China Post E-Commerce (Holdings) Limited
中郵電貿（控股）有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8041)

Website: http://www.cpech.com

ANNUAL RESULTS 2011

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

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, 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 announcement 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 announcement misleading.

* *For identification purpose only*

HIGHLIGHTS

- The Group has recorded a total turnover (including continuing and discontinued operations) of approximately HK$254,547,000 for the year ended 31 December 2011 representing approximately 160% growth over the corresponding period of 2010.

- The Group's gross profit (including continuing and discontinued operations) amounted to approximately HK$91,854,000 for the year ended 31 December 2011.

- The Group has recorded a loss attributable to owners of the Company (including continuing and discontinued operations) for the year ended 31 December 2011 of approximately HK$338,527,000, representing a basic loss per share of HK14.283 cents.

- The Directors do not recommend the payment of a dividend for the year ended 31 December 2011.

- The Group has bank and cash balances of approximately HK$78,516,000; short term borrowing of approximately HK$69,636,000 and long term borrowing of approximately HK$40,302,000 as at 31 December 2011.

AUDITED ANNUAL RESULTS

The Board of Directors (the "Board") of the Company announces that the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2011, together with the comparative audited figures for the year ended 31 December 2010, are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000 (Restated)
Continuing operations			
Turnover	4	**164,398**	6,231
Cost of sales and service rendered		**(78,095)**	(3,138)
Gross profit		**86,303**	3,093
Other income	5	**7,698**	324
Impairment of goodwill	12	**(260,806)**	–
Impairment of available-for-sale financial assets		**–**	(43,325)
Selling expenses		**(35,562)**	–
Administrative expenses		**(83,014)**	(22,210)
Other operating expenses		**(58)**	–
Loss from operations		**(285,439)**	(62,118)
Finance costs	6	**(2,949)**	(442)
Gain on disposal of subsidiaries		**–**	903
Loss before tax		**(288,388)**	(61,657)
Income tax expense	7	**(2,587)**	–
Loss for the year from continuing operations		**(290,975)**	(61,657)
Discontinued operation			
(Loss)/profit for the year from discontinued operation	8	**(47,240)**	4,387
Loss for the year	9	**(338,215)**	(57,270)

	Note	2011 HK$'000	2010 HK$'000 (Restated)
Attributable to:			
Owners of the Company			
Loss from continuing operations		**(291,287)**	(59,583)
(Loss)/profit from discontinued operation		**(47,240)**	4,387
Loss attributable to owners of the Company		**(338,527)**	(55,196)
Non-controlling interests			
Profit/(loss) from continuing operations		**312**	(2,074)
Loss from discontinued operation		**–**	–
Profit/(loss) attributable to non-controlling interests		**312**	(2,074)
		(338,215)	(57,270)
Loss per share			
From continuing and discontinued operations			
– basic	*11(a)*	**HK(14.283) cents**	HK(2.915) cents
– diluted	*11(a)*	**HK(14.298) cents**	HK(2.915) cents
From continuing operations			
– basic	*11(a)*	**HK(12.290) cents**	HK(3.147) cents
– diluted	*11(b)*	**HK(12.305) cents**	HK(3.147) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011 *HK$'000*	2010 *HK$'000*
Loss for the year	**(338,215)**	(57,270)
Other comprehensive income:		
Exchange differences on translating foreign operations	**1,741**	1,335
Exchange differences reclassified to income statement on disposal of subsidiaries	**(4,855)**	–
Surplus/(deficit) on revaluation of property, plant and equipment	**8**	(24,076)
Other comprehensive income for the year, net of tax	**(3,106)**	(22,741)
Total comprehensive income for the year	**(341,321)**	(80,011)
Attributable to:		
Owners of the Company	**(341,632)**	(77,937)
Non-controlling interests	**311**	(2,074)
	(341,321)	(80,011)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment		**11,772**	38,949
Long term prepayments		**1,800**	–
Goodwill	*12*	**484,296**	75,343
Available-for-sale financial assets		**–**	–
Club debenture		**205**	–
		498,073	114,292
Current assets			
Inventories		**77,196**	18,031
Trade and other receivables	*13*	**56,019**	87,668
Pledged bank deposits		**6,248**	2,000
Bank and cash balances		**78,516**	40,603
		217,979	148,302
Current liabilities			
Trade and other payables	*14*	**71,375**	20,113
Promissory notes	*15*	**12,400**	12,400
Convertible bonds	*16*	**12,276**	–
Bank and other loans		**44,895**	–
Finance lease payables		**65**	–
Employee benefit obligations		**4,885**	–
Current tax liabilities		**8,933**	24,879
		154,829	57,392
Net current assets		**63,150**	90,910
Total assets less current liabilities		**561,223**	205,202

	Note	2011 HK$'000	2010 HK$'000
Non-current liabilities			
Promissory notes	*15*	**40,112**	–
Finance lease payables		**190**	–
Deferred tax liabilities		**225**	6,869
		40,527	6,869
NET ASSETS		**520,696**	198,333
Capital and reserves			
Share capital		**350,354**	101,903
Reserves		**164,301**	101,725
Equity attributable to owners of the Company		**514,655**	203,628
Non-controlling interests		**6,041**	(5,295)
TOTAL EQUITY		**520,696**	198,333

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong 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 and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of plant and machinery.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2011. 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 substantial changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year 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.

3. 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 available-for-sale financial assets, gain on disposal of subsidiaries, loss on disposal of discontinued operation and corporate administrative and other operating expenses. Segment assets do not include club debenture, goodwill and other assets for general administrative use. Segment liabilities do not include promissory notes, convertible bonds and other liabilities for general administrative use.

