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

ANNUAL RESULTS 2013

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

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

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

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

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.

HIGHLIGHTS

- The Group has recorded a total turnover (including continuing and discontinued operations) of approximately HK$446,873,000 for the eighteen months ended 30 June 2013 representing approximately 76% growth comparing to twelve months ended 31 December 2011.

- The Group's gross profit amounted to approximately HK$244,787,000 for the eighteen months ended 30 June 2013.

- The Group has recorded a loss attributable to owners of the Company for the eighteen months ended 30 June 2013 of approximately HK$84,992,000, representing a basic loss per share of HK1.967 cents.

- The Directors do not recommend the payment of any dividend for the eighteen months ended 30 June 2013.

- The Group has bank and cash balances of approximately HK$72,367,000; short term borrowings of approximately HK$38,236,000 and long-term borrowings of approximately HK$43,439,000 as at 30 June 2013.

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 eighteen months ended 30 June 2013, together with the comparative audited figures for the year ended 31 December 2011, are as follows:

CONSOLIDATED INCOME STATEMENT

For the eighteen months ended 30 June 2013

	Note	**Eighteen months ended 30 June 2013** ***HK$'000***	Year ended 31 December 2011 *HK$'000*
Continuing operations			
Turnover	*4*	**446,873**	164,398
Cost of sales and service rendered		**(202,086)**	(78,095)
Gross profit		**244,787**	86,303
Other income	*5*	**22,818**	7,698
Impairment of goodwill	*12*	**(59,300)**	(260,806)
Selling expenses		**(120,509)**	(35,562)
Administrative expenses		**(171,224)**	(83,014)
Other operating expenses		**–**	(58)
Loss from operations		**(83,428)**	(285,439)
Finance costs	*6*	**(7,888)**	(2,949)
Loss before tax		**(91,316)**	(288,388)
Income tax expense	*7*	**(2,906)**	(2,587)
Loss for the period/year from continuing operations		**(94,222)**	(290,975)
Discontinued operation			
Loss for the period/year from discontinued operation	*8*	**–**	(47,240)
Loss for the period/year	*9*	**(94,222)**	(338,215)

	Note	Eighteen months ended 30 June 2013 HK$'000	Year ended 31 December 2011 HK$'000
Attributable to:			
Owners of the Company			
Loss from continuing operations		**(84,992)**	(291,287)
Loss from discontinued operation		**–**	(47,240)
Loss attributable to owners of the Company		**(84,992)**	(338,527)
Non-controlling interests			
(Loss)/profit from continuing operations		**(9,230)**	312
(Loss)/profit attributable to non-controlling interests		**(9,230)**	312
		(94,222)	(338,215)
Loss per share			
From continuing and discontinued operations			
– basic	*11(a)*	**HK(1.967) cents**	HK(14.283) cents
– diluted	*11(a)*	**HK(1.967) cents**	HK(14.298) cents
From continuing operations			
– basic	*11(b)*	**HK(1.967) cents**	HK(12.290) cents
– diluted	*11(b)*	**HK(1.967) cents**	HK(12.305) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the eighteen months ended 30 June 2013

	Eighteen months ended 30 June 2013	Year ended 31 December 2011
	HK$'000	*HK$'000*
Loss for the period/year	**(94,222)**	(338,215)
Other comprehensive income:		
Exchange differences on translating foreign operations	**10**	1,741
Exchange differences reclassified to income statement on disposal of subsidiaries	**–**	(4,855)
Fair value changes of available-for-sale financial assets	**(531)**	–
Surplus on revaluation of property, plant and equipment	**801**	8
Other comprehensive income for the period/year, net of tax	**280**	(3,106)
Total comprehensive income for the period/year	**(93,942)**	(341,321)
Attributable to:		
Owners of the Company	**(84,712)**	(341,632)
Non-controlling interests	**(9,230)**	311
	(93,942)	(341,321)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Note	At 30 June 2013 HK$'000	At 31 December 2011 HK$'000
Non-current assets			
Property, plant and equipment		**16,591**	11,772
Long term prepayments		**–**	1,800
Goodwill	*12*	**424,996**	484,296
Trademark		**9,984**	–
Available-for-sale financial assets		**10,418**	–
Club debenture		**205**	205
		462,194	498,073
Current assets			
Inventories		**51,643**	77,196
Trade and other receivables	*13*	**44,876**	56,019
Current tax assets		**463**	–
Pledged bank deposits		**8,608**	6,248
Bank and cash balances		**72,367**	78,516
		177,957	217,979
Current liabilities			
Trade and other payables	*14*	**41,331**	71,375
Promissory notes	*15*	**–**	12,400
Convertible bonds	*16*	**–**	12,276
Bank and other loans		**38,164**	44,895
Finance lease payables		**72**	65
Employee benefit obligations		**4,698**	4,885
Current tax liabilities		**5,851**	8,933
		90,116	154,829
Net current assets		**87,841**	63,150
Total assets less current liabilities		**550,035**	561,223

	Note	At 30 June 2013 HK$'000	At 31 December 2011 HK$'000
Non-current liabilities			
Deposits received		**270**	–
Promissory notes	*15*	**43,355**	40,112
Finance lease payables		**84**	190
Deferred tax liabilities		**845**	225
		44,554	40,527
NET ASSETS		**505,481**	520,696
Capital and reserves			
Share capital	*17*	**412,090**	350,354
Reserves		**97,135**	164,301
Equity attributable to owners of the Company		**509,225**	514,655
Non-controlling interests		**(3,744)**	6,041
TOTAL EQUITY		**505,481**	520,696

