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 2016

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 higher 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.

HIGHLIGHTS

- The Group has recorded a total turnover (including continuing and discontinued operations) of approximately HK$139,981,000 for the year ended 30 June 2016, representing approximately 11.21% decrease comparing to the year ended 30 June 2015.

- The Group's gross profit amounted to approximately HK$5,848,000 for the year ended 30 June 2016.

- The Group has recorded a loss attributable to owners of the Company for the year ended 30 June 2016 of approximately HK$47,251,000, representing a basic loss per share of HK0.940 cent.

- The Directors do not recommend the payment of any dividend for the year ended 30 June 2016.

- The Group has bank and cash balances of approximately HK$48,556,000; short term borrowings of approximately HK$19,500,000 and no long-term borrowings as at 30 June 2016.

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 30 June 2016, together with the comparative audited figures for the year ended 30 June 2015, are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2016

		2016	2015
	Note	***HK$'000***	*HK$'000*
Continuing operations			
Revenue	*4*	**139,981**	121,251
Cost of sales and service rendered		**(134,133)**	(98,923)
Gross profit		**5,848**	22,328
Other income	*5*	**8,848**	7,256
Impairment of goodwill	*13*	**(37,900)**	(282,304)
Selling expenses		**(782)**	(1,824)
Administrative expenses		**(26,564)**	(37,824)
Loss from operations		**(50,550)**	(292,368)
Finance costs	*6*	**(525)**	(4,296)
Gain on deemed disposal of an associate	*7*	**–**	61,628
Share of losses of an associate		**–**	(8,070)
Loss before tax		**(51,075)**	(243,106)
Income tax (expense)/credit	*8*	**(478)**	181
Loss for the year from continuing operations		**(51,553)**	(242,925)
Discontinued operation			
Loss for the year from discontinued operation	*9*	**–**	(9,255)
Loss for the year	*10*	**(51,553)**	(252,180)

	Note	**2016** *HK$'000*	2015 *HK$'000*
Attributable to:			
Owners of the Company			
Loss from continuing operations		**(47,251)**	(241,664)
Loss from discontinued operation		**–**	(3,780)
Loss attributable to owners of the Company		**(47,251)**	(245,444)
Non-controlling interests			
Loss from continuing operations		**(4,302)**	(1,261)
Loss from discontinued operation		**–**	(5,475)
Loss attributable to non-controlling interests		**(4,302)**	(6,736)
		(51,553)	(252,180)
Loss per share			
From continuing and discontinued operations			
Basic (cents per share)	*12(a)*	**(0.940)**	(4.977)
Diluted (cents per share)	*12(a)*	**(0.940)**	(4.977)
From continuing operations			
Basic (cents per share)	*12(b)*	**(0.940)**	(4.900)
Diluted (cents per share)	*12(b)*	**(0.940)**	(4.900)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	2016	2015
	HK$'000	*HK$'000*
Loss for the year	**(51,553)**	(252,180)
Other comprehensive income:		
Item that will not be reclassified to profit or loss:		
Surplus on revaluation of property, plant and equipment	**2,287**	1,216
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(552)**	–
Fair value changes of available-for-sale financial assets	**–**	(4,078)
Reclassification adjustments for amounts transferred to profit or loss of available-for-sale financial assets		
– Disposal	**–**	443
– Impairment losses	**–**	4,078
	(552)	443
Other comprehensive income for the year, net of tax	**1,735**	1,659
Total comprehensive income for the year	**(49,818)**	(250,521)
Attributable to:		
Owners of the Company	**(45,943)**	(243,785)
Non-controlling interests	**(3,875)**	(6,736)
	(49,818)	(250,521)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**30,590**	19,641
Goodwill	*13*	**101,064**	138,964
Available-for-sale financial assets		**2,998**	2,998
Club debenture		**50**	–
Deferred tax assets		**–**	412
		134,702	162,015
Current assets			
Inventories		**13,285**	6,664
Trade and other receivables	*14*	**23,339**	7,364
Pledged bank deposits		**613**	641
Bank and cash balances		**48,556**	71,773
		85,793	86,442
Current liabilities			
Trade and other payables	*15*	**33,787**	18,795
Loan from a non-controlling shareholder of a subsidiary		**19,500**	10,000
Employee benefit obligations		**4,650**	6,444
Current tax liabilities		**6,922**	6,946
		64,859	42,185
Net current assets		**20,934**	44,257
Total assets less current liabilities		**155,636**	206,272

