



*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>



*Fifth*  
Quarterly  
Report 2012/2013

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

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# CONDENSED CONSOLIDATED INCOME STATEMENT

For the fifteen months ended 31 March 2013

	Note	(Unaudited)				(Audited)
		Three months ended		Fifteen months ended		Twelve months ended
		2013	2012	2013	2012	31 December 2011
		31 March	31 March			
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Continuing operations</b>						
<b>Turnover</b>	4	99,853	100,718	385,645	265,116	164,398
Cost of sales and service rendered		(52,228)	(43,399)	(173,086)	(121,494)	(78,095)
<b>Gross profit</b>		47,625	57,319	212,559	143,622	86,303
Other income		2,648	4,601	17,045	12,299	7,698
Impairment of goodwill		(34,500)	–	(44,300)	(260,806)	(260,806)
Selling expenses		(20,464)	(20,084)	(99,241)	(55,646)	(35,562)
Administrative expenses		(26,594)	(27,307)	(142,646)	(110,321)	(83,014)
Other operating expenses		–	–	–	(58)	(58)
<b>(Loss)/profit from operations</b>		(31,285)	14,529	(56,583)	(270,910)	(285,439)
Finance costs		(1,338)	(1,554)	(6,202)	(4,503)	(2,949)
<b>(Loss)/profit before tax</b>		(32,623)	12,975	(62,785)	(275,413)	(288,388)
Income tax credit/(expense)	5	1,381	(5,705)	(4,378)	(8,292)	(2,587)
<b>(Loss)/profit for the period from continuing operations</b>		(31,242)	7,270	(67,163)	(283,705)	(290,975)
<b>Discontinued operation</b>						
Loss for the period from discontinued operation	6	–	–	–	(47,240)	(47,240)
<b>(Loss)/profit for the period</b>	7	(31,242)	7,270	(67,163)	(330,945)	(338,215)



# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the fifteen months ended 31 March 2013

	(Unaudited)				(Audited)
	Three months ended		Fifteen months ended		Twelve months
	2013	2012	2013	2012	ended
	31 March	31 March	31 March	31 March	31 December
	2013	2012	2013	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>(Loss)/profit for the period</b>	<b>(31,242)</b>	7,270	<b>(67,163)</b>	(330,945)	(338,215)
<b>Other comprehensive income:</b>					
Exchange differences on translating foreign operations	145	(81)	143	1,660	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
<b>Other comprehensive income for the period, net of tax</b>	<b>145</b>	(81)	<b>143</b>	(3,187)	(3,106)
<b>Total comprehensive income for the period</b>	<b>(31,097)</b>	7,189	<b>(67,020)</b>	(334,132)	(341,321)
<b>Attributable to:</b>					
Owners of the Company	(32,619)	5,629	(61,236)	(336,003)	(341,632)
Non-controlling interests	1,522	1,560	(5,784)	1,871	311
	<b>(31,097)</b>	7,189	<b>(67,020)</b>	(334,132)	(341,321)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the fifteen months ended 31 March 2013

	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	-	-	(81)	-	-	-	-	5,710	5,629	1,560	7,189
Share options lapsed during the period	-	-	-	-	(4,270)	-	-	4,270	-	-	-
Changes in equity for the period	-	-	(81)	-	(4,270)	-	-	9,980	5,629	1,560	7,189
At 31 March 2012 (Unaudited)	350,354	595,332	(169)	8	1,364	150	1,190	(427,945)	520,284	7,601	527,885
At 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	-	-	143	-	-	-	-	(61,379)	(61,236)	(5,784)	(67,020)
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	143	-	(5,634)	-	(1,190)	(54,200)	18,046	(6,339)	11,707
At 31 March 2013 (Unaudited)	412,090	612,523	55	8	-	150	-	(492,125)	532,701	(298)	532,403

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the fifteen months ended 31 March 2013*

## 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 fifteen months ended 31 March 2012. The Group's ceramic blanks and ferrules business was ceased during the twelve months ended 31 December 2011.

