



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>



Second Interim Report
2012

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

CONDENSED CONSOLIDATED INCOME STATEMENT*For the twelve months ended 31 December 2012*

	Note	Three months ended 31 December		Twelve months ended 31 December	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Audited)
Continuing operations					
Turnover	5	77,861	94,294	285,792	164,398
Cost of sales and service rendered		(33,595)	(47,651)	(120,858)	(78,095)
Gross profit		44,266	46,643	164,934	86,303
Other income		1,571	76	14,397	7,698
Impairment of goodwill		(1,100)	(10,600)	(9,800)	(260,806)
Selling expenses		(21,369)	(30,361)	(78,777)	(35,562)
Administrative expenses		(25,570)	(18,554)	(116,052)	(83,014)
Other operating expenses		-	(58)	-	(58)
Loss from operations		(2,202)	(12,854)	(25,298)	(285,439)
Finance costs	6	(1,172)	(1,032)	(4,864)	(2,949)
Loss before tax		(3,374)	(13,886)	(30,162)	(288,388)
Income tax (expense)/credit	7	(3,383)	446	(5,759)	(2,587)
Loss for the period from continuing operations		(6,757)	(13,440)	(35,921)	(290,975)
Discontinued operation					
Loss for the period from discontinued operation	8	-	(45,994)	-	(47,240)
Loss for the period	9	(6,757)	(59,434)	(35,921)	(338,215)

	Note	Three months ended 31 December		Twelve months ended 31 December	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Audited)
Attributable to:					
Owners of the Company					
Loss from continuing operations		(6,270)	(15,905)	(28,615)	(291,287)
Loss from discontinued operation		–	(45,994)	–	(47,240)
		<u>(6,270)</u>	<u>(61,899)</u>	<u>(28,615)</u>	<u>(338,527)</u>
Loss attributable to owners of the Company					
Non-controlling interests					
(Loss)/profit from continuing operations		(487)	2,465	(7,306)	312
(Loss)/profit attributable to non-controlling interests		(487)	2,465	(7,306)	312
		<u>(6,757)</u>	<u>(59,434)</u>	<u>(35,921)</u>	<u>(338,215)</u>
Loss per share					
From continuing and discontinued operations					
Basic	10(a)	<u>HK(0.128) cent</u>	<u>HK(2.398) cents</u>	<u>HK(0.712) cent</u>	<u>HK(14.283) cents</u>
Diluted		<u>HK(0.128) cent</u>	<u>HK(2.400) cents</u>	<u>HK(0.712) cent</u>	<u>HK(14.298) cents</u>
From continuing operations					
Basic	10(b)	<u>HK(0.128) cent</u>	<u>HK(0.616) cent</u>	<u>HK(0.712) cent</u>	<u>HK(12.290) cents</u>
Diluted		<u>HK(0.128) cent</u>	<u>HK(0.618) cent</u>	<u>HK(0.712) cent</u>	<u>HK(12.305) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the twelve months ended 31 December 2012

	Three months ended 31 December		Twelve months ended 31 December	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Audited)
Loss for the period	(6,757)	(59,434)	(35,921)	(338,215)
Other comprehensive income:				
Exchange differences on translating foreign operations	(6)	917	(2)	1,741
Exchange differences reclassified to income statement on disposal of subsidiaries	-	(4,855)	-	(4,855)
Surplus on revaluation of property, plant and equipment	-	8	-	8
Other comprehensive income for the period, net of tax	(6)	(3,930)	(2)	(3,106)
Total comprehensive income for the period	(6,763)	(63,364)	(35,923)	(341,321)
Attributable to:				
Owners of the Company	(6,276)	(65,828)	(28,617)	(341,632)
Non-controlling interests	(487)	2,464	(7,306)	311
	(6,763)	(63,364)	(35,923)	(341,321)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

		31 December	
	Note	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	12	17,024	11,772
Long term prepayments		–	1,800
Goodwill	13	474,496	484,296
Trademark	14	10,192	–
Available-for-sale financial assets		–	–
Club debenture		205	205
		501,917	498,073
Current assets			
Inventories		90,605	77,196
Trade and other receivables	15	46,041	56,019
Pledged bank deposits		8,268	6,248
Bank and cash balances		80,300	78,516
		225,214	217,979
Current liabilities			
Trade and other payables	16	58,097	71,375
Promissory notes		–	12,400
Convertible bonds		–	12,276
Bank and other loans		49,467	44,895
Finance lease payables		65	65
Employee benefit obligations		4,819	4,885
Current tax liabilities		8,154	8,933
Bank overdrafts		425	–
		121,027	154,829
Net current assets		104,187	63,150
Total assets less current liabilities		606,104	561,223