	Note	2016	2015
		HK$'000	*HK$'000*
Non-current liabilities			
Deferred tax liabilities		**732**	–
NET ASSETS		**154,904**	206,272
Capital and reserves			
Share capital	*16*	**261,144**	225,364
Reserves		**(112,890)**	(29,925)
Equity attributable to owners of the Company		**148,254**	195,439
Non-controlling interests		**6,650**	10,833
TOTAL EQUITY		**154,904**	206,272

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Attributable to owners of the Company									
	Share capital *(note 16)*	**Share premium**	**Translation reserve**	**Plant and machinery revaluation reserve**	**Capital redemption 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*
At 1 July 2014	412,090	612,523	(74)	1,377	150	(443)	(620,129)	405,494	(15,454)	390,040
Total comprehensive income for the year	–	–	–	1,216	–	443	(245,444)	(243,785)	(6,736)	(250,521)
Capital reorganisation *(note 16(a))*	(236,726)	–	–	–	–	–	236,726	–	–	–
Settlement of promissory notes *(note 16(b))*	50,000	–	–	–	–	–	–	50,000	–	50,000
Business combination	–	–	–	–	–	–	–	–	11,283	11,283
Disposal of subsidiaries	–	–	–	–	–	–	–	–	5,470	5,470
Purchase of non-controlling interests	–	–	–	–	–	–	(16,270)	(16,270)	16,270	–
Changes in equity for the year	(186,726)	–	–	1,216	–	443	(24,988)	(210,055)	26,287	(183,768)
At 30 June 2015 and 1 July 2015	225,364	612,523	(74)	2,593	150	–	(645,117)	195,439	10,833	206,272
Total comprehensive income for the year	–	–	(552)	1,860	–	–	(47,251)	(45,943)	(3,875)	(49,818)
Bonus issue *(note 16(c))*	39,454	(39,454)	–	–	–	–	–	–	–	–
Conversion of series B convertible non-voting preference shares into ordinary shares *(note 16(d))*	(3,674)	3,674	–	–	–	–	–	–	–	–
De-registration of a subsidiary	–	–	–	–	–	–	–	–	450	450
Purchase of non-controlling interests	–	–	–	–	–	–	(1,242)	(1,242)	(758)	(2,000)
Changes in equity for the year	35,780	(35,780)	(552)	1,860	–	–	(48,493)	(47,185)	(4,183)	(51,368)
At 30 June 2016	**261,144**	**576,743**	**(626)**	**4,453**	**150**	**–**	**(693,610)**	**148,254**	**6,650**	**154,904**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

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

(a) Application of new and revised HKFRSs

In the current year, the Company and its subsidiaries (collectively referred to as the "Group") has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2015. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current and prior years.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 July 2015. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

List of new and revised HKFRSs in issue but not yet effective that are relevant to the Group

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Lease[2]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[3]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

(c) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year. Although the Company is not incorporated in Hong Kong, the GEM Listing Rules require the Company to comply with the disclosure requirements of the new Hong Kong Companies Ordinance (Cap. 622). As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(d) Amendments to the GEM Listing Rules

The Stock Exchange in April 2015 released revised Chapter 18 of the GEM Listing Rules in relation to disclosure of financial information in annual reports that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. The Company has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the consolidated financial statements.

3. SEGMENT INFORMATION

The Group has three reportable segments as follows:

Swimwear and garment	–	Manufacturing and trading of swimwear and garment products
Apparel and related accessories	–	Trading and retail of apparel and related accessories (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.

Segment profits or losses do not include other income, finance costs, impairment of goodwill, loss on de-registration of a subsidiary 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 other liabilities for general administrative use.