Information about reportable segment profit or loss, assets and liabilities:

	Swimwear *HK$'000*	**Apparel and related accessories** *HK$'000*	**Ceramic blanks and ferrules (Discontinued operation)** *HK$'000*	**On-line shopping and advertising** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Year 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)**
Depreciation	**955**	**1,379**	**17,348**	**1,021**	**–**	**20,703**
Income tax expense	**668**	**1,919**	**701**	**–**	**–**	**3,288**
Other material non-cash item:						
Equity-settled share-based payments	**–**	**2,676**	**–**	**–**	**–**	**2,676**
Additions to segment non-current assets	**105**	**4,985**	**–**	**2,506**	**–**	**7,596**
As at 31 December 2011						
Segment assets	**46,626**	**128,735**	**–**	**10,354**	**–**	**185,715**
Segment liabilities	**24,887**	**79,204**	**–**	**5,221**	**–**	**109,312**
Year ended 31 December 2010						
Revenue from external customers	–	–	91,676	4,024	2,207	97,907
Segment profit/(loss)	–	–	2,355	(6,295)	(1,318)	(5,258)
Depreciation	–	–	8,518	600	108	9,226
Income tax expense	–	–	4,049	–	–	4,049
Additions to segment non-current assets	–	–	–	1,591	–	1,591
As at 31 December 2010						
Segment assets	–	–	85,908	2,673	178	88,759
Segment liabilities	–	–	35,616	956	40	36,612

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Revenue		
Total revenue of reportable segments	**254,547**	97,907
Elimination of discontinued operation	**(90,149)**	(91,676)
Consolidated revenue from continuing operations	**164,398**	6,231
Profit or loss		
Total profit or loss of reportable segments	**(11,774)**	(5,258)
Impairment of goodwill	**(260,806)**	–
Impairment of available-for-sale financial assets	**–**	(43,325)
Gain on disposal of subsidiaries	**–**	903
Other profit or loss	**(20,647)**	(9,590)
Elimination of discontinued operation	**2,252**	(4,387)
Consolidated loss for the year from continuing operations	**(290,975)**	(61,657)
Assets		
Total assets of reportable segments	**185,715**	88,759
Goodwill	**484,296**	75,343
Club debenture	**205**	–
Other assets	**45,836**	98,492
Consolidated total assets	**716,052**	262,594
Liabilities		
Total liabilities of reportable segments	**109,312**	36,612
Promissory notes	**52,512**	12,400
Convertible bonds	**12,276**	–
Other liabilities	**21,256**	15,249
Consolidated total liabilities	**195,356**	64,261

Apart from the above, the totals of other material items disclosed in the segment information are the same as the consolidated totals.

Geographical information:

	Revenue		Non-current assets	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**104,055**	5,996	**493,548**	76,461
PRC except Hong Kong and Macau	**92,228**	91,911	**4,525**	37,831
United Kingdom	**15,031**	–	**–**	–
Spain	**7,834**	–	**–**	–
Hungary	**7,549**	–	**–**	–
Sweden	**5,942**	–	**–**	–
Macau	**5,429**	–	**–**	–
United States of America	**3,642**	–	**–**	–
Netherlands	**2,951**	–	**–**	–
Israel	**2,890**	–	**–**	–
France	**2,250**	–	**–**	–
Denmark	**1,676**	–	**–**	–
Ireland	**1,393**	–	**–**	–
Poland	**1,170**	–	**–**	–
Others	**507**	–	**–**	–
Discontinued operation	**(90,149)**	(91,676)	**–**	–
Consolidated total	**164,398**	6,231	**498,073**	114,292

In presenting the geographical information, revenue is based on the locations of the customers.

Revenue from major customers:

	2011	2010
	HK$'000	*HK$'000*
Ceramic blanks and ferrules (discontinued operation)		
Customer a	**33,736**	16,255
Customer b	**–**	24,673

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:

	2011	2010
	HK$'000	*HK$'000*
Sales of goods	**236,169**	93,883
On-line shopping, advertising and media related service income	**18,378**	4,024
	254,547	97,907
Representing:		
Continuing operations	**164,398**	6,231
Discontinued operation (sales of ceramic blanks and ferrules) *(note 8)*	**90,149**	91,676
	254,547	97,907

5. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
Bank interest income	**18**	12
Commission income	**1,687**	–
Distribution right fee income	**3,221**	–
Interest on promissory notes written back	**248**	248
Interest on other loan written back	**377**	–
Net foreign exchange gains	**149**	18
Other loan interest income	**–**	8
Participation fee income	**190**	–
Sundry income	**1,435**	106
Design fee income	**542**	–
	7,867	392
Representing:		
Continuing operations	**7,698**	324
Discontinued operation *(note 8)*	**169**	68
	7,867	392

6. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Finance lease charges	**9**	–
Interest on bank loans	**540**	–
Interest on convertible bonds	**228**	–
Interest on promissory notes	**1,795**	248
Interest on other loans	**377**	194
	2,949	442
Representing:		
Continuing operations	**2,949**	442

7. INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**2,639**	–
Underprovision in prior years	**4**	–
	2,643	–
Current tax – PRC Enterprise Income Tax		
Provision for the year	**3,969**	4,301
Deferred tax	**(3,324)**	(252)
Income tax expense	**3,288**	4,049
Representing:		
Continuing operations	**2,587**	–
Discontinued operation *(note 8)*	**701**	4,049
	3,288	4,049

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the year ended 31 December 2011. No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2010 as the Group did not generate any assessable profits arising in Hong Kong during that year.

