ("Mr. Wong")	207,100,000 (Note 2)	Individual	6.36%
Big Good Management Limited	563,333,333	Corporate	17.29%
Mr. Ma Hoi Cheuk ("Mr. Ma")	563,333,333 (Note 3)	Individual	17.29%

#### Notes:

- see Note 2 on page 36.
- These shares comprise (i) 3,920,000 shares held by Mr. Wong as beneficial owner; and (ii) 203,180,000 shares held by Excel Courage Holdings Limited which is wholly-owned by Mr. Wong who is deemed to be interested in underlying shares held by Excel Courage Holdings Limited.
- Big Good Management Limited is wholly-owned by Mr. Ma who is deemed to be interested in underlying shares held by Big Good Management Limited.
- see Note 1 on page 36.



Save as disclosed above, as at 30 June 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	33.87%
Mr. Ma	1,103,333,333 <i>(Note 2)</i>	Individual	33.87%

*Notes:*

1. see Note 1 on page 36.
2. see Note 3 on page 39.
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 30 June 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 30 June 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 six months ended 30 June 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 (effective until 31 March 2012) and Corporate Governance Code (effective from 1 April 2012) (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 30 June 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 August 2012