



Luxey

Luxey International (Holdings) Limited

薈萃國際（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8041)

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

THIRD QUARTERLY REPORT 2012



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

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This report, for which the directors collectively and individually accept full responsibility, includes particulars given in compliance with GEM Listing Rules for the purpose of giving information with regard to the company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

HIGHLIGHTS

- The Group has recorded total unaudited turnover of approximately HK\$207,931,000 for the nine months ended 30 September 2012 representing approximately 39% increase over the corresponding period of 2011.
- The Group's gross profit amounted to approximately HK\$120,668,000 for the nine months ended 30 September 2012 whereas the gross profit of approximately HK\$45,563,000 in the corresponding period of 2011.
- The Group has recorded unaudited loss attributable to owners of the Company for the nine months ended 30 September 2012 of approximately HK\$22,345,000, representing a basic loss per share of HK0.60 cent.
- The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2012.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the nine months ended 30 September 2012

		(Unaudited)				
		Three months ended		Nine months ended		
		30 September		30 September		
		2012	2011	2012	2011	
Note		HK\$'000	HK\$'000	HK\$'000	HK\$'000	
			(restated)		(restated)	
Continuing operations						
	Turnover	5	45,726	45,892	207,931	70,104
	Cost of sales and service rendered		(15,950)	(14,241)	(87,263)	(30,444)
	Gross profit		29,776	31,651	120,668	39,660
	Other income		3,724	5,760	12,826	7,622
	Impairment of goodwill		(8,700)	–	(8,700)	(250,206)
	Selling expenses		(17,550)	(5,201)	(57,408)	(5,201)
	Administrative expenses		(27,471)	(40,343)	(90,482)	(64,460)
	Loss from operations		(20,221)	(8,133)	(23,096)	(272,585)
	Finance costs		(1,049)	(1,281)	(3,692)	(1,917)
	Loss before tax		(21,270)	(9,414)	(26,788)	(274,502)
	Income tax credit/(expense)	6	512	(2,706)	(2,376)	(3,033)
	Loss for the period from continuing operations		(20,758)	(12,120)	(29,164)	(277,535)
	Discontinued operation					
	Profit/(loss) for the period from discontinued operation	7	–	1,688	–	(1,246)
	Loss for the period	8	(20,758)	(10,432)	(29,164)	(278,781)

		(Unaudited)			
		Three months ended		Nine months ended	
		30 September		30 September	
		2012	2011	2012	2011
Note		<i>HK\$'000</i>	<i>HK\$'000</i> (restated)	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)
Attributable to:					
Owners of the Company					
	Loss from continuing operations	(17,443)	(11,317)	(22,345)	(275,382)
	Profit/(loss) from discontinued operation	–	1,688	–	(1,246)
	Loss attributable to owners of the Company	(17,443)	(9,629)	(22,345)	(276,628)
Non-controlling interests					
	Loss from continuing operations	(3,315)	(803)	(6,819)	(2,153)
	Loss attributable to non-controlling interests	(3,315)	(803)	(6,819)	(2,153)
		(20,758)	(10,432)	(29,164)	(278,781)
Loss per share					
From continuing and discontinued operations <i>9(a)</i>					
	Basic	HK0.36 cent	HK0.38 cent	HK0.60 cent	HK12.04 cents
	Diluted	N/A	N/A	N/A	N/A
From continuing operations <i>9(b)</i>					
	Basic	HK0.36 cent	HK0.45 cent	HK0.60 cent	HK11.99 cents
	Diluted	N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2012