		31 December	
	<i>Note</i>	2012 HK\$'000 (Unaudited)	2011 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Promissory notes		42,254	40,112
Finance lease payables		125	190
Deferred tax liabilities		225	225
		<u>42,604</u>	<u>40,527</u>
NET ASSETS		<u>563,500</u>	<u>520,696</u>
Capital and reserves			
Share capital	17	412,090	350,354
Reserves		153,230	164,301
		<u>565,320</u>	514,655
Equity attributable to owners of the Company		<u>(1,820)</u>	6,041
Non-controlling interests			
TOTAL EQUITY		<u>563,500</u>	<u>520,696</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the twelve months ended 31 December 2012

	Attributable to owners of the Company										
	Share capital	Share premium	Translation reserve	Plant and machinery revaluation reserve	Equity-settled share-based payment reserve	Capital redemption reserve	Convertible bond reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2011 (Audited)	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	-	-	(3,113)	8	-	-	-	(338,527)	(341,632)	311	(341,321)
Issue of new shares	2,087	1,913	-	-	-	-	-	-	4,000	-	4,000
Acquisition of subsidiaries	289,364	356,741	-	-	-	-	1,190	-	647,295	11,183	658,478
Conversion of convertible non-voting preference shares into ordinary shares	(43,000)	43,000	-	-	-	-	-	-	-	-	-
Equity-settled share-based payments	-	-	-	-	1,364	-	-	-	1,364	1,312	2,676
Disposal of subsidiaries	-	-	-	(19,169)	-	-	-	19,169	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(1,470)	(1,470)
Changes in equity for the period	248,451	401,654	(3,113)	(19,161)	1,364	-	1,190	(319,358)	311,027	11,336	322,363
At 31 December 2011 and 1 January 2012 (Audited)	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	-	-	(2)	-	-	-	-	(28,615)	(28,617)	(7,306)	(35,923)
Share options lapsed	-	-	-	-	(4,270)	-	-	4,270	-	-	-
Conversion of convertible non-voting preference shares into ordinary shares	(19,691)	19,691	-	-	-	-	-	-	-	-	-
Exercise of options issued by a non wholly-owned subsidiary	-	-	-	-	(1,364)	-	-	1,472	108	(108)	-
Purchase of non-controlling interests	-	-	-	-	-	-	-	247	247	(447)	(200)
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	61,736	17,191	(2)	-	(5,634)	-	(1,190)	(21,436)	50,665	(7,861)	42,804
At 31 December 2012 (Unaudited)	412,090	612,523	(90)	8	-	150	-	(459,361)	565,320	(1,820)	563,500

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the twelve months ended 31 December 2012*

	Twelve months ended 31 December	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Audited)
NET CASH USED IN OPERATING ACTIVITIES	(33,174)	(42,374)
Purchases of property, plant and equipment	(11,894)	(5,796)
Other investing cash flows (net)	(10,096)	70,155
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(21,990)	64,359
NET CASH GENERATED FROM FINANCING ACTIVITIES	56,511	13,619
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,347	35,604
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	78,516	40,603
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	12	2,309
CASH AND CASH EQUIVALENTS AT END OF PERIOD REPRESENTED BY	79,875	78,516
Bank and cash balances	80,300	78,516
Bank overdrafts	(425)	–
	79,875	78,516

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the twelve months ended 31 December 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

During the period, the Company changed its financial year end date from 31 December to 30 June in order to conform to the financial year end date of its principal operating subsidiaries. Accordingly, the current interim financial period covered a 12-month period from 1 January 2012 to 31 December 2012 and the comparatives covered a 12-month period from 1 January 2011 to 31 December 2011.

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 condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2011 except as stated below.

Trademark

Trademark is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over its estimated useful life of 25 years.

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. 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.

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

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

	(Unaudited)					
	Swimwear	Apparel and related accessories	Ceramic blanks and ferrules (discontinued operation)	On-line shopping and advertising	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Twelve months ended						
31 December 2012:						
Revenue from external customers	70,752	189,655	–	23,311	2,074	285,792
Segment profit/(loss)	4,463	(17,570)	–	(8,812)	80	(21,839)
As at 31 December 2012:						
Segment assets	<u>42,080</u>	<u>141,362</u>	<u>–</u>	<u>5,701</u>	<u>2,074</u>	<u>191,217</u>
(Audited)						
Twelve months ended						
31 December 2011:						
Revenue from external customers	53,929	92,091	90,149	18,378	–	254,547
Segment profit/(loss)	1,204	992	(2,382)	(11,588)	–	(11,774)
As at 31 December 2011:						
Segment assets	<u>46,626</u>	<u>128,735</u>	<u>–</u>	<u>10,354</u>	<u>–</u>	<u>185,715</u>