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

	Swimwear and garment	Apparel and related accessories (Discontinued operation)	On-line shopping and advertising	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 30 June 2016				
Revenue from external customers	**136,981**	**–**	**3,000**	**139,981**
Segment (loss)/profit	**(15,217)**	**–**	**1,437**	**(13,780)**
Depreciation	**7,987**	**–**	**–**	**7,987**
Income tax (credit)/expense	**(339)**	**–**	**817**	**478**
Additions to segment non-current assets	**15,984**	**–**	**–**	**15,984**
As at 30 June 2016				
Segment assets	**107,112**	**–**	**1,243**	**108,355**
Segment liabilities	**62,863**	**–**	**686**	**63,549**
Year ended 30 June 2015				
Revenue from external customers	118,137	36,403	3,114	157,654
Segment profit/(loss)	57,077	(14,128)	(2,673)	40,276
Depreciation	2,262	1,358	284	3,904
Gain on deemed disposal of an associate	61,628	–	–	61,628
Share of losses of an associate	8,070	–	–	8,070
Income tax expense/(credit)	635	–	(816)	(181)
Additions to segment non-current assets	16,320	2,141	825	19,286
As at 30 June 2015				
Segment assets	90,616	–	1,689	92,305
Segment liabilities	38,634	–	845	39,479

Reconciliations of segment revenue and profit or loss:

	2016 *HK$'000*	2015 *HK$'000*
Revenue		
Total revenue of reportable segments	**139,981**	157,654
Elimination of discontinued operation *(note 9)*	**–**	(36,403)
Consolidated revenue from continuing operations	**139,981**	121,251
Profit or loss		
Total profit or loss of reportable segments	**(13,780)**	40,276
Impairment of goodwill	**(37,900)**	(282,304)
Loss on de-registration of a subsidiary	**(450)**	–
Other profit or loss	**577**	(10,152)
Elimination of discontinued operation *(note 9)*	**–**	9,255
Consolidated loss for the year from continuing operations	**(51,553)**	(242,925)

Reconciliations of segment assets and liabilities:

	2016 *HK$'000*	2015 *HK$'000*
Assets		
Total assets of reportable segments	**108,355**	92,305
Goodwill	**101,064**	138,964
Available-for-sale financial assets	**2,998**	2,998
Club debenture	**50**	–
Other assets	**8,028**	14,190
Consolidated total assets	**220,495**	248,457
Liabilities		
Total liabilities of reportable segments	**63,549**	39,479
Other liabilities	**2,042**	2,706
Consolidated total liabilities	**65,591**	42,185

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

Geographical information:

The Group's revenue from external customers by location of the customers and information about its non-current assets by location of assets are detailed below:

	Revenue		Non-current assets	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**59,928**	37,489	**105,886**	141,761
People's Republic of China (the "PRC") except Hong Kong and Macau	**13**	–	**2,019**	2,456
Kingdom of Cambodia	**5,826**	–	**23,799**	14,800
United Kingdom	**16,932**	25,916	**–**	–
Spain	**16,136**	20,803	**–**	–
Sweden	**15,391**	18,084	**–**	–
Macau	**–**	1,206	**–**	–
United States of America	**278**	5,197	**–**	–
Netherlands	**4,954**	5,829	**–**	–
Israel	**2,682**	4,970	**–**	–
France	**620**	832	**–**	–
Denmark	**353**	2,732	**–**	–
Ireland	**11,279**	21,994	**–**	–
Canada	**272**	9,874	**–**	–
Australia	**4,381**	–	**–**	–
Others	**936**	2,728	**–**	–
Discontinued operation	**–**	(36,403)	**–**	–
Consolidated total	**139,981**	121,251	**131,704**	159,017

Revenue from major customers:

	2016	2015
	HK$'000	*HK$'000*
Swimwear and garment segment		
Customer a	**N/A**	21,994
Customer b	**15,391**	17,791
Customer c	**53,748**	N/A

4. REVENUE

The Group's revenue which represents sales of goods to customers, subcontracting fee income and revenue from provision of on-line shopping, advertising and media related services are as follows:

	2016	2015
	HK$'000	*HK$'000*
Sales of goods	**131,155**	154,540
Subcontracting fee income	**5,826**	–
On-line shopping, advertising and media related service income	**3,000**	3,114
	139,981	157,654
Representing:		
Continuing operations	**139,981**	121,251
Discontinued operation (trading and retail of apparel and related accessories) *(note 9)*	**–**	36,403
	139,981	157,654

5. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Consultancy fee income	**–**	2,476
Distribution right fee income	**–**	696
Design fee income	**63**	390
Gain on disposal of property, plant and equipment	**3,120**	–
Interest income	**161**	946
Participation fee income	**–**	331
Reversal of allowance for receivables	**1,055**	1,318
Reversal of allowance for inventories	**–**	1,425
Reversal of provision for employee benefit obligation	**1,408**	3
Government grants *(note)*	**2,634**	3,338
Sundry income	**407**	588
	8,848	11,511
Representing:		
Continuing operations	**8,848**	7,256
Discontinued operation *(note 9)*	**–**	4,255
	8,848	11,511

Note: Government grants were received as refund of value-added tax and export duty. There are no unfulfilled conditions or contingencies attached to the grants.

6. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Finance lease charges	–	1
Interest on bank loans	–	458
Interest on promissory notes	–	4,297
Interest on other loans	**525**	421
	525	5,177
Representing:		
Continuing operations	**525**	4,296
Discontinued operation *(note 9)*	–	881
	525	5,177

7. GAIN ON DEEMED DISPOSAL OF AN ASSOCIATE – RICOTEX INDUSTRIAL COMPANY LIMITED ("RICOTEX")

Pursuant to a supplemental agreement ("Supplemental Agreement") dated 30 June 2015 entered into between Ratio Knitting Factory Limited ("Ratio"), a wholly-owned subsidiary of the Company which held 45% of the issued share capital of Ricotex, Billions Field Development Limited and All Full Profit Limited (together holds 55% of the issued share capital of Ricotex), the maximum number of directors of Ricotex was increased from 3 to 5 and 3 out of 5 directors should be nominated by Ratio. A quorum for a meeting was also increased to at least 3 directors. Board resolution was passed on the same date to appoint the 2 additional directors nominated by Ratio.

In the opinion of the directors of the Company, the Group obtained control in Ricotex by virtue of the Supplemental Agreement, and as a result, Ricotex ceased to be an associate of the Group on 30 June 2015 and became and was accounted for as a subsidiary of the Company effective from that date. The Group's interests in Ricotex were re-measured based on the fair value of the shares of Ricotex held by the Group on 30 June 2015. Accordingly, a gain on deemed disposal of approximately HK$61,628,000 was recognised in profit or loss during the year ended 30 June 2015.

8. INCOME TAX EXPENSE/(CREDIT)

	2016	2015
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	1,397
Overprovision in prior years	**(33)**	–
	(33)	1,397
Current tax – PRC Enterprise Income Tax		
Provision for the year	**32**	33
Deferred tax	**479**	(1,611)
Income tax expense/(credit)	**478**	(181)
Representing:		
Continuing operations	**478**	(181)

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year. The amount provided for the year ended 30 June 2015 was calculated at 16.5% based on the assessable profit for 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/(credit) and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2016	2015
	HK$'000	*HK$'000*
Loss before tax		
Continuing operations	**(51,075)**	(243,106)
Discontinued operation *(note 9)*	**–**	(10,754)
	(51,075)	(253,860)
Tax at the Hong Kong Profits Tax rate of 16.5% (2015: 16.5%)	**(8,427)**	(41,887)
Tax effect of income that is not taxable	**(7,629)**	(10,450)
Tax effect of expenses that are not deductible	**15,152**	51,763
Tax effect of other temporary differences not recognised	**(260)**	(182)
Tax effect of tax losses not recognised	**1,738**	1,618
Tax effect of utilisation of tax losses not previously recognised	**(74)**	(1,054)
Effect of different tax rates of subsidiaries	**11**	11
Overprovision in prior years	**(33)**	–
Income tax expense/(credit)	**478**	(181)

9. DISCONTINUED OPERATION

Pursuant to a sale and purchase agreement dated 28 July 2014 entered into between a wholly-owned subsidiary of the Company, Synergy Chain Limited ("Synergy"), and an independent third party, Synergy disposed of 27.3% interests in Charmston (Holdings) Limited ("Charmston"), a company incorporated in Hong Kong, at a consideration of HK$10,000,000. Charmston was engaged in investment holding, with its subsidiaries engaged in trading and retail of apparel and related accessories in Hong Kong. The disposal was completed on 21 October 2014 and the Group discontinued its trading and retail of apparel and related accessories business.