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.

The reconciliation between the income tax expense and the product of (loss)/profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2011	2010
	HK$'000	*HK$'000*
(Loss)/profit before tax		
Continuing operations	**(288,388)**	(61,657)
Discontinued operation *(note 8)*	**(1,551)**	8,436
	(289,939)	(53,221)
Tax at the domestic income tax rate of 16.5% (2010: 16.5%)	**(47,840)**	(8,781)
Tax effect of income that is not taxable	**(708)**	(44)
Tax effect of expenses that are not deductible	**48,386**	10,289
Tax effect of other temporary differences not recognised	**893**	(12)
Tax effect of tax losses not recognised	**2,352**	1,328
Tax effect of utilisation of tax losses not previously recognised	**(38)**	–
Effect of different tax rates of subsidiaries	**239**	1,269
Underprovision in prior years	**4**	–
Income tax expense	**3,288**	4,049

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 (the "BVI") 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 (the "Opcom Group") was 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)/profit for the year from the discontinued operation is analysed as follows:

	2011	2010
	HK$'000	*HK$'000*
(Loss)/profit of discontinued operation	**(2,252)**	4,387
Loss on disposal of discontinued operation	**(44,988)**	–
	(47,240)	4,387

The results of the discontinued operation for the period from 1 January 2011 to 9 December 2011, which have been included in consolidated profit or loss, are as follows:

	Period from 1 January 2011 to 9 December 2011	Year ended 31 December 2010
	HK$'000	*HK$'000*
Turnover *(note 4)*	**90,149**	91,676
Cost of sales	**(84,598)**	(72,264)
Gross profit	**5,551**	19,412
Other income *(note 5)*	**169**	68
Administrative expenses	**(40)**	(249)
Other operating expenses	**(7,231)**	(10,795)
(Loss)/profit before tax *(note 7)*	**(1,551)**	8,436
Income tax expense	**(701)**	(4,049)
(Loss)/profit for the period/year	**(2,252)**	4,387

During the year, the disposed subsidiaries paid approximately HK$2,516,000 (2010: HK$2,195,000) in respect of operating activities.

No tax charge or credit arose on loss on disposal of the discontinued operation.

9. LOSS FOR THE YEAR

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

	Continuing operations		Discontinued operation		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Auditor's remuneration	**1,200**	600	**–**	–	**1,200**	600
Acquisition-related costs (included in administrative expenses)	**3,076**	–	**–**	–	**3,076**	–
Cost of inventories sold	**66,264**	1,612	**84,598**	72,264	**150,862**	73,876
Depreciation	**3,355**	708	**17,348**	8,518	**20,703**	9,226
(Reversal of)/allowance for inventories (included in cost of inventories sold)	**(247)**	–	**6,033**	4,808	**5,786**	4,808
Allowance for receivables	**44**	1,171	**–**	4,290	**44**	5,461
Loss on disposal of property, plant and equipment	**24**	–	**–**	–	**24**	–
Operating lease charges for land and buildings	**21,452**	1,275	**1,527**	121	**22,979**	1,396
Staff costs including directors' emoluments						
Salaries, bonus and allowances	**49,388**	9,186	**13,099**	9,374	**62,487**	18,560
Retirement benefit scheme contributions	**3,248**	249	**742**	636	**3,990**	885
Provision for employee benefit obligations	**174**	–	**–**	–	**174**	–
	52,810	9,435	**13,841**	10,010	**66,651**	19,445

Cost of inventories sold includes staff costs, depreciation and operating lease charges of approximately HK$38,270,000 (2010: HK$16,456,000) which are included in the amounts disclosed separately above.

10. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2011 (2010: Nil).

11. (LOSS)/EARNINGS PER SHARE

(a) From continuing and discontinued operations

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$338,527,000 (2010: HK$55,196,000) and the weighted average number of ordinary shares of 2,370,061,681 (2010: 1,893,562,668) in issue during the year.

Diluted loss per share

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

	2011	2010
	HK$'000	*HK$'000*
Loss for the purpose of calculating basic loss per share	**(338,527)**	(55,196)
Less: profit of non-wholly owned subsidiary shared to non-controlling shareholder upon exercise of options granted to a consultant	**(348)**	–
Loss for the purpose of calculating diluted loss per share	**(338,875)**	(55,196)

The weighted average number of ordinary shares in issue during the year 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 year ended 31 December 2011 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's share options during the years ended 31 December 2011 and 2010.

(b) From continuing operations

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 year from continuing operations attributable to owners of the Company of approximately HK$291,287,000 (2010: HK$59,583,000) 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:

	2011	2010
	HK$'000	*HK$'000*
Loss for the purpose of calculating basic loss per share	**(291,287)**	(59,583)
Less: profit of non-wholly owned subsidiary shared to non-controlling shareholder upon exercise of options granted to a consultant	**(348)**	–
Loss for the purpose of calculating diluted loss per share	**(291,635)**	(59,583)

The weighted average number of ordinary shares in issue during the year 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 year ended 31 December 2011 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's share options during the years ended 31 December 2011 and 2010.

(c) From discontinued operation

Basic loss (2010: earnings) per share from the discontinued operation is HK1.993 cents per share (2010: HK0.232 cent per share), based on the loss for the year from discontinued operation attributable to the owners of the Company of approximately HK$47,240,000 (2010: profit for the year from discontinued operation attributable to owners of the Company of approximately HK$4,387,000) and the denominator used is the same as that detailed above for basic loss per share.