	Twelve months ended	
	31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Reconciliation of segment profit or loss:		
Total profit or loss of reportable segments	(21,839)	(11,774)
Impairment of goodwill	(9,800)	(260,806)
Other profit or loss	(4,282)	(20,647)
Elimination of discontinued operation	–	2,252
	<hr/>	<hr/>
Consolidated loss for the period	(35,921)	(290,975)
	<hr/>	<hr/>

	31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Reconciliation of segment assets:		
Total assets of reportable segments	191,217	185,715
Goodwill	474,496	484,296
Club debenture	205	205
Other assets	61,213	45,836
	<hr/>	<hr/>
Consolidated total assets	727,131	716,052
	<hr/>	<hr/>

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 is as follows:

	Twelve months ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Sales of goods	262,481	236,169
On-line shopping, advertising and media related service income	23,311	18,378
	285,792	254,547
Representing:		
Continuing operations	285,792	164,398
Discontinued operation (<i>note 8</i>)	–	90,149
	285,792	254,547

6. Finance costs

	Twelve months ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Finance lease charges	14	9
Interest on bank loans	1,629	540
Interest on convertible bonds	225	228
Interest on promissory notes	2,245	1,795
Interest on other loans	751	377
	4,864	2,949
Representing:		
Continuing operations	4,864	2,949

7. Income tax expense/(credit)

	Twelve months ended 31 December	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Audited)
Current tax – Hong Kong Profits tax		
Provision for the period	5,587	2,639
Underprovision in prior years	–	4
	<u>5,587</u>	<u>2,643</u>
Current tax – People’s Republic of China (“PRC”)		
Enterprise Income Tax		
Provision for the period	172	3,969
Deferred tax	–	(3,324)
Income tax expense	<u>5,759</u>	<u>3,288</u>
Representing:		
Continuing operations	5,759	2,587
Discontinued operation (<i>note 8</i>)	–	701
	<u>5,759</u>	<u>3,288</u>

Hong Kong Profits Tax has been provided at a rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the twelve months ended 31 December 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.

8. 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:

	Twelve months ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Loss of discontinued operation	–	(2,252)
Loss on disposal of discontinued operation	–	(44,988)
	<u>–</u>	<u>(47,240)</u>
Turnover (<i>note 5</i>)	–	90,149
Cost of sales	–	(84,598)
	<u>–</u>	<u>5,551</u>
Gross profit	–	169
Other income	–	(40)
Administrative expenses	–	(7,231)
Other operating expenses	–	(7,231)
	<u>–</u>	<u>(1,551)</u>
Loss before tax	–	(1,551)
Income tax expense (<i>note 7</i>)	–	(701)
	<u>–</u>	<u>(2,252)</u>
Loss for the period	–	(2,252)

9. Loss for the period

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

	Continuing operations		Discontinued operation		Total	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Audited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Audited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Audited)
Interest income	572	18	-	-	572	18
Amortisation of trademark (included in administrative expenses)	208	-	-	-	208	-
Depreciation	5,908	3,355	-	17,348	5,908	20,703
Directors' remuneration	4,616	4,150	-	-	4,616	4,150
Allowance/(reversal of allowance) for inventories (included in cost of inventories sold)	1,808	(247)	-	6,033	1,808	5,786
Allowance for receivables	6,500	44	-	-	6,500	44
(Gain)/loss on disposal of property, plant and equipment	(42)	24	-	-	(42)	24
Write off of property, plant and equipment	711	-	-	-	711	-

10. Loss per share**(a) From continuing and discontinued operations****For the twelve months ended 31 December 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\$28,615,000 (2011: HK\$338,527,000) and the weighted average number of ordinary shares of 4,019,156,425 (2011: 2,370,061,681) in issue during the period.

Diluted loss per share

The calculation of the diluted loss per share attributable to owners of the Company is based on the following:

	Twelve months ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Loss		
Loss for the purpose of calculating basic loss per share	(28,615)	(338,527)
Less: profit of non-wholly owned subsidiary shared to non-controlling shareholder upon exercise of options granted to a consultant	<u>—</u>	<u>(348)</u>
Loss for the purpose of calculating diluted loss per share	<u>(28,615)</u>	<u>(338,875)</u>

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

The exercise of the Group's outstanding convertible bonds, convertible non-voting preference shares and options issued by a non wholly-owned subsidiary for the twelve months ended 31 December 2012 would be anti-dilutive. The exercise of the Group's outstanding convertible bonds and convertible non-voting preference shares for the twelve months ended 31 December 2011 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's share options during the twelve months ended 31 December 2012 and 2011.