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

	2016	2015
	HK$'000	*HK$'000*
Loss of discontinued operation	–	(10,754)
Gain on disposal of discontinued operation	–	1,499
	–	(9,255)

The results of the discontinued operation for the period from 1 July 2014 to 21 October 2014, which have been included in consolidated profit or loss, were as follows:

	HK$'000
Revenue *(note 4)*	36,403
Cost of sales	(11,387)
Gross profit	25,016
Other income *(note 5)*	4,255
Selling expenses	(21,015)
Administrative expenses	(18,129)
Loss from operations	(9,873)
Finance costs *(note 6)*	(881)
Loss before tax	(10,754)
Income tax expense	–
Loss for the year	(10,754)

During the period from 1 July 2014 to 21 October 2014, Charmston and its subsidiaries paid approximately HK$175,000 in respect of operating activities, paid approximately HK$1,867,000 in respect of investing activities and received approximately HK$5,232,000 in respect of financing activities.

10. LOSS FOR THE YEAR

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

	Continuing operations		Discontinued operation		Total	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Auditor's remuneration	**870**	800	**–**	127	**870**	927
Cost of inventories sold	**133,834**	97,247	**–**	11,387	**133,834**	108,634
Depreciation	**7,987**	2,944	**–**	–	**7,987**	2,944
Reversal of allowance for inventories (included in other income)	**–**	(802)	**–**	–	**–**	(802)
Allowance for receivables	**1,283**	1,427	**–**	–	**1,283**	1,427
Reversal of allowance for receivables	**(1,055)**	(1,318)	**–**	–	**(1,055)**	(1,318)
Loss on disposal of available-for-sale financial assets	**–**	789	**–**	–	**–**	789
Impairment loss of available-for-sale financial assets	**–**	4,078	**–**	–	**–**	4,078
(Gain)/loss on disposal of property, plant and equipment	**(3,120)**	147	**–**	–	**(3,120)**	147
Write off of property, plant and equipment	**–**	73	**–**	–	**–**	73
Net foreign exchange losses	**43**	335	**–**	22	**43**	357
Operating lease charges for land and buildings (including contingent rentals of approximately HK$Nil (2015: HK$13,000))	**4,619**	3,145	**–**	12,782	**4,619**	15,927
Staff costs including directors' emoluments						
Salaries, bonus and allowances	**58,067**	33,863	**–**	11,091	**58,067**	44,954
Retirement benefit scheme contributions	**2,013**	2,618	**–**	537	**2,013**	3,155
(Reversal)/provision for employee benefit obligations	**(1,408)**	1,305	**–**	–	**(1,408)**	1,305
	58,672	37,786	**–**	11,628	**58,672**	49,414

There is a reversal of allowance for receivables of approximately HK$1,055,000 (2015: HK$1,318,000) for the year, being the result of persistent effort on the management of quality of trade receivables and certain long overdue debts are recovered during the year.

Cost of inventories sold includes staff costs, depreciation and operating lease charges of approximately HK$50,678,000 (2015: HK$24,214,000) which are included in the amounts disclosed separately above.

11. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 30 June 2016 (2015: Nil).

12. 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 year attributable to owners of the Company of approximately HK$47,251,000 (2015: HK$245,444,000) and the weighted average number of ordinary shares of 5,028,526,030 (2015: 4,931,793,790) in issue during the year.

Diluted loss per share

The exercise of the Group's outstanding convertible non-voting preference shares and the effect of all potential ordinary shares would be anti-dilutive for the year ended 30 June 2016. The exercise of the Group's outstanding convertible non-voting preference shares would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's options granted to an investor for the year ended 30 June 2015. Diluted loss per share was the same as the basic loss per share from the continuing and discontinued operations for the years ended 30 June 2016 and 2015.