## 2. Basis of preparation and accounting policies

These unaudited condensed financial statements have been prepared in accordance with the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

These 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 Hong Kong Institute of Certified Public Accountants 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. 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:

	<b>(Unaudited)</b>	
	<b>Fifteen months ended</b>	
	<b>31 March</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Sales of goods	<b>358,273</b>	332,010
On-line shopping, advertising and media related service income	<b>27,372</b>	23,255
	<b>385,645</b>	355,265
Representing:		
Continuing operations	<b>385,645</b>	265,116
Discontinued operation ( <i>note 6</i> )	–	90,149
	<b>385,645</b>	355,265



## 5. Income tax expense/(credit)

	<b>(Unaudited)</b>	
	<b>Fifteen months ended</b>	
	<b>31 March</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	<b>4,206</b>	7,139
Underprovision in prior years	–	4
	<b>4,206</b>	7,143
Current tax – People’s Republic of China (“PRC”)		
Enterprise Income Tax		
Provision for the period	<b>172</b>	5,174
Deferred tax	–	(3,324)
	<b>4,378</b>	8,993
Representing:		
Continuing operations	<b>4,378</b>	8,292
Discontinued operation ( <i>note 6</i> )	–	701
	<b>4,378</b>	8,993

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

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

## 6. Discontinued operation

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

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

	<b>(Unaudited)</b>	
	<b>Fifteen months ended</b>	
	<b>31 March</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Loss of discontinued operation	–	(2,252)
Loss on disposal of discontinued operation	–	(44,988)
	<hr/>	<hr/>
	–	(47,240)
	<hr/>	<hr/>
Turnover ( <i>note 4</i> )	–	90,149
Cost of sales	–	(84,598)
	<hr/>	<hr/>
Gross profit	–	5,551
Other income	–	169
Administrative expenses	–	(40)
Other operating expenses	–	(7,231)
	<hr/>	<hr/>
Loss before tax	–	(1,551)
Income tax expense ( <i>note 5</i> )	–	(701)
	<hr/>	<hr/>
Loss for the period	–	(2,252)
	<hr/>	<hr/>

## 7. Loss for the period

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

	(Unaudited)					
	Fifteen months ended 31 March					
	Continuing operations		Discontinued operation		Total	
	2013	2012	2013	2012	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	(728)	(130)	-	-	(728)	(130)
Amortisation of trademark (included in administrative expenses)	312	-	-	-	312	-
Depreciation	7,721	4,775	-	17,348	7,721	22,123
Directors' remuneration	5,725	5,227	-	-	5,725	5,227
Allowance/(reversal of allowance) for inventories (included in cost of sales and service rendered)	1,592	(585)	-	6,033	1,592	5,448
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	-

## 8. (Loss)/earnings per share

### (a) From continuing and discontinued operations

#### For the fifteen months ended 31 March 2013

##### 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\$61,379,000 (2012: HK\$332,817,000) and the weighted average number of ordinary shares of 4,199,282,221 (2012: 2,515,149,130) 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:

	<b>(Unaudited)</b>	
	<b>Fifteen months ended</b>	
	<b>31 March</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
<b>Loss</b>		
Loss for the purpose of calculating basic loss per share	<b>(61,379)</b>	(332,817)
Less: profit of non-wholly owned subsidiary shared to non-controlling shareholder upon exercise of options granted to a consultant	<u>—</u>	<u>(678)</u>
Loss for the purpose of calculating diluted loss per share	<b><u>(61,379)</u></b>	<b><u>(333,495)</u></b>

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 fifteen months ended 31 March 2013 would be anti-dilutive. The exercise of the Group's outstanding convertible bonds and convertible non-voting preference shares for the fifteen months ended 31 March 2012 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's share options during the fifteen months ended 31 March 2013 and 2012.