For the three months ended 31 December 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\$6,270,000 (2011: HK\$61,899,000) and the weighted average number of ordinary shares of 4,887,646,633 (2011: 2,581,342,381) in issue during the period.

Diluted loss per share

The calculation of the diluted loss per share attributable to owners of the Company is based on the following:

	Three months ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the purpose of calculating basic loss per share	(6,270)	(61,899)
Less: profit of non-wholly owned subsidiary shared to non-controlling shareholder upon exercise of options granted to a consultant	—	(45)
Loss for the purpose of calculating diluted loss per share	(6,270)	(61,944)

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

The exercise of the Group's outstanding convertible non-voting preference shares for the three months ended 31 December 2012 would be anti-dilutive. The exercise of the Group's outstanding convertible bonds and convertible non-voting preference shares for the three months ended 31 December 2011 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's share options during the three months ended 31 December 2012 and 2011.

(b) From continuing operations**For the twelve months ended 31 December 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\$28,615,000 (2011: HK\$291,287,000) and the denominator used is the same as that detailed above for basic loss per share from continuing and discontinued operations.

Diluted loss per share

The calculation of the diluted loss per share attributable to owners of the Company is based on the following:

	Twelve months ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Loss		
Loss for the purpose of calculating basic loss per share	(28,615)	(291,287)
Less: profit of non-wholly owned subsidiary shared to non-controlling shareholder upon exercise of options granted to a consultant	<u>—</u>	<u>(348)</u>
Loss for the purpose of calculating diluted loss per share	<u>(28,615)</u>	<u>(291,635)</u>

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

The exercise of the Group's outstanding convertible bonds, convertible non-voting preference shares and options issued by a non wholly-owned subsidiary for the twelve months ended 31 December 2012 would be anti-dilutive. The exercise of the Group's outstanding convertible bonds and convertible non-voting preference shares for the twelve months ended 31 December 2011 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's share options during the twelve months ended 31 December 2012 and 2011.

For the three months ended 31 December 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\$6,270,000 (2011: HK\$15,905,000) and the denominator used is the same as that detailed above for basic loss per share from continuing and discontinued operations.

Diluted loss per share

The calculation of the diluted loss per share attributable to owners of the Company is based on the following:

	Three months ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the purpose of calculating basic loss per share	(6,270)	(15,905)
Less: profit of non-wholly owned subsidiary shared to non-controlling shareholder upon exercise of options granted to a consultant	—	(45)
	<hr/>	<hr/>
Loss for the purpose of calculating diluted loss per share	(6,270)	(15,950)

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

The exercise of the Group's outstanding convertible non-voting preference shares for the three months ended 31 December 2012 would be anti-dilutive. The exercise of the Group's outstanding convertible bonds and convertible non-voting preference shares for the three months ended 31 December 2011 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's share options during the three months ended 31 December 2012 and 2011.

(c) From discontinued operation

For the twelve months ended 31 December 2012

Because there was no discontinued operation during the twelve months ended 31 December 2012, no basic or diluted loss per share from discontinued operation was presented for the twelve months ended 31 December 2012.

Basic loss per share from the discontinued operation for the twelve months ended 31 December 2011 is HK1.993 cents per share, based on the loss for the period from discontinued operation attributable to owners of the Company of approximately HK\$47,240,000 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 and convertible non-voting preference shares for the twelve months ended 31 December 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 twelve months ended 31 December 2011.

For the three months ended 31 December 2012

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

Basic loss per share from the discontinued operation for the three months ended 31 December 2011 is HK1.782 cents per share, based on the loss for the period from discontinued operation attributable to owners of the Company of approximately HK\$45,994,000 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 and convertible non-voting preference shares for the three months ended 31 December 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 31 December 2011.

11. Dividend

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

12. Property, plant and equipment

During the twelve months ended 31 December 2012, the Group acquired property, plant and equipment of approximately HK\$11,894,000.

13. Goodwill

	31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Cost		
At beginning of period	745,102	75,343
Acquisition of Easy Time Trading Limited ("Easy Time")	–	640,966
Acquisition of Charmston (Holdings) Limited ("Charmston")	–	28,793
	<u>745,102</u>	<u>745,102</u>
At end of period	745,102	745,102
Accumulated impairment losses		
At beginning of period	260,806	–
Impairment loss recognised during the period	9,800	260,806
	<u>270,606</u>	<u>260,806</u>
At end of period	270,606	260,806
Carrying amount		
At beginning of period	484,296	75,343
At end of period	474,496	484,296

Based on the past performance, the Group has revised its cash flow forecasts for each cash-generating units. The goodwill has therefore been reduced to its recoverable amount through recognition of an impairment loss against goodwill of approximately HK\$9,800,000 during the period.