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the eighteen months ended 30 June 2013

	Attributable to owners of the Company											
	Share capital (note 17)	Share premium	Translation reserve	Plant and machinery revaluation reserve	Equity-settled share-based payment reserve	Capital redemption reserve	Convertible bond reserve	Investment revaluation 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$'000	HK$'000
At 1 January 2011	101,903	193,678	3,025	19,169	4,270	150	–	–	(118,567)	203,628	(5,295)	198,333
Total comprehensive income for the year	–	–	(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 *(note 17(d))*	(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 year	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	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	**–**	**–**	**10**	**801**	**–**	**–**	**–**	**(531)**	**(84,992)**	**(84,712)**	**(9,230)**	**(93,942)**
Share options lapsed	**–**	**–**	**–**	**–**	**(4,270)**	**–**	**–**	**–**	**4,270**	**–**	**–**	**–**
Conversion of convertible non-voting preference shares into ordinary shares *(note 17(d))*	**(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 rights issue *(note 17(e))*	**81,427**	**(2,500)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**78,927**	**–**	**78,927**
Changes in equity for the period	**61,736**	**17,191**	**10**	**801**	**(5,634)**	**–**	**(1,190)**	**(531)**	**(77,813)**	**(5,430)**	**(9,785)**	**(15,215)**
At 30 June 2013	**412,090**	**612,523**	**(78)**	**809**	**–**	**150**	**–**	**(531)**	**(515,738)**	**509,225**	**(3,744)**	**505,481**

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 and certain investments.

During the period, the Company changed its financial year end date from 31 December to 30 June in order to conform to the financial year end date of its principal operating subsidiaries. The current period financial statements cover an eighteen-month period ended 30 June 2013 and the comparative financial statements cover a twelve-month period ended 31 December 2011. The comparative amounts are therefore not entirely comparable.

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

In the current period, the Group has adopted all the new and revised HKFRSs 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 substantial 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.

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, loss on disposal of discontinued operation and corporate administrative and other operating expenses. Segment assets do not include available-for-sale financial assets, 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*
Eighteen months ended 30 June 2013						
Revenue from external customers	**119,563**	**292,325**	**–**	**32,639**	**2,346**	**446,873**
Segment profit/(loss)	**5,449**	**(24,251)**	**–**	**(11,756)**	**319**	**(30,239)**
Depreciation	**1,545**	**6,367**	**–**	**950**	**–**	**8,862**
Income tax expense	**1,580**	**1,326**	**–**	**–**	**–**	**2,906**
Additions to segment non-current assets	**852**	**20,699**	**–**	**606**	**–**	**22,157**
As at 30 June 2013						
Segment assets	**31,266**	**111,298**	**–**	**5,886**	**2,432**	**150,882**
Segment liabilities	**19,803**	**65,270**	**–**	**3,576**	**10**	**88,659**
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

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

	Eighteen months ended 30 June 2013	Year ended 31 December 2011
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**446,873**	254,547
Elimination of discontinued operation	**–**	(90,149)
Consolidated revenue from continuing operations	**446,873**	164,398
Profit or loss		
Total profit or loss of reportable segments	**(30,239)**	(11,774)
Impairment of goodwill	**(59,300)**	(260,806)
Other profit or loss	**(4,683)**	(20,647)
Elimination of discontinued operation	**–**	2,252
Consolidated loss for the period/year from continuing operations	**(94,222)**	(290,975)

	At 30 June 2013	At 31 December 2011
	HK$'000	*HK$'000*
Assets		
Total assets of reportable segments	**150,882**	185,715
Available-for-sale financial assets	**10,418**	–
Goodwill	**424,996**	484,296
Club debenture	**205**	205
Other assets	**53,650**	45,836
Consolidated total assets	**640,151**	716,052
Liabilities		
Total liabilities of reportable segments	**88,659**	109,312
Promissory notes	**43,355**	52,512
Convertible bonds	**–**	12,276
Other liabilities	**2,656**	21,256
Consolidated total liabilities	**134,670**	195,356

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	
	Eighteen months ended 30 June 2013	Year ended 31 December 2011	**At 30 June 2013**	At 31 December 2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**317,285**	104,055	**457,226**	493,548
People's Republic of China ("the PRC") except Hong Kong and Macau	**12,740**	92,228	**4,968**	4,525
United Kingdom	**13,999**	15,031	**–**	–
Spain	**15,815**	7,834	**–**	–
Hungary	**3,561**	7,549	**–**	–
Sweden	**32,498**	5,942	**–**	–
Macau	**6,259**	5,429	**–**	–
United States of America	**3,313**	3,642	**–**	–
Netherlands	**15,405**	2,951	**–**	–
Israel	**13,604**	2,890	**–**	–
France	**914**	2,250	**–**	–
Denmark	**1,507**	1,676	**–**	–
Ireland	**8,397**	1,393	**–**	–
Poland	**4**	1,170	**–**	–
Others	**1,572**	507	**–**	–
Discontinued operation	**–**	(90,149)	**–**	–
Consolidated total	**446,873**	164,398	**462,194**	498,073