As the exercise of the Group's outstanding convertible bonds and convertible non-voting preference shares for the year 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 was presented in both years.

12. GOODWILL

	2011	2010
	HK$'000	*HK$'000*
Cost		
At beginning of year	**75,343**	75,343
Acquisition of Easy Time Trading Limited ("Easy Time")	**640,966**	–
Acquisition of Charmston (Holdings) Limited ("Charmston")	**28,793**	–
At end of year	**745,102**	75,343
Accumulated impairment losses		
At beginning of year	**–**	–
Impairment loss recognised during the year	**260,806**	–
At end of year	**260,806**	–
Carrying amount		
At beginning of year	**75,343**	75,343
At end of year	**484,296**	75,343

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	2011	2010
	HK$'000	*HK$'000*
Provision of on-line shopping, advertising and media related services		
iKanTV Limited ("iKanTV") *(note (a))*	**75,343**	75,343
Swimwear		
Easy Time *(note (b))*	**640,966**	–
Apparel and related accessories		
Charmston *(note (c))*	**28,793**	–
	745,102	75,343

Notes:

(a) The recoverable amount of the provision of on-line shopping, advertising and media related services CGU is determined from value in use calculation. The key assumptions for the value in use calculation are those regarding the discount rate, growth rate and budgeted gross margin and turnover during the period. The Group estimates discount rate using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rate is based on long-term average economic growth rate of the geographical area in which the business of the CGU operates. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five (2010: five) years with no growth rate in the residual period (2010: 3%). This rate does not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows from the Group's activities of provision of on-line shopping, advertising and media related services is 17.09% (2010: 12.93%).

Based on the past performance, the Group has revised its cash flow forecasts for this CGU. The goodwill has therefore been reduced to its recoverable amount through recognition of an impairment loss against goodwill of approximately HK$10,600,000 during the year.

(b) The recoverable amount of the swimwear CGU is determined from fair value less costs to sell using the market-based approach calculated based on the average price-earnings ratio of several companies listed on The Stock Exchange of Hong Kong Limited (the "comparables") after considering a 22.51% discount on lack of marketability for the controlling interests which is determined by the density function for the maximum of a Brownian motion process by adopting average annualised volatility of the comparables and assuming marketing period is approximately 3 months.

The consideration for the acquisition of Easy Time was HK$390,000,000 which was satisfied by the issuance of convertible non-voting preference shares, promissory notes and consideration shares. The consideration was determined with reference to, including but limited to, the historical financial performance of Easy Time Group, profit guarantee given by the vendor and the price-earnings ratios of the comparables. The fair value of the convertible non-voting preference shares, promissory notes and consideration shares issued for the acquisition of Easy Time as at the date of completion of the acquisition is higher than the total consideration stipulated in the sale and purchase agreement resulted in an allowance for impairment of goodwill of approximately HK$250,206,000.

The fair value of the identifiable assets and liabilities of Easy Time and its subsidiaries ("Easy Time Group") acquired were determined provisionally in the financial statements of the Group for each of the quarters ended 30 September 2011. An allowance for impairment of goodwill of approximately HK$254,853,000 was made in the financial statements of the Group for the nine months ended 30 September 2011.

At the end of the reporting period, the Group made certain fair value adjustments to the carrying amounts of the identifiable assets and liabilities of Easy Time Group as a result of completing the initial accounting. The adjustments to the fair values at the acquisition date of the identifiable assets and liabilities were made as if initial accounting had been incorporated from the date of acquisition. As a result of this change in accounting estimate, allowance for impairment of goodwill decreased by approximately HK$4,647,000 to HK$250,206,000 for the year ended 31 December 2011.

(c) The recoverable amount of the apparel and related accessories CGU is determined from value in use calculation. The key assumptions for the value in use calculation are similar to the provision of on-line shopping, advertising and media related services CGU as stated in note (a) above.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 5%. This rate does not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows from the Group's activities of provision of trading and retail of apparel and related accessories is 16.89%. Management believes that any reasonably possible change in the key assumptions on which the apparel and related accessories CGU's recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

13. TRADE AND OTHER RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade and bills receivables	**23,830**	31,677
Prepayments, deposits and other receivables	**32,189**	55,991
	56,019	87,668

As at 31 December 2010, trade and bills receivables included an amount due from a related company, China Outdoor Media Group Limited, of approximately HK$377,000. A director, Mr. Lau Chi Yuen, Joseph, had significant influence over the related company and was a director and a substantial shareholder of the related company.

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 the invoice date, and net of allowance, is as follows:

	2011	2010
	HK$'000	*HK$'000*
Current to 30 days	**14,084**	16,419
31 – 90 days	**6,066**	10,318
91 – 180 days	**2,266**	2,888
Over 180 days	**1,414**	2,052
	23,830	31,677

As at 31 December 2011, an allowance was made for estimated irrecoverable trade and bills receivables of approximately HK$1,000 (2010: HK$4,381,000).