14. Trademark

	31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Cost		
At beginning of period	–	–
Addition	10,400	–
At end of period	10,400	–
Accumulated amortisation		
At beginning of period	–	–
Amortisation for the period	208	–
At end of period	208	–
Carrying amount		
At beginning of period	–	–
At end of period	10,192	–

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.

The Group's trademark protects the design and specification of the Group's products. The remaining amortisation period of the trademark is 24.5 years.

15. Trade and other receivables

	31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade and bills receivables	18,657	23,830
Prepayments, deposits and other receivables	27,384	32,189
	46,041	56,019

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:

	31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Current to 30 days	12,670	14,084
31 – 90 days	3,408	6,066
91 – 180 days	401	2,266
Over 180 days	2,178	1,414
	18,657	23,830

16. Trade and other payables

	31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade payables	21,937	22,109
Due to a director	–	3,000
Due to a substantial shareholder	–	4,495
Other payables	36,160	41,771
	58,097	71,375

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

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

	31 December	
	2012	2011
	HK\$'000	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Current to 30 days	7,038	7,295
31 – 90 days	12,389	10,758
91 – 180 days	1,777	3,868
Over 180 days	733	188
	21,937	22,109

17. Share capital

	31 December	
	2012	2011
	HK\$'000	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Authorised:		
14,000,000,000 ordinary shares of HK\$0.05 each	700,000	700,000
2,000,000,000 convertible non-voting preference shares of HK\$0.15 each	300,000	300,000
	1,000,000	1,000,000
Issued and fully paid:		
4,931,793,790 (2011: 3,097,093,296) ordinary shares of HK\$0.05 each	246,590	154,854
1,103,333,333 (2011: 1,303,333,333) convertible non-voting preference shares of HK\$0.15 each	165,500	195,500
	412,090	350,354

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

		Number of ordinary shares of HK\$0.05 each '000	Number of convertible non-voting preference shares of HK\$0.15 each '000	Par value HK\$'000
	<i>Note</i>			
At 1 January 2011		2,038,056	–	101,903
Issue of shares for acquisition of Easy Time	<i>(a)</i>	533,333	1,733,333	286,666
Issue of shares for acquisition of Charmston	<i>(b)</i>	53,957	–	2,698
Issue of commencement fee shares	<i>(c)</i>	11,236	–	562
Issue of new shares	<i>(c)</i>	30,511	–	1,525
Conversion of convertible non-voting preference shares	<i>(d)</i>	<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	<i>(d)</i>	206,154	(200,000)	(19,691)
Issues of new shares under the rights issue	<i>(e)</i>	<u>1,628,547</u>	–	<u>81,427</u>
At 31 December 2012		<u>4,931,794</u>	<u>1,103,333</u>	<u>412,090</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 twelve months ended 31 December 2012, 206,153,846 (2011: 430,000,000) ordinary shares of HK\$0.05 each were issued as a result of the conversion of 200,000,000 (2011: 430,000,000) convertible non-voting preference shares.
- (e) On 3 July 2012, 1,628,546,648 ordinary shares of HK\$0.05 each were issued at HK\$0.05 per share by way of a rights issue on the basis of one rights share for every two shares held. The shares rank *pari passu* in all respects with the ordinary shares of the Company in issue on that date.

18. Seasonality

- (i) The Group's sales of high-end swimwear and related garment products are subject to seasonal fluctuations, with peak demand in the first quarter of each 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.

19. Contingent liabilities

The Group did not have any significant contingent liabilities at 31 December 2012 (2011: Nil).

20. Capital commitments

At 31 December 2012, the Group had contracted but not provided for an acquisition of property, plant and equipment amounted to approximately HK\$360,000 (2011: HK\$Nil).

21. Lease commitments**(a) Lease commitments**

At 31 December 2012 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within one year	31,412	21,923
In the second to fifth years inclusive	31,635	27,114
After five years	2,553	2,558
	65,600	51,595

(b) Licensing arrangements

At 31 December 2012 the Group had total distribution right fee income receivables in respect of licensing arrangements of approximately HK\$22,478,000 (2011: HK\$8,535,000) which were receivable within one year.