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

Revenue from major customer:

	Eighteen months ended 30 June 2013	Year ended 31 December 2011
	HK$'000	*HK$'000*
Ceramic blanks and ferrules (discontinued operation)		
Customer a	**–**	33,736

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:

	Eighteen months ended 30 June 2013	Year ended 31 December 2011
	HK$'000	*HK$'000*
Sales of goods	**414,234**	236,169
On-line shopping, advertising and media related service income	**32,639**	18,378
	446,873	254,547
Representing:		
Continuing operations	**446,873**	164,398
Discontinued operation (sales of ceramic blanks and ferrules) *(note 8)*	**–**	90,149
	446,873	254,547

5. OTHER INCOME

	Eighteen months ended 30 June 2013	Year ended 31 December 2011
	HK$'000	*HK$'000*
Alteration income	**512**	181
Commission income	**1,254**	1,687
Consultancy fee income	**5,235**	–
Distribution right fee income	**8,270**	3,221
Design fee income	**79**	542
Gain on disposal of property, plant and equipment	**42**	–
Interest income	**1,191**	18
Interest on promissory notes written back	**103**	248
Interest on other loan written back	**1,596**	377
Net foreign exchange gains	**–**	149
Participation fee income	**552**	190
Sundry income	**3,984**	1,254
	22,818	7,867
Representing:		
Continuing operations	**22,818**	7,698
Discontinued operation *(note 8)*	**–**	169
	22,818	7,867

6. FINANCE COSTS

	Eighteen months ended 30 June 2013 *HK$'000*	Year ended 31 December 2011 *HK$'000*
Finance lease charges	**20**	9
Interest on bank loans	**2,702**	540
Interest on convertible bonds	**224**	228
Interest on promissory notes	**3,346**	1,795
Interest on other loans	**1,596**	377
	7,888	2,949
Representing:		
Continuing operations	**7,888**	2,949

7. INCOME TAX EXPENSE

	Eighteen months ended 30 June 2013 *HK$'000*	Year ended 31 December 2011 *HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the period/year	**2,759**	2,639
(Over)/under-provision in prior years	**(87)**	4
	2,672	2,643
Current tax – PRC Enterprise Income Tax		
Provision for the period/year	**329**	3,969
Deferred tax	**(95)**	(3,324)
Income tax expense	**2,906**	3,288
Representing:		
Continuing operations	**2,906**	2,587
Discontinued operation *(note 8)*	**–**	701
	2,906	3,288

Hong Kong Profits Tax has been provided at a rate of 16.5% (Year ended 31 December 2011: 16.5%) on the estimated assessable profit for the eighteen months ended 30 June 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.

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

	Eighteen months ended 30 June 2013	Year ended 31 December 2011
	HK$'000	*HK$'000*
Loss before tax		
Continuing operations	**(91,316)**	(288,388)
Discontinued operation *(note 8)*	**–**	(1,551)
	(91,316)	(289,939)
Tax at the domestic income tax rate of 16.5% (Year ended 31 December 2011: 16.5%)	**(15,067)**	(47,840)
Tax effect of income that is not taxable	**(1,510)**	(708)
Tax effect of expenses that are not deductible	**15,555**	48,386
Tax effect of temporary differences not recognised	**(100)**	893
Tax effect of tax losses not recognised	**4,284**	2,352
Tax effect of utilisation of tax losses not previously recognised	**(281)**	(38)
Effect of different tax rates of subsidiaries	**112**	239
(Over)/under-provision in prior years	**(87)**	4
Income tax expense	**2,906**	3,288

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% interest 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% interest 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 year ended 31 December 2011 from the discontinued operation is analysed as follows:

	HK$'000
Loss of discontinued operation	(2,252)
Loss on disposal of discontinued operation	(44,988)
	(47,240)

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

	HK$'000
Turnover *(note 4)*	90,149
Cost of sales	(84,598)
Gross profit	5,551
Other income *(note 5)*	169
Administrative expenses	(40)
Other operating expenses	(7,231)
Loss before tax	(1,551)
Income tax expense *(note 7)*	(701)
Loss for the year	(2,252)

During the year ended 31 December 2011, the disposed subsidiaries paid approximately HK$2,516,000 in respect of operating activities.

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

9. LOSS FOR THE PERIOD/YEAR

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

	Continuing operations		**Discontinued operation**		**Total**	
	Eighteen months ended 30 June 2013	Year ended 31 December 2011	**Eighteen months ended 30 June 2013**	Year ended 31 December 2011	**Eighteen months ended 30 June 2013**	Year ended 31 December 2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Auditor's remuneration	**1,700**	1,200	**–**	–	**1,700**	1,200
Acquisition-related costs (included in administrative expenses)	**–**	3,076	**–**	–	**–**	3,076
Cost of inventories sold	**180,558**	66,264	**–**	84,598	**180,558**	150,862
Depreciation	**9,645**	3,355	**–**	17,348	**9,645**	20,703
Amortisation of trademark (included in selling expenses)	**416**	–	**–**	–	**416**	–
Allowance/(reversal of allowance) for inventories (included in cost of sales and service rendered)	**3,715**	(247)	**–**	6,033	**3,715**	5,786
Allowance for receivables	**10,695**	44	**–**	–	**10,695**	44
(Gain)/loss on disposal of property, plant and equipment	**(42)**	24	**–**	–	**(42)**	24
Write off of property, plant and equipment	**713**	–	**–**	–	**713**	–
Net foreign exchange losses/(gains)	**158**	(149)	**–**	–	**158**	(149)
Operating lease charges for land and buildings (including contingent rentals of approximately HK$2,103,000 (Year ended 31 December 2011: HK$437,000))	**73,060**	21,452	**–**	1,527	**73,060**	22,979
Staff costs including directors' emoluments						
Salaries, bonus and allowances	**116,025**	49,388	**–**	13,099	**116,025**	62,487
Retirement benefit scheme contributions	**7,164**	3,248	**–**	742	**7,164**	3,990
(Reversal)/provision for employee benefit obligations	**(40)**	174	**–**	–	**(40)**	174
	123,149	52,810	**–**	13,841	**123,149**	66,651