(b) From continuing 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 from continuing operations attributable to owners of the Company of approximately HK$47,251,000 (2015: HK$241,664,000) 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 exercise of the Group's outstanding convertible non-voting preference shares and the effect of all potential ordinary shares would be anti-dilutive for the year ended 30 June 2016. The exercise of the Group's outstanding convertible non-voting preference shares would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's options granted to an investor for the year ended 30 June 2015. Diluted loss per share was the same as the basic loss per share from the continuing operations for the years ended 30 June 2016 and 2015.

(c) ***From discontinued operation***

Because there was no discontinued operation during the year ended 30 June 2016, no basic or diluted loss per share from discontinued operation was presented for the year ended 30 June 2016.

Basic loss per share from the discontinued operation for the year ended 30 June 2015 was HK0.077 cent per share, based on the loss for the year from discontinued operation attributable to the owners of the Company of approximately HK$3,780,000 and the denominator used was the same as that detailed above for basic loss per share from continuing and discontinued operations.

The exercise of the Group's outstanding convertible non-voting preference shares for the year ended 30 June 2015 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's options granted to an investor. Diluted loss per share was same as the basic loss per share from the discontinued operation for the year ended 30 June 2015.

13. GOODWILL

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. The carrying amount of goodwill had been allocated as follows:

	Provision of on-line shopping advertising and media related services – Luxey Online Solutions Limited ("Luxey Online") *(note (a))* *HK$'000*	Swimwear – Easy Time Trading Limited ("Easy Time") *(note (b))* *HK$'000*	Garment and swimwear – Ricotex *(note (c))* *HK$'000*	Apparel and related accessories – Charmston *(note (d))* *HK$'000*	Total *HK$'000*
Cost					
At 1 July 2014	75,343	640,966	–	28,793	745,102
Business combination	–	–	61,457	–	61,457
Write off on disposal of Charmston	–	–	–	(28,793)	(28,793)
At 30 June 2015, 1 July 2015 and 30 June 2016	75,343	640,966	61,457	–	777,766
Accumulated impairment losses					
At 1 July 2014	69,093	287,405	–	28,793	385,291
Impairment loss	6,250	276,054	–	–	282,304
Write off on disposal of Charmston	–	–	–	(28,793)	(28,793)
At 30 June 2015 and 1 July 2015	75,343	563,459	–	–	638,802
Impairment loss	–	37,900	–	–	37,900
At 30 June 2016	75,343	601,359	–	–	676,702
Carrying amount					
At 30 June 2016	–	39,607	61,457	–	101,064
At 30 June 2015	–	77,507	61,457	–	138,964

Notes:

(a) The recoverable amount of the provision of on-line shopping, advertising and media related services CGU was 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 revenue during the period. The Group estimates discount rate using pre-tax rate that reflects 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 revenue are based on past practices and expectations on market development.

During the six months ended 31 December 2014, the Group prepared 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 did not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows from the provision of on-line shopping, advertising and media related services CGU was 13.22%. Based on the past performance, the Group had revised its cash flow forecasts and the recoverable amount for this CGU was negligible. The goodwill allocated to this CGU was thus considered as non-recoverable. The goodwill has therefore been fully impaired through recognition of an impairment loss against goodwill of approximately HK$6,250,000 during the six months ended 31 December 2014 and year ended 30 June 2015.

(b) The recoverable amount of the swimwear CGU is determined from value in use calculation. The key assumptions for the value in use 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 (2015: five) years with residual period using the growth rate of 3.99% (2015: 3.99%). 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 14.57% (2015: 14.96%).

Due to the expecting of economic downturn of European market, the orders on hand for high-end swimwear for the PRC factory decreased and is expected to decrease in the coming year. The Group has thus revised its cash flow forecasts for this CGU. The recoverable amount of this CGU is approximately HK$48,729,000 (2015: HK$82,348,000) as at 30 June 2016, which is lower than the carrying amount of this CGU. The goodwill has therefore been reduced to its recoverable amount through recognition of an impairment loss against goodwill of approximately HK$37,900,000 (2015: HK$276,054,000) during the year.

(c) The recoverable amount of the garment and swimwear CGU is determined from value in use calculation (2015: fair value less costs of disposal 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 3.99% (2015: 3.99%). 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 garment and swimwear is 14.60% (2015: 14.73%). The calculation further considered a 26.69% discount on lack of marketability for the controlling interests at 30 June 2015.