(c) Royalty payments

At 31 December 2012 the total future minimum royalty payments under a non-cancellable contract are payable as follows:

	31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within one year	4,392	5,351
In the second to fifth years inclusive	49,792	19,483
After five years	541,731	–
	595,915	24,834

22. Related party transactions

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

	Twelve months ended	
	31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Advertising and media related service income received from a related company	–	3,425

23. Events after the reporting period

On 11 January 2013, a special resolution was passed by the shareholders of Info-Source Media Limited ("Info-Source") to voluntarily wind up Info-Source. The Group holds 20% equity interests in Info-Source and is classified as available-for-sale financial assets. The investment was fully impaired during the year ended 31 December 2010. It is the directors' opinion that the winding up of Info-Source will not have a material impact on the Group's financial position.

24. Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 6 February 2013.

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

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

(a) *Acquisition of Trade Marks*

On 21 June 2012, the Group entered into an agreement with an independent third party (the “Seller”) to acquire the trademark 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.

(b) Acquisition of 1% of Ratio Knitting Factory Limited ("Ratio")

On 30 November 2012, the Group entered into a sale and purchase agreement with Mr. Ma Hoi Cheuk, to acquire 1% of the issued share capital of Ratio, a non-wholly owned subsidiary of the Company, at a consideration of HK\$200,000. The transaction was completed on 30 November 2012 and Ratio became a wholly-owned subsidiary of the Company.

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 ("Rights Issue"). 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 twelve months ended 31 December 2012 ("the Current Period"), loss attributable to owners of the Company (including continuing and discontinued operations) was approximately HK\$28,615,000 (twelve months ended 31 December 2011: HK\$338,527,000). 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 (twelve months ended 31 December 2011: HK\$250,206,000) and HK\$7,100,000 (twelve months ended 31 December 2011: HK\$10,600,000) are made for swimwear cash-generating unit and provision of on-line shopping, advertising and media related services cash-generating unit respectively; (ii) an allowance for receivable of approximately HK\$6,500,000 is made in the Current Period (twelve months ended 31 December 2011: HK\$44,000); and (iii) an allowance for inventories of approximately HK\$1,808,000 is made in the Current Period (twelve months ended 31 December 2011: HK\$5,786,000);

Gross profit (including continuing and discontinued operations) for the Current Period was approximately HK\$164,934,000 (twelve months ended 31 December 2011: HK\$91,854,000), representing an increase of approximately 80% 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\$285,792,000 (twelve months ended 31 December 2011: HK\$254,547,000) representing an increase of approximately 12% 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\$70,752,000 (twelve months ended 31 December 2011: HK\$53,929,000). 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\$20,270,000 (twelve months ended 31 December 2011: HK\$11,801,000).

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\$189,655,000 (twelve months ended 31 December 2011: HK\$92,091,000). 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\$136,816,000 (twelve months ended 31 December 2011: HK\$68,532,000).

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\$23,311,000 (twelve months ended 31 December 2011: HK\$18,378,000). Gross profit for the Current Period was approximately HK\$7,768,000 (twelve months ended 31 December 2011: HK\$5,970,000).

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 (twelve months ended 31 December 2011: HK\$90,149,000). This operating segment was discontinued on 9 December 2011.

Interim dividend

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

Operation

The Group is now operating in three business segments: the Swimwear segment, the Apparel and related accessories segment, and On-line shopping and advertising segment.

During the Current Period, despite the tough economic weather persist in retail market in Hong Kong and the slow recovery of the world's economy, the Group is tightening the cost structure and maintaining an effective overhead structure so as to response quickly and pick up the growth momentum when the economy is fully recovered.

We believe that by formulating strategies on the effective use of capital like cash management, capital budgeting for each business unit can create value to enhance the profitability, liquidity and cost effectiveness of the Group as a whole.

The raw materials cost for the purchase from other countries including PRC was relatively higher than before. Coupling with the increase in labour cost in our PRC manufacturing factory, the overall cost structure for our business is higher and that jeopardises the Group's overall gross profit margin. We are ready to tackle the problem by exploring new markets or customers from other countries for our business units and which, at the same time, continuously strives best effort to exert cost measures like by diversifying the sourcing of materials from other regions or suppliers with lower cost without scarifying the quality. We also try to transfer our cost burden to our customers for new orders whenever possible.

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\$382,000 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\$6,900,000.

(c) Lease of an office premise

During the Current Period, the Group signed a leasing agreement with Gain Easy Development Limited for an office premise. During the Current Period, rental deposit of approximately HK\$672,000 had been paid and the total rental payment was approximately HK\$627,000.

(d) Acquisition of 1% of Ratio

During the Current Period, the Company acquired 1% of the issued share capital of Ratio, at a consideration of HK\$200,000 from Mr. Ma Hoi Cheuk.

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 an office premise constituted connected transactions of the Company under the Rules Governing of the Listing of Securities on the Growth Enterprise Market of the Stock Exchange ("GEM Listing Rules").