Cost of inventories sold includes staff costs, depreciation and operating lease charges of approximately HK$21,829,000 (Year ended 31 December 2011: HK$38,270,000) which are included in the amounts disclosed separately above.

10. DIVIDENDS

The directors do not recommend the payment of any dividend for the eighteen months ended 30 June 2013 (Year ended 31 December 2011: Nil).

11. LOSS 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 period/year attributable to owners of the Company of approximately HK$84,992,000 (Year ended 31 December 2011: HK$338,527,000) and the weighted average number of ordinary shares of 4,321,144,292 (Year ended 31 December 2011: 2,370,061,681) in issue during the period/year.

Diluted loss per share

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

	Eighteen months ended 30 June 2013	Year ended 31 December 2011
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of calculating basic loss per share	**(84,992)**	(338,527)
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	**(84,992)**	(338,875)

The weighted average number of ordinary shares in issue during the period/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, convertible non-voting preference shares and options issued by a non-wholly owned subsidiary for the eighteen months ended 30 June 2013 would be anti-dilutive. 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 eighteen months ended 30 June 2013 and year ended 31 December 2011.

(b) From continuing operations

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

	Eighteen months ended 30 June 2013	Year ended 31 December 2011
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of calculating basic loss per share	**(84,992)**	(291,287)
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	**(84,992)**	(291,635)

The weighted average number of ordinary shares in issue during the period/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, convertible non-voting preference shares and options issued by a non-wholly owned subsidiary for the eighteen months ended 30 June 2013 would be anti-dilutive. 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 eighteen months ended 30 June 2013 and year ended 31 December 2011.

(c) From discontinued operation

Because there was no discontinued operation during the eighteen months ended 30 June 2013, no basic and diluted loss per share from discontinued operation was presented for the eighteen months ended 30 June 2013.

Basic loss per share from the discontinued operation for the year ended 31 December 2011 was HK1.993 cents 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 and the denominator used is the same as that detailed above for basic and diluted loss per share from continuing and discontinued operations.

As the exercise of the Group's outstanding convertible bonds and convertible non-voting preference shares for the year ended 31 December 2011 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's share options, diluted loss per share was same as the basic loss per share from the discontinued operation for the year ended 31 December 2011.

12. GOODWILL

	At 30 June 2013 HK$'000	At 31 December 2011 HK$'000
Cost		
At beginning of period/year	**745,102**	75,343
Acquisition of Easy Time Trading Limited ("Easy Time")	**–**	640,966
Acquisition of Charmston (Holdings) Limited ("Charmston")	**–**	28,793
At end of period/year	**745,102**	745,102
Accumulated impairment losses		
At beginning of period/year	**260,806**	–
Impairment loss recognised during the period/year	**59,300**	260,806
At end of period/year	**320,106**	260,806
Carrying amount		
At beginning of period/year	**484,296**	75,343
At end of period/year	**424,996**	484,296

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:

	At 30 June 2013 HK$'000	At 31 December 2011 HK$'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**	640,966
Apparel and related accessories		
Charmston *(note (c))*	**28,793**	28,793
	745,102	745,102

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 (At 31 December 2011: five) years with residual period using the growth rate of 5% (At 31 December 2011: Nil). 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 14.85% (At 31 December 2011: 17.09%).

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$22,100,000 (Year ended 31 December 2011: HK$10,600,000) during the period/year.

(b) The recoverable amount of the swimwear CGU is determined from fair value less costs to sell using the income-based approach calculation. The key assumptions for the income-based approach calculation are similar to the value in use calculation of 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 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 manufacturing and trading of high-end swimwear and related garment products is 17.19%. The calculation further considers a 14.84% discount on lack of marketability for the controlling interests.

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$37,200,000 (Year ended 31 December 2011: HK$250,206,000) during the period/year.

(c) The recoverable amount of the apparel and related accessories 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 25.45% 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.

13. TRADE AND OTHER RECEIVABLES

	At 30 June 2013 HK$'000	At 31 December 2011 HK$'000
Trade and bills receivables	**16,324**	23,830
Prepayments, deposits and other receivables	**28,552**	32,189
	44,876	56,019

The Group normally allows credit terms to customers except for retail customers ranging from 30 to 120 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:

	At 30 June 2013 HK$'000	At 31 December 2011 HK$'000
Current to 30 days	**8,186**	14,084
31 – 90 days	**1,501**	6,066
91 – 180 days	**3,364**	2,266
Over 180 days	**3,273**	1,414
	16,324	23,830

As at 30 June 2013, an allowance was made for estimated irrecoverable trade and bills receivables of approximately HK$2,140,000 (At 31 December 2011: HK$1,000).