**For the three months ended 31 March 2013**

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

	<b>(Unaudited)</b> <b>Three months ended</b> <b>31 March</b>	
	<b>2013</b> <b>HK\$'000</b>	2012 <i>HK\$'000</i>
<b>(Loss)/profit</b>		
(Loss)/profit for the purpose of calculating basic (loss)/earnings per share	<b>(32,764)</b>	5,710
<i>Add:</i> finance costs saving on conversion of convertible bonds outstanding	–	115
<i>Less:</i> profit of non-wholly owned subsidiary shared to non-controlling shareholder upon exercise of options granted to a consultant	–	(330)
(Loss)/profit for the purpose of calculating diluted (loss)/earnings per share	<b>(32,764)</b>	5,495

**(Unaudited)**  
**Three months ended**  
**31 March**

	<b>2013</b>	2012
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	<b>4,931,793,790</b>	3,097,093,296
Effect of dilutive potential ordinary shares arising from convertible bonds and convertible non-voting preference shares outstanding	<u>–</u>	<u>1,348,297,362</u>
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	<b><u>4,931,793,790</u></b>	<b><u>4,445,390,658</u></b>

The exercise of the Group's outstanding convertible non-voting preference shares for the three months ended 31 March 2013 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's share options during the three months ended 31 March 2013 and 2012.

**For the twelve months ended 31 December 2011**

*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\$338,527,000 and the weighted average number of ordinary shares of 2,370,061,681 in issue during the period.

*Diluted loss per share*

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

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

**(b) From continuing operations**

**For the fifteen months ended 31 March 2013**

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

	<b>(Unaudited)</b>	
	<b>Fifteen months ended</b>	
	<b>31 March</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
<b>Loss</b>		
Loss for the purpose of calculating basic loss per share	<b>(61,379)</b>	(285,577)
Less: profit of non-wholly owned subsidiary shared to non-controlling shareholder upon exercise of options granted to a consultant	<u>—</u>	<u>(678)</u>
Loss for the purpose of calculating diluted loss per share	<b><u>(61,379)</u></b>	<b><u>(286,255)</u></b>

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 fifteen months ended 31 March 2013 would be anti-dilutive. The exercise of the Group's outstanding convertible bonds and convertible non-voting preference shares for the fifteen months ended 31 March 2012 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's share options during the fifteen months ended 31 March 2013 and 2012.



**For the three months ended 31 March 2013**

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

	<b>(Unaudited)</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
<b>(Loss)/profit</b>		
(Loss)/profit for the purpose of calculating basic (loss)/earnings per share	<b>(32,764)</b>	5,710
<i>Add:</i> finance costs saving on conversion of convertible bonds outstanding	–	115
<i>Less:</i> profit of non-wholly owned subsidiary shared to non-controlling shareholder upon exercise of options granted to a consultant	–	(330)
	<hr/>	<hr/>
(Loss)/profit for the purpose of calculating diluted (loss)/earnings per share	<b>(32,764)</b>	5,495
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The weighted average number of ordinary shares in issue during the period is the same as that detailed above for basic (loss)/earnings per share from continuing and discontinued operations.

## For the twelve months ended 31 December 2011

### *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 from continuing operations attributable to owners of the Company of approximately 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 diluted loss per share from continuing operations attributable to owners of the Company is based on the following:

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

**(c) From discontinued operation**

**For the fifteen months ended 31 March 2013**

Because there was no discontinued operation during the fifteen months ended 31 March 2013, no basic or diluted loss per share from discontinued operation was presented for the fifteen months ended 31 March 2013.

Basic and diluted loss per share from the discontinued operation for the fifteen months ended 31 March 2012 is HK1.878 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 and diluted loss per share from continuing and discontinued operations.

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

**For the three months ended 31 March 2013**

Because there was no discontinued operation during the three months ended 31 March 2013 and 2012, no basic or diluted loss per share from discontinued operation was presented for both periods.