Mr. Ma Hoi Cheuk is a connected person of the Company by virtue of his beneficial interest in Ratio and he is also a substantial shareholder of the Company. Accordingly, the acquisition of shares in Ratio constituted a connected transaction of the Company under GEM Listing Rules.

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

Liquidity and Financial Resources

As at 31 December 2012, the Group had net current assets of approximately HK\$104,187,000 (At 31 December 2011: HK\$63,150,000). The current assets comprised bank and cash balances of approximately HK\$80,300,000 (At 31 December 2011: HK\$78,516,000), pledged bank deposits of approximately HK\$8,268,000 (At 31 December 2011: HK\$6,248,000), trade and other receivables of approximately HK\$46,041,000 (At 31 December 2011:

HK\$56,019,000) and inventories of approximately HK\$90,605,000 (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\$121,027,000 (At 31 December 2011: HK\$154,829,000).

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

As at 31 December 2012, the Group had total assets of approximately HK\$727,131,000 (At 31 December 2011: HK\$716,052,000). As at 31 December 2012, the Group had short term borrowings of approximately HK\$49,957,000 (At 31 December 2011: HK\$69,636,000) and long term borrowings of approximately HK\$42,379,000 (At 31 December 2011: HK\$40,302,000). As at 31 December 2012, the Group has a current ratio of approximately 1.86 comparing to that of 1.41 as at 31 December 2011. As at 31 December 2012, the Group's gearing ratio of 15% 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

On 19 April 2012, 24 April 2012 and 28 December 2012, 115,000,000, 45,000,000 and 46,153,846 ordinary shares of HK\$0.05 each were issued respectively as a result of the conversion of 115,000,000, 45,000,000 and 40,000,000 convertible non-voting preference shares respectively.

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.

As at 31 December 2012, the total number of issued ordinary shares were 4,931,793,790 of HK\$0.05 each (At 31 December 2011: 3,097,093,296) and total number of issued convertible non-voting preference shares were 1,103,333,333 of HK\$0.15 each (At 31 December 2011: 1,303,333,333). Pursuant to the terms of the convertible non-voting preference shares, the conversion price of the outstanding convertible non-voting preference shares has been adjusted from HK\$0.15 per share to HK\$0.13 per share as a result of completion of the Rights Issue.

Employees and Remuneration Policy

As at 31 December 2012, the Group had 624 full time employees (At 31 December 2011: 575). The staff costs, including directors' remuneration, were approximately HK\$66,633,000 (Twelve months ended 31 December 2011: HK\$66,651,000). 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 31 December 2012, the Group did not have any material contingent liabilities.

As at 31 December 2012, the Company has issued a guarantee of approximately HK\$26,650,000 (At 31 December 2011: HK\$Nil) to a bank in respect of a banking facility granted to a subsidiary.

Charge on Assets

As at 31 December 2012, (i) the Group has pledged property, plant and equipment with the net carrying amount of approximately HK\$137,000 (At 31 December 2011: HK\$229,000) to secure the finance lease payables of approximately HK\$190,000 (At 31 December 2011: HK\$255,000); and (ii) the Group has pledged bank deposits of approximately HK\$8,268,000 (At 31 December 2011: HK\$6,248,000) to secure banking facilities granted to the Group.

Events After the Reporting Period

On 11 January 2013, a special resolution was passed by the shareholders of Info-Source Media Limited ("Info-Source") to voluntarily wind up Info-Source. The Group holds 20% equity interests in Info-Source and is classified as available-for-sale financial assets. The investment was fully impaired during the year ended 31 December 2010. It is the directors' opinion that the winding up of Info-Source will not have a material impact on the Group's financial position.

PROSPECT

Looking forward, the Group will employ its best endeavour to, on one hand, searching more opportunities to develop its existing business segments to create more revenue sources while, on the other hand, keeping on controlling the Group's cost structure to a certain critical mass benefiting the long term business growth of the business segments.

First to ensure the effective use and allocation of the capital funds, the Group will take into consideration of the profitability, cost structure and effectiveness, and also the liquidity of each business segment. At the same time, any surplus cash will be pooled together to perform more effective cash management to create wealth for the Group.

We are continuing to explore identify customers from the United States, Canada as well as Australia. We are having a few orders from these areas in the pipeline. Hence, this can improve the revenue stream for the Swimwear segment during the low season. The radio frequency identification system (RFID) is now smoothly running to keep track on the production orders and inventory. Such system provides good cost control measures for management coupling with streamlining the production process to avoid redundancy. The Group is constantly looking at opportunities to expand the manufacturing capacity whenever it is necessary. In coming months, the Group will try to source more underwear manufacturing orders from both of our existing and potential customers in order to reduce the seasonality risk inherited in this business and to add value to the business by creating future and sustainable profits.