Reconciliation of allowance for trade and bills receivables:

	2011	2010
	HK$'000	*HK$'000*
At 1 January	**4,381**	–
Allowance for the year	**–**	4,262
Disposal of subsidiaries	**(4,567)**	–
Exchange differences	**187**	119
At 31 December	**1**	4,381

As of 31 December 2011, trade and bills receivables of approximately HK$5,060,000 (2010: HK$15,898,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade and bills receivables is as follows:

	2011	2010
	HK$'000	*HK$'000*
Up to 90 days	**1,380**	11,125
91 – 180 days	**2,266**	2,887
Over 180 days	**1,414**	1,886
	5,060	15,898

The carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

	2011	2010
	HK$'000	*HK$'000*
Hong Kong dollars	**13,262**	557
United States dollars	**9,639**	–
Macau Pataca	**921**	–
Renminbi ("RMB")	**8**	31,120
Total	**23,830**	31,677

14. TRADE AND OTHER PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**22,109**	4,023
Due to a director	**3,000**	–
Due to an ex-director	**–**	3,936
Due to a substantial shareholder	**4,495**	–
Other payables	**41,771**	12,154
	71,375	20,113

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

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

	2011	2010
	HK$'000	*HK$'000*
Current to 30 days	**7,295**	1,748
31 – 90 days	**10,758**	229
91 – 180 days	**3,868**	170
Over 180 days	**188**	1,876
	22,109	4,023

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2011	2010
	HK$'000	*HK$'000*
Hong Kong dollars	**18,160**	155
United States dollars	**872**	–
Euro	**5**	–
RMB	**3,072**	3,868
Total	**22,109**	4,023

15. PROMISSORY NOTES

	2011	2010
	HK\$'000	*HK\$'000*
At 1 January	**12,400**	12,400
Fair value of promissory notes issued upon acquisition of Easy Time	**38,565**	–
	50,965	12,400
Interest charged	**1,547**	–
At 31 December	**52,512**	12,400
Classified as:		
Non-current *(note (a))*	**40,112**	–
Current *(note (b))*	**12,400**	12,400
	52,512	12,400

Notes:

(a) Non-current promissory notes with principal amount of HK\$50,000,000 shall be repayable in one lump sum on the fifth anniversary of the date of the issue of the promissory notes at no interest. These promissory notes are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method. The effective interest rate is 5.325%.

(b) Promissory notes due for settlement within 12 months as at 31 December 2011 and 2010 are unsecured and denominated in Hong Kong dollars. These promissory notes are arranged at fixed interest rate of 2% (2010: 2%) p.a. and expose the Group to fair value interest rate risk.

16. CONVERTIBLE BONDS

The convertible bonds in principal amount of HK$12,500,000 were issued on 30 June 2011 as part of the consideration for the acquisition of Charmston. The bonds are convertible into ordinary shares of the Company at any time commencing from three days after the date of issue up to their settlement date. The bonds were convertible into a maximum of 44,964,028 ordinary shares of the Company at HK$0.278 per share.

If the bonds have not been converted, they will be redeemed at par on 29 June 2012 at no interest.

The fair value of the convertible bonds has been split between the liability component and an equity component, as follows:

	2011	2010
	HK$'000	*HK$'000*
Fair value of convertible bonds issued upon acquisition of Charmston	**13,238**	–
Equity component	**(1,190)**	–
Liability component at date of issue	**12,048**	–
Interest charged	**228**	–
Liability component at 31 December	**12,276**	–

The interest charged for the year is calculated by applying an effective interest rate of 3.75% to the liability component for the 12-month period since the bonds were issued.

17. ACQUISITION OF SUBSIDIARIES

(a) Easy Time

On 31 March 2011, the Group acquired the entire issued share capital of Easy Time at a consideration of HK$390,000,000. The consideration was satisfied by the Company in the following manner:

- as to a sum of HK$260,000,000 by the way of issuance of convertible non-voting preference shares at an issue price of HK$0.150 per share;
- as to a sum of HK$50,000,000 by the way of issuance of promissory notes; and
- as to the balance of HK$80,000,000 by the way of issuance of the ordinary shares at an issue price of HK$0.150 per share.

Easy Time was principally engaged in investment holding, with its subsidiaries engaged in the manufacture and sale of swimsuits.

The fair value of the identifiable assets and liabilities of Easy Time Group acquired as at its date of acquisition is as follows:

	Acquiree's carrying amount before combination	Fair value adjustments	Fair value
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Property, plant and equipment	**841**	**3,399**	**4,240**
Inventories	**15,507**	**–**	**15,507**
Trade and other receivables	**16,055**	**–**	**16,055**
Bank and cash balances	**24,755**	**–**	**24,755**
Trade and other payables	**(16,340)**	**–**	**(16,340)**
Employee benefit obligations	**(4,572)**	**–**	**(4,572)**
Current tax liabilities	**(6,769)**	**–**	**(6,769)**
Deferred tax liabilities	**–**	**(280)**	**(280)**
Net assets	**29,477**	**3,119**	**32,596**
Non-controlling interests			**(331)**
Goodwill			**640,966**
Total consideration			**673,231**
Total consideration, satisfied by:			
Fair value of convertible non-voting preference shares			**485,333**
Fair value of ordinary shares			**149,333**
Fair value of promissory notes *(note 15)*			**38,565**
			673,231
Net cash inflow arising on acquisition:			
Cash and cash equivalents acquired			**24,755**

The goodwill arising on the acquisition of Easy Time is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

Easy Time contributed approximately HK$2,080,000 to the Group's profit for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2011, total Group turnover for the year would have been approximately HK$309,948,000, and loss for the year would have been approximately HK$319,942,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is intended to be a projection of future results.

(b) Charmston

On 30 June 2011, the Group acquired 51% of the issued share capital of Charmston for a consideration of HK$42,500,000. The consideration was satisfied by the Company in the following manner:

– cash of HK$12,500,000 upon signing of the sale and purchase agreement;

– cash of HK$2,500,000 upon completion of the acquisition;

– issuance of convertible bonds with principal amount of HK$12,500,000 upon completion of the acquisition; and

– issuance of 53,956,835 ordinary shares of the Company at an issue price of HK$0.278 totalling HK$15,000,000 at the date of acquisition.