Reconciliation of allowance for trade and bills receivables:

	At 30 June 2013 HK$'000	At 31 December 2011 HK$'000
At beginning of period/year	**1**	4,381
Allowance for the period/year	**2,139**	–
Disposal of subsidiaries	**–**	(4,567)
Exchange differences	**–**	187
At end of period/year	**2,140**	1

As of 30 June 2013, trade and bills receivables of approximately HK$6,773,000 (At 31 December 2011: HK$5,060,000) 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:

	At 30 June 2013	At 31 December 2011
	HK$'000	*HK$'000*
Up to 90 days	**136**	1,380
91 – 180 days	**3,364**	2,266
Over 180 days	**3,273**	1,414
	6,773	5,060

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

	At 30 June 2013	At 31 December 2011
	HK$'000	*HK$'000*
Hong Kong dollars	**7,252**	13,262
United States dollars	**6,517**	9,639
Macau Pataca	**261**	921
Renminbi ("RMB")	**2,294**	8
Total	**16,324**	23,830

14. TRADE AND OTHER PAYABLES

	At 30 June 2013	At 31 December 2011
	HK$'000	*HK$'000*
Trade payables	**11,792**	22,109
Due to a director	**–**	3,000
Due to a substantial shareholder	**495**	4,495
Accruals and other payables	**29,044**	41,771
	41,331	71,375

The amounts due to a 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:

	At 30 June 2013 *HK$'000*	At 31 December 2011 *HK$'000*
Current to 30 days	**2,303**	7,295
31 – 90 days	**6,452**	10,758
91 – 180 days	**213**	3,868
Over 180 days	**2,824**	188
	11,792	22,109

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

	At 30 June 2013 *HK$'000*	At 31 December 2011 *HK$'000*
Hong Kong dollars	**6,782**	18,160
United States dollars	**43**	872
Euro	**–**	5
RMB	**4,967**	3,072
Total	**11,792**	22,109

15. PROMISSORY NOTES

	At 30 June 2013	At 31 December 2011
	HK$'000	*HK$'000*
At beginning of period/year	**52,512**	12,400
Fair value of promissory notes issued upon acquisition of Easy Time	**–**	38,565
Repayment	**(12,400)**	–
	40,112	50,965
Interest charged	**3,243**	1,547
At end of period/year	**43,355**	52,512
Classified as:		
Non-current *(note (a))*	**43,355**	40,112
Current *(note (b))*	**–**	12,400
	43,355	52,512

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 were unsecured and denominated in Hong Kong dollars. These promissory notes were arranged at fixed interest rate of 2% p.a. and exposed 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 were 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. The bonds had not been converted and were 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:

	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 2011 and 1 January 2012	12,276
Interest charged	224
Redemption	(12,500)
Liability component at 30 June 2013	–

The interest charged for the period/year was calculated by applying an effective interest rate of 3.75% p.a. to the liability component.

17. SHARE CAPITAL

	At 30 June 2013	At 31 December 2011
	HK$'000	*HK$'000*
Authorised:		
14,000,000,000 ordinary shares of HK$0.05 each	**700,000**	700,000
2,000,000,000 convertible non-voting preference shares of HK$0.15 each	**300,000**	300,000
	1,000,000	1,000,000

	At 30 June 2013 HK$'000	At 31 December 2011 HK$'000
Issued and fully paid:		
4,931,793,790 (At 31 December 2011: 3,097,093,296) ordinary shares of HK$0.05 each	**246,590**	154,854
1,103,333,333 (At 31 December 2011: 1,303,333,333) convertible non-voting preference shares of HK$0.15 each	**165,500**	195,500
	412,090	350,354

A summary of the movements in the issued share capital of the Company during the year ended 31 December 2011 and eighteen months ended 30 June 2013 is as follows:

	Note	Number of ordinary shares of HK$0.05 each *'000*	Number of convertible non-voting preference shares of HK$0.15 each *'000*	Par value *HK$'000*
At 1 January 2011		2,038,056	–	101,903
Issue of shares for acquisition of Easy Time	*(a)*	533,333	1,733,333	286,666
Issue of shares for acquisition of Charmston	*(b)*	53,957	–	2,698
Issue of commencement fee shares	*(c)*	11,236	–	562
Issue of new shares	*(c)*	30,511	–	1,525
Conversion of convertible non-voting preference shares	*(d)*	430,000	(430,000)	(43,000)
At 31 December 2011 and 1 January 2012		3,097,093	1,303,333	350,354
Conversion of convertible non-voting preference shares	*(d)*	206,154	(200,000)	(19,691)
Issue of new shares under rights issue	*(e)*	1,628,547	–	81,427
At 30 June 2013		4,931,794	1,103,333	412,090

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

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

(b) On 30 June 2011, 53,956,835 new ordinary shares of HK$0.05 each were issued as part of the consideration for the acquisition of a 51% equity interest in Charmston. The fair value of those 53,956,835 ordinary shares issued was determined by reference to the published share price of HK$0.212 at the date of acquisition of Charmston.