**For the twelve months ended 31 December 2011**

Basic and diluted loss per share from the discontinued operation is HK1.993 cents per share, based on the loss for the period from discontinued operation attributable to the owners of the Company of approximately HK\$47,240,000 and the denominator used is the same as that detailed above for basic and diluted loss per share.

**9. Dividend**

The directors do not recommend the payment of dividend for the fifteen months ended 31 March 2013 (2012: 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

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.

**Voluntarily winding up of Info-Source Media Limited**

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

## **Financial Performance**

For the fifteen months ended 31 March 2013 (“the Current Period”), loss attributable to owners of the Company (including continuing and discontinued operations) was approximately HK\$61,379,000 (fifteen months ended 31 March 2012: HK\$332,817,000). 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\$37,200,000 (fifteen months ended 31 March 2012: HK\$250,206,000) and HK\$7,100,000 (fifteen months ended 31 March 2012: 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 (fifteen months ended 31 March 2012: HK\$44,000); and (iii) an allowance for inventories of approximately HK\$1,592,000 is made in the Current Period (fifteen months ended 31 March 2012: Reversal of HK\$585,000).

Gross profit (including continuing and discontinued operations) for the Current Period was approximately HK\$212,559,000 (fifteen months ended 31 March 2012: HK\$149,173,000), representing an increase of approximately 42% over the corresponding period in 2012.

For the Current Period, the Group’s unaudited total turnover (including continuing and discontinued operations) amounted to approximately HK\$385,645,000 (fifteen months ended 31 March 2012: HK\$355,265,000) representing an increase of approximately 9% over the corresponding period in 2012. 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\$111,561,000 (fifteen months ended 31 March 2012: HK\$90,214,000). 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\$28,759,000 (fifteen months ended 31 March 2012: HK\$27,033,000).

### ***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\$244,638,000 (fifteen months ended 31 March 2012: HK\$151,647,000). 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\$173,780,000 (fifteen months ended 31 March 2012: HK\$109,563,000).

### ***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\$27,372,000 (fifteen months ended 31 March 2012: HK\$23,255,000). Gross profit for the Current Period was approximately HK\$9,940,000 (fifteen months ended 31 March 2012: HK\$7,026,000).

### ***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 (fifteen months ended 31 March 2012: 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 fifteen months ended 31 March 2013 (fifteen months ended 31 March 2012: Nil).

### **Operation**

The Group has currently three business segments under operation and which are named as: the Swimwear segment, the Apparel and related accessories segment, and the On-line shopping and advertising segment.

The Group’s overall gross profit margin dropped in the current three months comparing with the same period last year. That was because the Group still faced with the ever increase in raw material cost purchased and higher labour cost in both Hong Kong and the PRC. The top management of each business segment plans to tighten the overhead cost structure for their corresponding operation in order to lower the breakeven point and restore the gross profit margin in future.

On the other hand, it is the Group business strategy that each business segment is continuously exploring new markets, sourcing new customers as well as provision of value-added services. The Group hopes and believes the consolidated turnover can attain an organic growth in the year of 2013 provided that the business strategy can be carried out effectively in the coming months of this year.

### **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\$8,017,000.

**(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\$1,203,000.

**(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.

### **Contingent liabilities**

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

As at 31 March 2013, the Company has issued a guarantee of approximately HK\$26,650,000 (At 31 March 2012: Nil) to a bank in respect of a banking facility granted to a subsidiary.

## **PROSPECT**

For the Swimwear segment, we hope that orders in the near future will be more than that of last year as it is expected that some new orders will be placed by the existing customers and also expected that the reorder quantities will be a bit higher. This will hopefully shorten the low season period remarkably happened in the swimwear business. Ever rising labour cost and factory overhead cost in the PRC factory is one of the key factors hitting its profit margin in this segment. One step ahead, the management is working on sourcing new customers in other countries like the United States of America, Canada, and the Middle East countries, and provision of new value-added manufacturing services like taking other garment manufacturing orders. The RFID (radio-frequency identification) system is in place and the upgrading of information technology system is also in the pipeline and the management believes both systems will surely improve the efficiency on the logistic management as well as streamline the manufacturing process for our manufacturing operation in this segment.