Charmston was principally engaged in investment holding, with its subsidiaries engaged in the trading and retail of apparel and related accessories under the brand name of "Tonino Lamborghini".

The fair value of the identifiable assets and liabilities of Charmston acquired as at its date of acquisition, which has no significant difference from its carrying amount, is as follows:

Net assets acquired:	***HK$'000***
Club debenture	**205**
Property, plant and equipment	**3,021**
Inventories	**23,020**
Trade and other receivables	**34,645**
Pledged bank deposits	**6,241**
Bank and cash balances	**14,367**
Trade and other payables	**(22,743)**
Bank and other loans	**(33,226)**
Finance lease payables	**(286)**
Employee benefit obligations	**(139)**
Current tax liabilities	**(3,369)**
Net assets	**21,736**
Non-controlling interests	**(10,852)**
Goodwill	**28,793**
Total consideration	**39,677**

	HK$'000
Total consideration, satisfied by:	
Cash	**15,000**
Fair value of convertible bonds *(note 16)*	**13,238**
Fair value of ordinary shares	**11,439**
	39,677

Net cash outflow arising on acquisition:	
Cash consideration paid	**(15,000)**
Cash and cash equivalents acquired	**14,367**
	(633)

The goodwill arising on the acquisition of Charmston is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

Charmston contributed approximately HK$9,041,000 to the Group's profit for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2011, total Group turnover for the year would have been approximately HK$333,316,000, and loss for the year would have been approximately HK$332,408,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is intended to be a projection of future results.

18. DISPOSAL OF SUBSIDIARIES

As referred to in note 8 to the financial statements, on 9 December 2011, the Group discontinued its Ceramic blanks and ferrules business at the time of the disposal of the Opcom Group. At the same time, the Company entered into a deed of waiver with Opcom and an independent third party for the waiver of an amount due to the Opcom Group of approximately HK$7,848,000 and an amount due from the independent third party of approximately HK$78,943,000.

Net assets at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	**19,466**
Inventories	**10,413**
Trade and other receivables	**121,216**
Due from immediate holding company	**7,807**
Bank and cash balances	**50**
Trade and other payables	**(103,165)**
Due to a fellow subsidiary	**(1)**
Current tax liabilities	**(29,465)**
Deferred tax liabilities	**(3,601)**
Net assets disposed of	**22,720**
Release of translation reserve	**(4,855)**
Direct cost to the disposal	**1,028**
Waiver of amount due to the Opcom Group	**(7,848)**
Waiver of other receivables	**78,943**
Loss on disposal of subsidiaries	**(44,988)**
Total consideration – satisfied by cash	**45,000**
Net cash inflow arising on disposal:	
Cash consideration received	**45,000**
Cash paid for direct cost	**(1,028)**
Cash and cash equivalents disposed of	**(50)**
	43,922

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Acquisition of subsidiaries

On 6 January 2011, the Group entered into a sale and purchase agreement with Big Good Management Limited ("Big Good"), an independent third party, to acquire the entire issued share capital of Easy Time Trading Limited ("Easy Time"). The total consideration of HK$390,000,000 is satisfied by (i) as to a sum of HK$260,000,000 by way of issue of a total of 1,733,333,333 convertible non-voting preference shares at an issue price of HK$0.15 per share to Big Good upon completion of the transaction; (ii) as to a sum of HK$50,000,000 (subject to adjustment) by the way of issue of promissory notes to Big Good upon completion; and (iii) as to the balance of HK$80,000,000 by the way of issue of a total of 533,333,333 consideration shares at an issue price of HK$0.15 per share to Big Good upon completion and satisfaction of Big Good's obligations under Tax Liability Adjudication and Profit Guarantee on the Contingent Consideration Payment Date. The completion took place on 31 March 2011. Subsequently, Tax Liability Adjudication and Profit Guarantee had been fulfilled pursuant to the sale and purchase agreement and relevant Consideration Shares had been issued on 28 December 2011. Details of the acquisition are set out in a circular issued by the Company on 11 March 2011 and announcement dated 31 March 2011. Further details are set out in note 17(a) to the financial statements.

On 1 April 2011, the Group entered into a sale and purchase agreement with Datamax Limited and Capital Master Holdings Limited (the "Vendors"), both are independent third parties, to acquire 51% of the issued share capital of Charmston (Holdings) Limited ("Charmston"). The total consideration of HK$42,500,000 is satisfied by (i) as to HK$12,500,000 payable in cash upon signing of the sale and purchase agreement; (ii) as to HK$2,500,000 payable by cash upon completion of the transaction; (iii) as to HK$12,500,000 to be satisfied by procuring the Company to issue to Vendors the convertible bonds in the principal amount of HK$12,500,000 upon completion of the transaction; and (iv) as to the balance of HK$15,000,000 to be satisfied by procuring the Company to issue to Vendors of a total of 53,956,835 Consideration shares at an issue price of HK$0.278 per share upon completion of the transaction. The completion took place on 30 June 2011. Details of the acquisition are set out in a circular issued by the Company on 13 June 2011 and announcement dated 30 June 2011. Further details are set out in note 17(b) to the financial statements.