	(Unaudited)			
	Three months ended 30 September		Nine months ended 30 September	
	2012	2011	2012	2011
	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000 (restated)
Loss for the period	(20,758)	(10,432)	(29,164)	(278,781)
Other comprehensive income:				
Exchange differences on translating foreign operations	<u>85</u>	<u>236</u>	<u>4</u>	<u>824</u>
Other comprehensive income for the period, net of tax	<u>85</u>	<u>236</u>	<u>4</u>	<u>824</u>
Total comprehensive income for the period	<u>(20,673)</u>	<u>(10,196)</u>	<u>(29,160)</u>	<u>(277,957)</u>
Attributable to:				
Owners of the Company	<u>(17,358)</u>	(9,393)	<u>(22,341)</u>	(275,804)
Non-controlling interests	<u>(3,315)</u>	<u>(803)</u>	<u>(6,819)</u>	<u>(2,153)</u>
	<u>(20,673)</u>	<u>(10,196)</u>	<u>(29,160)</u>	<u>(277,957)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the nine months ended 30 September 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	-	-	824	-	-	-	-	(276,628)	(275,804)	(2,153)	(277,957)
Acquisition of subsidiaries	262,698	234,074	-	-	-	-	1,190	-	497,962	11,331	509,293
Conversion of convertible non-voting preference shares into ordinary shares	(43,000)	43,000	-	-	-	-	-	-	-	-	-
Subscription shares	2,087	4,058	-	-	-	-	-	-	6,145	-	6,145
Changes in equity for the period	221,785	281,132	824	-	-	-	1,190	(276,628)	228,303	9,178	237,481
At 30 September 2011	323,688	474,810	3,849	19,169	4,270	150	1,190	(395,195)	431,931	3,883	435,814
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	-	-	4	-	-	-	-	(22,345)	(22,341)	(6,819)	(29,160)
Share options lapsed	-	-	-	-	(4,270)	-	-	4,270	-	-	-
Conversion of convertible non-voting preference shares into ordinary shares	(16,000)	16,000	-	-	-	-	-	-	-	-	-
Exercise of options issued by a non wholly-owned subsidiary	-	-	-	-	(1,364)	-	-	1,472	108	(108)	-
Repayment of convertible bonds	-	-	-	-	-	-	(1,190)	1,190	-	-	-
Issue of new shares under the rights issue	81,427	(2,500)	-	-	-	-	-	-	78,927	-	78,927
Changes in equity for the period	65,427	13,500	4	-	(5,634)	-	(1,190)	(15,413)	56,694	(6,927)	49,767
At 30 September 2012	415,781	608,832	(84)	8	-	150	-	(453,338)	571,349	(886)	570,463

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the nine months ended 30 September 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.

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 nine months ended 30 September 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 financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

These unaudited condensed financial statements should be read in conjunction with the 2011 annual financial statements. The accounting policies and methods of computation used in the preparation of these unaudited condensed financial statements are consistent with those used in the annual financial statements for the year ended 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 period 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 nine months ended 30 September 2011. An allowance for impairment of goodwill of approximately HK\$254,853,000 was made in the financial statements of the Group for the nine months ended 30 September 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:

	(Unaudited)	
	Nine months ended 30 September	
	2012	2011
	HK\$'000	<i>HK\$'000</i>
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. 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 are as follows:

	(Unaudited)	
	Nine months ended 30 September	
	2012	2011
	HK\$'000	<i>HK\$'000</i>
Sales of goods	190,670	137,428
On-line shopping, advertising and media related service income	17,261	11,987
	_____	_____
	207,931	149,415
Representing:		
Continuing operations	207,931	70,104
Discontinued operation (<i>note 7</i>)	–	79,311
	_____	_____
	207,931	149,415
	_____	_____

6. Income tax expense/(credit)

	(Unaudited)	
	Nine months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	1,638	3,033
Current tax – People’s Republic of China (“PRC”)		
Enterprise Income Tax		
Provision for the period	738	3,336
Deferred tax	–	(2,628)
	2,376	3,741
Representing:		
Continuing operations	2,376	3,033
Discontinued operation (<i>note 7</i>)	–	708
	2,376	3,741

Hong Kong Profits Tax has been provided at a rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the nine months ended 30 September 2012.

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

7. Discontinued operation

Pursuant to a sale and purchase agreement dated 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:

	(Unaudited)	
	Nine months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
Turnover (<i>note 5</i>)	–	79,311
Cost of sales	–	(73,408)
	<hr/>	<hr/>
Gross profit	–	5,903
Administrative expenses	–	(78)
Other operating expenses	–	(6,363)
	<hr/>	<hr/>
Loss before tax	–	(538)
Income tax expense (<i>note 6</i>)	–	(708)
	<hr/>	<hr/>
Loss for the period	–	(1,246)
	<hr/>	<hr/>

8. Loss for the period

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

	(Unaudited)					
	Nine months ended 30 September					
	Continuing operations		Discontinued operation		Total	
	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	(372)	(10)	-	-	(372)	(10)
Depreciation	4,934	2,057	-	13,805	4,934	15,862
Directors' remuneration	3,440	2,961	-	-	3,440	2,961
Allowance for inventories	1,088	-	-	5,870	1,088	5,870
Allowance for receivables	6,500	-	-	-	6,500	-
Gain on disposal of property, plant and equipment	(41)	-	-	-	(41)	-
	<u>(41)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41)</u>	<u>-</u>

9. Loss per share

(a) From continuing and discontinued operations

For the nine months ended 30 September 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\$22,345,000 (2011 (restated): HK\$276,628,000) and the weighted average number of ordinary shares of 3,727,546,575 (2011: 2,296,971,661) 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 nine months ended 30 September 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 September 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\$17,443,000 (2011 (restated): HK\$9,629,000) and the weighted average number of ordinary shares of 4,850,236,756 (2011: 2,500,121,777) in issue during the period.