Unexpected decline in the purchasing power and desire by the local and the PRC tourist affected the profitability of the Apparel and related accessories segment of the Group. During the past few months, sales figures from this segment were not satisfactory as expected. Unlike our rivalries, who kept on running massive discount on apparel products during the past few months, the Group did not follow such price war but to maintain regular seasonal discount on our products in order to protect as well as retain the brands' images. Yet, both the Group and our rivalries in the retail sector were not perform well enough comparing with the past years because of the decline in the market sentiment keeping on persist to affect the desire to purchase. The Group is now proactively exploring business opportunities and partners in the South East Asia like Thailand, South Korea for retailing or sub-licencing of Tonino Lamborghini's apparel products, etc. Meanwhile, the Group also explores operating partners for its retail brands: Cour Carré and Gay Giano to enter the PRC market. It is hoping that some new income streams may be achieved within the year of 2013. The Group will also keep a closer look on the effect of ever increasing wages and rental for its retail shops while facing a keen competition in fashion retail market in Hong Kong. Our experienced management is ready to tackle these challenges by implementing better arrangement and diversification in materials sourcing, logistics and also streamlining the corporate structure in order to control the merchandising cost and selling & administration costs. The key beauty for such fashion retailing business is to strike the balance between brand building and revenue creation.

In view of the On-line shopping and advertising segment, the Group's strategy tends to be defensive. The Group's purchase web-site "Babybamboo" tries to reposition itself to provide more variety of products including importing high class snacks from Japan. The Group will further strengthen the co-operation with Apps providers (both in Android and IOS platform) to provide on-line advertisement service and promoting mobile shopping behaviour for our business development.

DISCLOSURE OF INTERESTS

Interests in Securities of Directors and Chief Executive

As at 31 December 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	22.64%

Notes:

- The percentage of issued share capital had been arrived at on the basis of a total of 4,931,793,790 Shares in issue as at 31 December 2012.
- These shares are held by JL Investments Capital Limited, which is wholly-owned by Mr. Lau. Mr. Lau is therefore deemed to be interested in the shares held by JL Investments Capital Limited.

Save as disclosed above, as at 31 December 2012, none of the Directors had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules relating to securities transaction by Directors.

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

As at 31 December 2012, none of the Directors had short positions in Shares or underlying Shares of equity derivatives of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION

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

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

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

At 31 December 2012, no option was outstanding under the New Share Option Scheme (At 31 December 2011: 26.824 million). The total number of shares in respect of which options may be granted under the New Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of approval of the New Share Option Scheme, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. Options granted to a connected person (as such term defined in the GEM Listing Rules) of the Company in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

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

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

Grantees	Date granted	Balance as at 1 January 2012 '000	Lapsed during the period '000	Balance as at 31 December 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 31 December 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	1,116,741,997	Corporate	22.64%
Mr. Lau	1,116,741,997 (Note 1)	Individual	22.64%
Big Good Management Limited	844,980,000	Corporate	17.13%
Mr. Ma Hoi Cheuk ("Mr. Ma")	844,980,000 (Note 2)	Individual	17.13%
Excel Courage Holdings Limited	895,540,000	Corporate	18.16%
Mr. Wong Sin Lai ("Mr. Wong")	895,540,000 (Note 3)	Individual	18.16%

Notes:

1. see Note 2 on page 38.
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. Excel Courage Holdings Limited is wholly-owned by Mr. Wong who is deemed to be interested in underlying shares held by Excel Courage Holdings Limited.
4. see Note 1 on page 38.

Save as disclosed above, as at 31 December 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 (%) (Note 1)
Big Good Management Limited	1,226,923,076 (Note 3)	Corporate	24.88%
Mr. Ma	1,226,923,076 (Note 2)	Individual	24.88%

Notes:

1. see Note 1 on page 38.
2. see Note 2 on page 41.
3. Big Good Management Limited was the holder of 1,063,333,333 convertible non-voting preference shares of HK\$0.15 each which have no voting rights and are convertible into ordinary shares. Pursuant to the terms of the convertible non-voting preference shares, the conversion price of the outstanding convertible non-voting preference shares has been adjusted from HK\$0.15 per share to HK\$0.13 per share as a result of completion of the rights Issue.

As far as the Directors are aware, saved as disclosed herein, as at 31 December 2012, no persons have short positions in shares or underlying shares of equity derivatives of the Company.

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

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

COMPETING INTERESTS

The Directors are not aware of, as at 31 December 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 twelve months ended 31 December 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 twelve months ended 31 December 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, 6 February 2013