Disposal of subsidiaries

On 27 September 2011, the Group entered into a sale and purchase agreement with Marks Silver Limited, an independent third party, to dispose of the entire issued share capital of a wholly-owned subsidiary, Opcom Holdings (BVI) Limited, at a consideration of HK$45,000,000. Details of the disposal are set out in a circular issued by the Company on 23 November 2011. The completion took place on 9 December 2011 and the Group discontinued its ceramic blanks and ferrules business. Details of the disposal are set out in notes 8 and 18 to the financial statements.

SUBSCRIPTION OF SHARES

On 17 May 2011, the Company entered into a subscription agreement with the SpringTree Special Opportunities Fund, LP ("SpringTree") pursuant to which SpringTree agreed to pay an aggregate amount of up to HK$165,000,000 to the Company in tranches and the Company agreed to issue such number of shares at the subscription price up to the equivalent amount of HK$165,000,000 to SpringTree. On 10 August 2011, 11,236,249 ordinary shares credited as fully paid had been issued as a non-refundable commencement fee to SpringTree. The first tranche of HK$4,000,000 was paid to the Company on 11 August 2011 and the corresponding subscription shares were issued on 8 September 2011. On 22 September 2011, the subscription agreement was terminated by SpringTree and the Company by mutual consent. Further details are set out in the Company's announcement dated 22 September 2011.

CONNECTED TRANSACTIONS

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

(a) Sales of Tonino Lamborghini products

During the year, the Group sold Tonino Lamborghini products of approximately HK$993,000 and HK$322,000 to Bestime (Macau) Limited and Mix N Match (Macau) Limited respectively.

(b) Lease of 8 self-operated retail stores

Easy Harvest International Limited had signed 8 leasing agreements of self-operated retailed stores on behalf of the Group. During the year, the total rental payments of these 8 self-operated retailed stores were approximately HK$6,610,000.

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

Except for the aforesaid, during the year 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.

FINANCIAL REVIEW

For the year ended 31 December 2011, the Group recorded a total turnover (including continuing and discontinued operations) of approximately HK$254,547,000 representing an increase of approximately 160% from approximately HK$97,907,000 for the year ended 31 December 2010. The significant increase in turnover for the year is mainly attributable from 2 new operating segments which are the manufacturing and trading of high-end swimwear and related garment products segment ("Swimwear") and the trading and retail of apparel and related accessories segment ("Apparel and related accessories"). The turnover generated from Swimwear and Apparel and related accessories segments for the year were approximately HK$53,929,000 and HK$92,091,000 respectively.

The gross profit (including continuing and discontinued operations) of approximately HK$91,854,000 was recorded by the Group for the year ended 31 December 2011 (2010: HK$22,505,000).

The loss attributable to owners of the Company (including continuing and discontinued operations) was approximately HK$338,527,000, representing an increase of approximately 513% compared with that of in 2010 (2010: HK$55,196,000). The deterioration was mainly attributable to (i) the impairment of goodwill arising from acquisition of Easy Time and iKanTV Limited of approximately HK$250,206,000 and HK$10,600,000 respectively (2010: HK$Nil); and (ii) loss for the year from discontinued operation of HK$47,240,000 (2010: profit from discontinued operation of HK$4,387,000).

OPERATIONS

During the year under review, the Group has taken effective measures to control its operating costs. This is the objective of the Group to adopt stringent cost control and maintain a thin but effective overhead structure. The Group is optimistic in enjoying a fruitful harvest and satisfying an anticipated growth of production capacity in the foreseeable future.

The Group will also be prudently in expanding its apparel retails network in a pragmatic manner in the coming years by opening more stores and distribution outlets. We also believe that it is in the Group's best interest to negotiate to more apparel brands in future in order to build up its own brand portfolio to secure its market position and to maintain its competitive edges and well diversified product mix in Hong Kong and the People's Republic of China ("PRC").

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group had total assets of approximately HK$716,052,000 (2010: HK$262,594,000). As at 31 December 2011, the Group had short term borrowings of approximately HK$69,636,000 (2010: HK$12,400,000) and long term borrowings of approximately HK$40,302,000 (2010: HK$Nil). The significant increase of total borrowings was mainly due to (i) issuance of promissory note of principal amount of HK$50,000,000 for the acquisition of Easy Time; and (ii) issuance of convertible bonds of principal amount of HK$12,500,000 for the acquisition of Charmston during the year. As at 31 December 2011, the Group had sound financial position with bank and cash balances of approximately HK$78,516,000 (2010: HK$40,603,000). The Group has a current ratio of approximately 1.41 comparing to that of 2.58 as at 31 December 2010. As at 31 December 2011, the Group's gearing ratio of 22% was calculated as net debt divided by total equity (2010: 12%). Net debt is calculated as total liabilities (including current and non-current liabilities as shown in the consolidated statement of financial position) less cash and cash equivalents. Total equity represents the equity as shown in the 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 31 March 2011, the Company issued 1,733,333,333 new convertible non-voting preference shares (par value HK$0.15 each) as part of the consideration for the acquisition of Easy Time. On 18 April 2011, 380,000,000 convertible non-voting preference shares (par value HK$0.15 each) were converted into 380,000,000 new ordinary shares of the Company (par value HK$0.05 each). On 30 June 2011, the Company issued 53,956,835 new ordinary shares (par value HK$0.05 each) as part of the consideration for the acquisition of Charmston. On 10 August 2011, the Company issued 11,236,249 new ordinary shares (par value HK$0.05 each) to SpringTree as commencement fee shares. On 5 September 2011, 50,000,000 convertible non-voting preference shares (par value HK$0.15 each) were converted into 50,000,000 new ordinary shares of the Company (par value HK$0.05 each). On 8 Spetember 2011, the Company issued 30,511,060 new ordinary shares (par value HK$0.05 each) at HK$4,000,000 to generate the working capital of the Group. On 28 December 2011, the Company issued 533,333,333 new ordinary shares (par value HK$0.05 each) as part of the consideration for the acquisition of Easy Time.