Diluted loss per share

As the exercise of the Group's outstanding convertible non-voting preference shares and options issued by a non wholly-owned subsidiary for the three months ended 30 September 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 nine months ended 30 September 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\$22,345,000 (2011 (restated): HK\$275,382,000) and the denominator 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 nine months ended 30 September 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 September 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\$17,443,000 (2011 (restated): HK\$11,317,000) 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 non-voting preference shares and options issued by a non wholly-owned subsidiary for the three months ended 30 September 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 nine months ended 30 September 2012

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

Basic loss per share from the discontinued operation for the nine months ended 30 September 2011 is HK0.05 cent per share, based on the loss for the period from discontinued operation attributable to owners of the Company of approximately HK\$1,246,000 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 bonds, convertible non-voting preference shares and options issued by a non wholly-owned subsidiary for the nine months ended 30 September 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 nine months ended 30 September 2011.

For the three months ended 30 September 2012

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

Basic earnings per share from the discontinued operation for the three months ended 30 September 2011 is HK0.07 cent per share, based on the profit for the period from discontinued operation attributable to owners of the Company of approximately HK\$1,688,000 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 bonds, convertible non-voting preference shares and options issued by a non wholly-owned subsidiary for the three months ended 30 September 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 September 2011.

10. Dividend

The directors do not recommend the payment of dividend for the nine months ended 30 September 2012 (2011: Nil).

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.

Disposals and Discontinued Operation

- (a) On 27 September 2011, the Group entered into a sale and purchase agreement with 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.
- (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”. The disposal was completed on 26 July 2012.

Acquisition of Trade Marks

On 21 June 2012, the Group entered into an 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 the People’s Republic of China (“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.

Rights Issue

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\$78,900,000 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.

Financial Performance

For the nine months ended 30 September 2012 ("the Current Period"), loss attributable to owners of the Company (including continuing and discontinued operations) was approximately HK\$22,345,000 (nine months ended 30 September 2011: (restated) HK\$276,628,000). The improvement was mainly attributable to (i) decrease in allowance for impairment of goodwill. During the Current Period, allowance for impairment of goodwill of approximately HK\$2,700,000 (nine months ended 30 September 2011: (restated) HK\$250,206,000) and HK\$6,000,000 (nine months ended 30 September 2011: HK\$Nil) are made for swimwear cash-generating unit and provision of on-line shopping, advertising and media related services cash-generating unit respectively and (ii) an allowance for receivable of approximately HK\$6,500,000 is made in the Current Period (nine months ended 30 September 2011: HK\$Nil).

Gross profit (including continuing and discontinued operations) for the Current Period was approximately HK\$120,668,000 (nine months ended 30 September 2011: HK\$45,563,000), representing an increase of approximately 165% 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\$207,931,000 (nine months ended 30 September 2011: HK\$149,415,000) representing an increase of approximately 39% 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\$57,358,000 (nine months ended 30 September 2011: HK\$24,686,000). 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\$18,874,000 (nine months ended 30 September 2011: HK\$9,018,000).

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\$133,311,000 (nine months ended 30 September 2011: HK\$33,431,000). 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\$96,326,000 (nine months ended 30 September 2011: HK\$26,123,000).

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

The turnover generated from On-line shopping and advertising segment for the Current Period was approximately HK\$17,261,000 (nine months ended 30 September 2011: HK\$11,987,000). Gross profit for the Current Period was approximately HK\$5,468,000 (nine months ended 30 September 2011: HK\$4,519,000).

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 (nine months ended 30 September 2011: HK\$79,311,000). This operating segment was discontinued on 9 December 2011.

Interim dividend

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2012 (nine months ended 30 September 2011: 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 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\$785,000 and HK\$319,000 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 retail stores on behalf of the Group. During the Current Period, the total rental payments of these 8 self-operated retail stores were approximately HK\$5,424,000.

(c) Lease of a office premise

During the Current Period, the Group signed a leasing agreement with Gain Easy Development Limited for a office premise. During the Current Period, rental deposit of approximately HK\$672,000 had been paid and the total rental payment was approximately HK\$51,000.