(c) On 17 May 2011, the Company and SpringTree Special Opportunities Fund, LP (the "Investor") entered into a share subscription agreement (the "Subscription Agreement") in relation to the subscription of the shares in the Company up to a total amount of HK$165,000,000. Pursuant to the Subscription Agreement, the Company paid the Investor a non-refundable commencement fee in the amount of 1.3% of the aggregate amount of the investment under the Subscription Agreement, to be satisfied by way of issuance of 11,236,249 ordinary shares credited as fully paid to the Investor on 10 August 2011.

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

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

The Subscription Agreement was terminated on 22 September 2011.

(d) During the eighteen months ended 30 June 2013, 206,153,846 (Year ended 31 December 2011: 430,000,000) ordinary shares of HK$0.05 each were issued as a result of the conversion of 200,000,000 (Year ended 31 December 2011: 430,000,000) convertible non-voting preference shares.

(e) On 3 July 2012, 1,628,546,648 ordinary shares of HK$0.05 each were issued at HK$0.05 per share by way of a rights issue on the basis of one rights share for every two shares held. The shares rank pari passu in all respects with the ordinary shares of the Company in issue on that date.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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 Trademark

On 21 June 2012, the Group entered into an agreement with a group of independent third parties (the "Sellers") to acquire the trademarks namely "Gay Giano", "Cour Carré" and "Due G" registered in the names of the Sellers in Hong Kong and the People's Republic of China ("PRC") ("Trademark") at a consideration of HK$8,500,000 in cash and terminated the licence agreement dated 13 July 2011 made between the Sellers and the Group relating to the grant of the license to use the Trademark (the "Licence Agreement"). The Group shall pay a sum of HK$1,500,000 in cash to the Sellers 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 REVIEW

Finance results

For the eighteen months ended 30 June 2013 ("the Period"), loss attributable to owners of the Company (including continuing and discontinued operations) was approximately HK$84,992,000. Comparing to loss attributable to owners of the Company (including continuing and discontinued operations) in the previous financial year of approximately HK$338,527,000, the improvement was mainly attributable to (i) decrease in allowance for impairment of goodwill. During the Period, allowance for impairment of goodwill of approximately HK$37,200,000 (twelve months ended 31 December 2011: HK$250,206,000) and HK$22,100,000 (twelve months ended 31 December 2011: HK$10,600,000) are made for swimwear cash-generating unit and provision of on-line shopping, advertising and media related services cash-generating unit respectively; (ii) net allowance for trade and other receivables of approximately HK$10,695,000 is made for the Period (twelve months ended 31 December 2011: HK$44,000); and (iii) an allowance for inventories of approximately HK$3,715,000 is made for the Period (twelve months ended 31 December 2011: HK$5,786,000).

Revenue and Gross Profit

For the Period, the Group's total turnover (including continuing and discontinued operations) and gross profit (including continuing and discontinued operations) were approximately HK$446,873,000 and HK$244,787,000 respectively, as comparing to HK$254,547,000 and HK$91,854,000 respectively in previous financial year.

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 Period was approximately HK$119,563,000 (twelve months ended 31 December 2011: HK$53,929,000). Turnover increased during the Period was mainly contributed by Easy Time Trading Limited ("Easy Time") and its subsidiaries ("Easy Time Group"), which the Group acquired on 31 March 2011. Gross profit for the Period was approximately HK$29,860,000 (twelve months ended 31 December 2011: HK$11,801,000).

Trading and retail of apparel and related accessories ("Apparel and related accessories segment")

The turnover generated from Apparel and related accessories segment for the Period was approximately HK$292,325,000 (twelve months ended 31 December 2011: HK$92,091,000). Turnover during the Period was mainly contributed by Charmston (Holdings) Limited ("Charmston") and its subsidiaries, which the Group acquired on 30 June 2011. Gross profit for the Period was approximately HK$202,108,000 (twelve months ended 31 December 2011: HK$68,532,000).

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

The turnover generated from On-line shopping and advertising segment for the Period was approximately HK$32,639,000 (twelve months ended 31 December 2011: HK$18,378,000). Gross profit for the Period was approximately HK$12,485,000 (twelve months ended 31 December 2011: HK$5,970,000).

Manufacturing and trading of ceramic blanks and ferrules ("Ceramic blanks and ferrules segment") (discontinued operation)

No turnover generated from Ceramic blanks and ferrules segment for the Period (twelve months ended 31 December 2011: HK$90,149,000). This operating segment was discontinued on 9 December 2011.

Impairment of Goodwill

For the Period, the Group's total impairment of goodwill was approximately HK$59,300,000, comparing to HK$260,806,000 in previous financial year.

(i) The impairment of goodwill relates to the provision of on-line shopping, advertising and media related services cash-generating unit ("Provision of on-line shopping, advertising and media related services CGU")

For the Period, an impairment of goodwill relates to Provision of on-line shopping, advertising and media related services CGU was approximately HK$22,100,000, comparing to HK$10,600,000 in previous financial year.

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 Provision of on-line shopping, advertising and media related services CGU. The growth rate is based on long-term average economic growth rate of the geographical area in which the business of the Provision of on-line shopping, advertising and media related services 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 years with 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 the Provision of on-line shopping, advertising and media related services CGU is 14.85%. Based on the past performance, the Group has revised its cash flow forecasts for the Provision of on-line shopping, advertising and media related services CGU. The goodwill has therefore been reduced to its recoverable amount through recognition of an impairment loss against goodwill of approximately HK$22,100,000 during the Period.