As at 31 December 2011, the total number of issued ordinary shares were 3,097,093,296 of HK$0.05 each (At 31 December 2010: 2,038,055,819) and total number of issued convertible non-voting preference shares were 1,303,333,333 of HK$0.15 each (At 31 December 2010: nil).

SIGNIFICANT INVESTMENTS

The Group did not have any significant investments as at 31 December 2011.

HEDGING POLICY

The Group does not have any material exposure to fluctuations in exchange or interest rates. Therefore, no hedging measures have been taken at present.

CREDIT POLICY

The credit terms given to customers are generally based on the financial strengths of individual customers. The Group generally allows an average credit term of 30 to 75 days to its trade customers.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2011, the Group had 575 full time employees compared with that of 369 in 2010. The staff costs, including directors' remuneration, were approximately HK$66,651,000 (2010: HK$19,445,000). 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 2011, the Group did not have any material contingent liabilities.

CHARGE ON ASSETS

As at 31 December 2011, (i) the Group has pledged property, plant and equipment with the net carrying amount of approximately HK$229,000 (2010: HK$Nil) to secure the finance lease payables of approximately HK$255,000 (2010: HK$Nil); and (ii) the Group has pledged bank deposits of approximately HK$6,248,000 (2010: HK$2,000,000) to secure banking facilities granted to the Group.

CHANGE OF NAME

At an extraordinary general meeting of the shareholders of the Company held on 19 December 2011, a special resolution was passed to change the name of the Company from China Post E-Commerce (Holdings) Limited to Luxey International (Holdings) Limited. The application for change of name is still in progress.

PROSPECTS

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

The Group will continuously strive for, with its best effort, creating value to its shareholders. It is the core business strategy for the Group to grow in both organic and inorganic ways. The Group will proactively utilize and mobilize its operating and financial resources to assist the expansion and growth for its swimwear business segment and apparel and related accessories business segment. As such, the Company will always look for any potential business acquisitions or business cooperation with reputable apparel brands. Despite the volatile economic conditions in the United States of America ("US") and in some European countries, the economic and business environments in both Hong Kong and the PRC will generally remain stable with steady growth especially in the retail sector. The economic growth driver will be weighted more on the domestic demand in the PRC. In view of such robust economic growth, the Company, in the long run, will continue to formulate its operating strategy by considering to set up flagship retails outlets in the major cities in the PRC for its two apparel and related accessories business segments, especially for the high ended fashion market. The growth momentum in Hong Kong is undoubtedly benefited from the recent and future economic conditions in the PRC. Hence, the Company is optimistic about the prospect of its on-line shopping and advertising business and its apparel and related accessories business in Hong Kong and the PRC.

Despite the global economy facing new challenges especially the European debt crisis, and looking forward, the Group is optimistic on the prospectus and the growth momentum on the retail market in both Hong Kong and the PRC. Therefore, we have confident that the Group will continue to be formulate its operating strategies in order to capture the economic benefits by the growth in domestic consumptions stimulated by the strong anticipated GDP growth in the PRC and in Hong Kong. As such, for our two retail focused business segments, the apparel and related accessories business segment and the on-line shopping and advertising business segment, we will deploy our resources effectively to seize the business opportunities and secure our major future income sources.

As for our swimwear business segment, the Group is now diversifying its customers based from the US and Europe to the emerging and dynamic markets like the Middle East and Asian countries in order to diversify the risk and impact from the European market. We also believe that these emerging markets are fast-growing and their international trade and capital growth will be the mega trend in the next decade.

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

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

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

There are no purchase, sale or redemption of the Company's listed securities by the Group during the year.

DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2011 (2010: Nil).

COMPETING INTERESTS

The Directors are not aware of, as at 31 December 2011, any business or interest of each Director, substantial shareholder and management shareholders (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 the three independent non-executive Directors of the Company.

The audit committee has reviewed the Group's audited results for the year ended 31 December 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintain high standards of corporate governance for the Company. During the year, the Company is in compliance with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules except provision A.4.1 of the CG Code as detailed below:

Code Provision A.4.1

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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 year ended 31 December 2011.

PRELIMINARY ANNOUNCEMENT OF THE RESULTS AGREED BY AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2011 have been agreed by the Group's auditor, RSM Nelson Wheeler, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2011. The work performed by RSM Nelson Wheeler in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Nelson Wheeler on the preliminary announcement.

PUBLICATION ON ANNUAL RESULTS AND ANNUAL REPORT

This results announcement of the Group for the year ended 31 December 2011 is available for viewing on the website of the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website of the Company at www.cpech.com. The annual report will be despatched to the shareholders of the Company and will also be available for viewing at the aforesaid websites in due course.

By Order of the Board
China Post E-Commerce (Holdings) Limited
Lau Chi Yuen, Joseph
Chairman

Hong Kong, 29 March 2012

As at the date of this announcement, the Board comprises two (2) executive directors, namely, Mr. Lau Chi Yuen, Joseph (Chairman) and Mr. Chung Man Wai, and three (3) independent non-executive directors, namely Dr. Lee Chung Mong, John, Mr. Tam Wing Kin and Mr. Fung Chan Man, Alex.