The apparel retail market in Hong Kong remains tough and highly competitive. The Group's Apparel and related accessories segment has to formulate new marketing strategies to cope with the limitations in Hong Kong's retail market. As most of the cost structures are almost fixed like salaries of salespersons, rental for shops and counters, and the back office overhead cost has trimmed down to a critical minimal, the top management of this segment is, therefore, trying to secure new income sources derived from its existing brands (Cour Carré, Gay Giano, Tonino Lamborgini and etc.) under operation. Apart from apparel, the segment will diversify and increase varieties of the product lines in the future like watches, luggage trolley bags and etc., so as to fully leverage our brandings. The management is also looking forward to exploring new business partners in those Asian countries like South Korea and Thailand ranging from apparel wholesales business to sub-licensing of its retail brands to some business partners whosoever are interested in.

For the On-line shopping and advertising segment, we will begin to upgrade the information technology system for this operation in the coming July and it will also assist in ameliorating the inventory control, logistic management and efficiency of on-line transactions for both of our business partners as well as the on-line shoppers. In consistence with the Group's corporate strategies of exploring new businesses and sourcing new customers, the management of this segment decides to gradually transform the Babybamboo.com web site from a group purchase platform into a web-based purchase platform. As such, this operation will diversify its business model not only on the continuing provision of our advantageous business: the food and beverage group purchase business, but also on the provision of multi-products web-based purchase business (e.g. snack food, fashion and accessories, cosmetic products, and electronic related products and etc.) to our experienced on-line shoppers.

Again, the Group will continue to effectively monitor the surplus funds to protect against inflation whenever possible.

## DISCLOSURE OF INTERESTS

### Interests in Securities of Directors and Chief Executive

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

#### (i) Long positions in Shares

Name of Director	Number of Shares	Capacity	Nature of 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:

1. The percentage of issued share capital had been arrived at on the basis of a total of 4,931,793,790 Shares in issue as at 31 March 2013.
2. These shares are held by JL Investments Capital Limited, which is wholly-owned by Mr. Lau. Mr. Lau is therefore deemed to be interested in the shares held by JL Investments Capital Limited.

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

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

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

## **SHARE OPTION**

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

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

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

At 31 March 2013, no option was outstanding under the New Share Option Scheme (At 31 March 2012: Nil). The total number of shares in respect of which options may be granted under the New Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of approval of the New Share Option Scheme, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. Options granted to a connected person (as such term defined in the GEM Listing Rules) of the Company in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

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

## Interests in Securities of Substantial Shareholders

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

### (i) Long positions in Shares

Name of Shareholder	Number of Shares	Type of interests	Approximate percentage of issued share capital (%) (Note 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	802,000,000	Corporate	16.26%
Mr. Ma Hoi Cheuk ("Mr. Ma")	802,000,000 (Note 2)	Individual	16.26%
Excel Courage Holdings Limited	974,180,000	Corporate	19.75%
Mr. Wong Sin Lai ("Mr. Wong")	974,180,000 (Note 3)	Individual	19.75%

#### Notes:

1. see Note 2 on page 26.
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 26.

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

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

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

*Notes:*

1. see Note 1 on page 26.
2. see Note 2 on page 29.
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 March 2013, no persons have short positions in shares or underlying shares of equity derivatives of the Company.

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

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

## **COMPETING INTERESTS**

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

## **AUDIT COMMITTEE**

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

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

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

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Board is committed to maintain high standards of corporate governance for the Company. During the Current Period, the Company is in compliance with the 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 fifteen months ended 31 March 2013.

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

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

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

Hong Kong, 10 May 2013