(ii) The impairment of goodwill relates to the swimwear cash-generating unit ("Swimwear CGU")

For the Period, an impairment of goodwill relates to Swimwear CGU was approximately HK$37,200,000, comparing to HK$250,206,000 in previous financial year.

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, thus resulted an allowance for impairment of goodwill of approximately HK$250,206,000 made in previous year.

The recoverable amount of the Swimwear CGU is determined from fair value less cost to sell using the income-based approach calculation. The key assumptions for the income-based approach calculation are similar to the value in use calculation of Provision of on-line shopping, advertising and media related services CGU as stated in note (i) above. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors for the next five years with 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 manufacturing and trading of high-end swimwear and related garment products is 17.19%. The calculation further considers a 14.84% discount on lack of marketability for the controlling interests. Based on the past performance, the Group has revised its cash flow forecasts for the Swimwear CGU. The goodwill has therefore been reduced to its recoverable amount through recognition of an impairment loss against goodwill of approximately HK$37,200,000 during the Period.

Allowance for trade and other receivables

During the Period, the total net allowance for trade and other receivables of approximately HK$10,695,000 is made, as comparing to HK$44,000 in previous financial year.

An allowance for other receivable of approximately HK$9,328,000 was mainly provided to an independent third party for the Period. During the Period, the Group has issued legal demand letters for the collection of debts to the debtors. Despite several requests and demands from the Group, debtors defaulted in the repayment of debts as and when they fell due, the Board has assessed and believed that total trade and other receivables of approximately HK$10,695,000 would have difficulties in recovering and therefore an allowance for trade and other receivables was provided.

OPERATIONS

During the Period, the Group maintained an effective cost measures in controlling the cost structure of its operations. Besides, the Group will be extremely prudent in the expansion of its operations in an organic manner. We also believe that it is of the Group's best interest to explore different sources of income while still maintains an effective and efficient overhead structure for our supporting departments in each of the business segments under operation.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2013, the Group had total assets of approximately HK$640,151,000 (as at 31 December 2011: HK$716,052,000). As at 30 June 2013, the Group had short term borrowings of approximately HK$38,236,000 (as at 31 December 2011: HK$69,636,000) and long-term borrowings of approximately HK$43,439,000 (as at 31 December 2011: HK$40,302,000). The decrease of total borrowings was mainly due to (i) settlement of promissory note of principal amount of HK$12,400,000 during the Period; and (ii) the redemption of convertible bonds of principal amount of HK$12,500,000 during the Period. As at 30 June 2013, the Group had sound financial position with bank and cash balances of approximately HK$72,367,000 (as at 31 December 2011: HK$78,516,000). The Group has a current ratio of approximately 1.97 comparing to that of 1.41 as at 31 December 2011. As at 30 June 2013, the Group's gearing ratio of 12% was calculated as net debt divided by total equity (as at 31 December 2011: 22%). 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 19 April 2012, 24 April 2012 and 28 December 2012, 115,000,000, 45,000,000 and 46,153,846 ordinary shares of HK$0.05 each were issued respectively as a result of the conversion of 115,000,000, 45,000,000 and 40,000,000 convertible non-voting preference shares respectively.

On 3 July 2012, 1,628,546,648 ordinary shares of HK$0.05 each were issued at HK$0.05 per share by way of a rights issue on the basis of one rights share for every two shares held.

As at 30 June 2013, the total number of issued ordinary shares were 4,931,793,790 of HK$0.05 each (as at 31 December 2011: 3,097,093,296) and total number of issued convertible non-voting preference shares were 1,103,333,333 of HK$0.15 each (as at 31 December 2011: 1,303,333,333). Pursuant to the terms of the convertible non-voting preference shares, the conversion price of the outstanding convertible non-voting preference shares has been adjusted from HK$0.15 per share to HK$0.13 per share as a result of completion of the Rights Issue.

SIGNIFICANT INVESTMENTS

During the Period, the Group acquired debt investments of HK$10,949,000 (twelve months ended 31 December 2011: HK$Nil) which is classified as available-for-sale financial assets.

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 120 days to its trade customers.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2013, the Group had 476 full time employees compared with that of 575 in the previous financial year. The staff costs, including directors' remuneration, were approximately HK$123,149,000 (twelve months ended 31 December 2011: HK$66,651,000). The Group offers a comprehensive remuneration package and benefits to its full time employees in compliance with the regulations in Hong Kong and the PRC respectively, including medical scheme, provident fund or retirement fund. In addition, the Group adopts a share option scheme for eligible employees (including Directors) and consultants to provide incentives to participants for their contributions and continuing efforts to promote the interests of the Group.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any material contingent liabilities.

As at 30 June 2013, the Company has issued a guarantee of approximately HK$26,650,000 (as at 31 December 2011: HK$Nil) to a bank in respect of a banking facility granted to a subsidiary.

TRADEMARK

On 21 June 2012, trademark was purchased by the Group at a total consideration of HK$8,500,000 (as at 31 December 2011: HK$Nil). The remaining amortisation period of the trademark is 24 years (as at 31 December 2011: Nil).