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, Easy Harvest International Limited and Gain Easy Development Limited and he is also a director of a subsidiary of the Company. Accordingly, the sale of Tonino Lamborghini products, lease of 8 self-operated retail stores and lease of a office premise constituted connected transactions of the Company under the Rules Governing of the Listing of Securities on the Growth Enterprise Market of the Stock Exchange ("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.

PROSPECT

In view of the tough economic conditions in doing business in Hong Kong and in the PRC, the Group will continuously taking a proactive approach in controlling the cost structure and expenses for its three business segments: the Swimwear segment, Apparel and related accessories segment and On-line shopping and advertising segment.

For the Swimwear segment, due to financial turmoil in the European countries where most of our customers located at, orders from these customers will be expected to be reduced in comparing with last financial year. However, the Group is always searching for news customers in other areas like the Middle East countries in order to further diversify to rely on European customers. The Group is kicking off to upgrade the existing computer system and will implement radio frequency identification setting to improve and streamline the manufacturing process as well as enhancing productivity by providing more comprehensive information for management decision in this business segment. Like other manufacturing factories in the PRC, our factory is also facing with shortage of labour problem. The Group will always study every possibility to expand the manufacturing capacity whenever it is necessary. During the Current Period, there were some events being held to promote its swimwear business and its underwear label, Angevil.

In the Apparel and related accessories segment, the Group is operating several brands either by licensed or self-owned like Tonino Lamborghini, Cour Carré and Gay Giano, etc mainly in Hong Kong. Recently, the Group expanded its self-operated retail shops in Mega Box of Kowloon Bay. Despite, the recent decline in the purchasing power of the PRC tourists and highly competitive retail environment, in terms of discount in product retail sales price, high rental cost and wages in Hong Kong, the Group is still having faith that the situation will be turned around in the coming year. The sales for this segment is expected to increase in the coming winter especially during the Christmas holidays and before the Chinese New Year holidays. The Group expects to remain defensive during this tough operating environment and will react very quickly during up-market when economic recovery especially in the retail sector. During the Current Period, the Group moved its apparel retail head office from Wong Chuk Hang to Cheung Sha Wan which is more spacious and can provide retail outlet space at a discounted price for selling our inventories as an additional income source.

Regarding the Group's On-line shopping and advertising segment, following the decrease in customer purchasing power and change in buying behaviour, our group purchase business in the web-site, Babybamboo, is keeping on steering into the right position to best suit the needs and wants of our customers. Coupling with the ever increase in cost pressure on labour and rental, the Group is trying to reposition its group buying platform by widening our product range, apart from focusing on food and beverage business, and the Group is intending to introduce new product lines for our customers. On the other hand, the Group will also provide mobile application service, including Android as well as IOS platform, and online advertising solution for our merchants.

DISCLOSURE OF INTERESTS

Interests in Securities of Directors and Chief Executive

As at 30 September 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")	1,116,741,997 (Note 2)	Interest of a controlled corporation	Corporate	22.86%

Notes:

- The percentage of issued share capital had been arrived at on the basis of a total of 4,885,639,944 Shares in issue as at 30 September 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 September 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 September 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 September 2012, no option was outstanding under the New Share Option Scheme (At 30 September 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 September 2012 were as follows:

Grantees	Date granted	Balance as at 1 January 2012 '000	Lapsed during the period '000	Balance as at 30 September 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 September 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 3)
JL Investments Capital Limited	1,116,741,997	Corporate	22.86%
Mr. Lau	1,116,741,997 (Note 1)	Individual	22.86%
Big Good Management Limited	844,980,000	Corporate	17.29%
Mr. Ma Hoi Cheuk ("Mr. Ma")	844,980,000 (Note 2)	Individual	17.29%

Notes:

1. see Note 2 on page 20.
2. 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.
3. see Note 1 on page 20.

Save as disclosed above, as at 30 September 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	1,273,076,922 <i>(Note 3)</i>	Corporate	26.06%
Mr. Ma	1,273,076,922 <i>(Note 2)</i>	Individual	26.06%

Notes:

1. see Note 1 on page 20.
2. see Note 2 on page 23.
3. Big Good Management Limited was the holder of 1,103,333,333 convertible non-voting preference shares of HK\$0.15 each which have no voting rights and are convertible into ordinary shares. Pursuant to the terms of the convertible non-voting preference shares, the conversion price of the outstanding convertible non-voting preference shares has been adjusted from HK\$0.15 per share to HK\$0.13 per share as a result of completion of the rights Issue.

As far as the Directors are aware, saved as disclosed herein, as at 30 September 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 September 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 nine months ended 30 September 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 nine months ended 30 September 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, 12 November 2012