CHARGE ON ASSETS

As at 30 June 2013, (i) the Group has pledged property, plant and equipment with the net carrying amount of approximately HK$91,000 (as at 31 December 2011: HK$229,000) to secure the finance lease payables of approximately HK$156,000 (as at 31 December 2011: HK$255,000); and (ii) the Group has pledged bank deposits of approximately HK$8,608,000 (as at 31 December 2011: HK$6,248,000) to secure banking facilities granted to the Group.

PROSPECTS

It is believed that European countries remain to be a sluggish market for both retail and manufacturing goods in the foreseeable years. In fact, we also believe Asia will continue to maintain its robust growth momentum in economic areas especially in both manufacturing and retail businesses. The wealth accumulation effects in Asian countries should not be overlooked and there will be another revenue driver that the Group would consider.

The Group continues to formulate its business strategies to optimize the use of its operation and financial resources in assisting the sustainable growth of its three business segments: the Swimwear segment, the Apparel and related accessories segment as well as the On-line shopping and advertising segment.

Following the end of international garment quota regime in 2005, the garment manufacturing companies are no longer competing with each other dominantly on quota of their garment products alone. On the contrary, the garment manufacturing companies are shifting their competitive edges to pricing, variety of products and value-added services offered to customers instead. Incorporating with the hard work of our management and merchandising team in the Swimwear segment, the Group successfully acquires some new orders from new customers. On the other hand, our management team will continue to explore and source orders from both existing customers and other customers in swimwear related disciplines for the provision of our value-added manufacturing services.

The garment industry is inevitably characterized as a labour intensive industry. The shortage of garment skilled workers in Guangdong Province, where our manufacturing located at, will be an issue that we need to tackle with. The impact on rising operating costs and a shortage of skilled labour intensify our management team to consider to either establish another manufacturing base and/or subcontract out part of our orders to other garment factories in the newly developed Asian countries like Myanmar, Bangladesh, Cambodia and, in where, the general wages disparities between China remain competitive.

As there are always new entrants who attempt to manufacture goods cheaper, the implementation of our RFID system (radio frequency identification) and upgrading of the information system allows our factory to improve the logistic management in both the supply chain and the manufacturing process. Therefore, this can maintain our core competitive edges not only on costing but also on the provision of reliable delivery, flexible services in the industry.

In view of the Apparel and related accessories segment, there are currently around 38 retail outlets (including self-operated stores and shopping counters) in Hong Kong operated under the brand names either Tonino Lamborghini or Cour Carré. During the Period, some self-operated shops were close because of the expiration of rental agreements like the shops in K11 and Festival Walk. On the other hand, the management has looked for another good retail locations with reasonable cost and customer traffic, and, two new shops were open in MegaBox. The management of this business segment observes that some factors can support the domestic retail growth in Hong Kong and they are the wealth effect of Hong Kong people (assuming that the property and stock market continues to perform well) coupling with the low unemployment rate in Hong Kong. We also hope that the number of China tourists can surge in the coming years.

The concept of fast fashion further intensifies the already fierce competition in the apparel retail market among the existing rivalries. As such, the management is speeding up the process on the exploration of new income source in wholesale business, licensing and distribution business to the Asian countries including China. Meanwhile, the management also closely monitors the variety, design and price range of our apparel products. It is hoping that the Group can always improve our core value in maintain the popularity of our brand names (Tonino Lamborghini, Cour Carré, Gay Giano, and Due G), providing more innovative and fashionable design as well as upgrading our salespersons' services.

Given the high level of smartphone penetration together with high usage volume in Hong Kong, our management of the On-line shopping and advertising segment believes purchase made via mobile phones will become another income sources. Viewing of this trend, the On-line shopping and advertising segment continues to develop its business in two aspects. Firstly, the segment successfully transforms the Babybamboo.com.hk web site from group buying to on-line web-based buying platform. Moreover, we can also specialize in providing logistic and on-line shop management services and aim at providing one stop solution to our business partners and the on-line shoppers. Secondly, the management develops on-line solution services, including but not limited to, advertising, traffic redirecting, Facebook apps promotion, fans page setup and management. It is targeted to co-operate with major internet providers and mobile apps providers to open up new business whenever possible. Being an on-line solution provider, the business segment will extend its mobile apps business. There are some apps in the pipeline like location dining app and movie app that can provide updated information and discount offers to our customers.

Cash is king in times of uncertainty and volatility. The Group will deliver its best to manage its liquidity position carefully and protect the value of the surplus fund against inflation while can maintain capital gain.

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 Period.

DIVIDENDS

The directors do not recommend the payment of any dividend for the eighteen months ended 30 June 2013 (Year ended 31 December 2011: Nil).

COMPETING INTERESTS

The Directors are not aware of, as at 30 June 2013, 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 audit committee has reviewed the Group's audited results for the eighteen months ended 30 June 2013.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintain high standards of corporate governance for the Company. During the 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.

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 eighteen months ended 30 June 2013.

PRELIMINARY ANNOUNCEMENT OF THE RESULTS AGREED BY AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the eighteen months ended 30 June 2013 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 eighteen months ended 30 June 2013. 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 eighteen months ended 30 June 2013 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.luxey.com.hk. 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
Luxey International (Holdings) Limited
Lau Chi Yuen, Joseph
Chairman

Hong Kong, 24 September 2013

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.

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for 7 days from the date of its posting and on the website of the Company.