(d) The goodwill allocated to the apparel and related accessories CGU was fully written off after the disposal of Charmston during the year ended 30 June 2015.

14. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade and bills receivables	**20,590**	4,693
Prepayments, deposits and other receivables	**2,749**	2,671
	23,339	7,364

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 90 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. 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:

	2016	2015
	HK$'000	*HK$'000*
Current to 30 days	**14,996**	2,156
31 – 90 days	**3,930**	1,115
91 – 180 days	**1,644**	717
Over 180 days	**20**	705
	20,590	4,693

As at 30 June 2016, an allowance was made for estimated irrecoverable trade and bills receivables of approximately HK$2,486,000 (2015: HK$2,258,000).

Reconciliation of allowance for trade and bills receivables:

	2016	2015
	HK$'000	*HK$'000*
At beginning of year	**2,258**	2,252
Allowance for the year	**1,283**	1,330
Amounts written off	**–**	(6)
Reversal of allowance for the year	**(1,055)**	(1,318)
At end of year	**2,486**	2,258

As of 30 June 2016, trade and bills receivables of approximately HK$1,664,000 (2015: HK$1,424,000) 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:

	2016	2015
	HK$'000	*HK$'000*
31 – 90 days	**–**	2
91 – 180 days	**1,644**	717
Over 180 days	**20**	705
	1,664	1,424

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

	2016	2015
	HK$'000	*HK$'000*
Hong Kong dollars	**20**	549
United States dollars	**20,570**	4,144
Total	**20,590**	4,693

15. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**13,194**	1,427
Due to a substantial shareholder	**130**	495
Due to a non-controlling shareholder of a subsidiary	**618**	93
Accruals and other payables	**19,845**	16,780
	33,787	18,795

The amount due to a substantial shareholder is unsecured, interest-free and has no fixed terms of repayment. The amount due to a non-controlling shareholder of a subsidiary is unsecured, interest-free and repayable on demand.

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

	2016	2015
	HK$'000	*HK$'000*
Current to 30 days	**9,802**	1,385
31 – 90 days	**3,382**	32
Over 180 days	**10**	10
	13,194	1,427

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

	2016	2015
	HK$'000	*HK$'000*
Hong Kong dollars	**2,186**	718
United States dollars	**10,103**	18
Renminbi	**905**	691
Total	**13,194**	1,427

16. SHARE CAPITAL

	2016	2015
	HK$'000	*HK$'000*
Authorised:		
70,000,000,000 (2015: 70,000,000,000) ordinary shares of HK$0.01 each	**700,000**	700,000
2,000,000,000 (2015: 2,000,000,000) convertible non-voting preference shares of HK$0.15 each	**300,000**	300,000
312,500,000 (2015: 312,500,000) series B convertible non-voting preference shares of HK$0.16 each	**50,000**	50,000
	1,050,000	1,050,000
Issued and fully paid:		
5,098,793,790 (2015: 986,358,758) ordinary shares of HK$0.01 each	**50,988**	9,864
1,103,333,333 (2015: 1,103,333,333) convertible non-voting preference shares of HK$0.15 each	**165,500**	165,500
279,100,000 (2015: 312,500,000) series B convertible non-voting preference shares of HK$0.16 each	**44,656**	50,000
	261,144	225,364

A summary of the movements in the authorised and issued share capital of the Company during the years ended 30 June 2016 and 2015 is as follows:

	Note	Number of ordinary shares of HK$0.25 each	Number of ordinary shares of HK$0.01 each	Number of convertible non-voting preference shares of HK$0.15 each	Number of series B convertible non-voting preference shares of HK$0.16 each	Par value
		'000	*'000*	*'000*	*'000*	*HK$'000*
Authorised:						
At 1 July 2014		2,800,000	–	2,000,000	–	1,000,000
Capital reorganisation	*(a)*	(2,800,000)	70,000,000	–	–	–
Increase in authorised share capital	*(b)*	–	–	–	312,500	50,000
At 30 June 2015, 1 July 2015 and 30 June 2016		–	70,000,000	2,000,000	312,500	1,050,000
Issued and fully paid:						
At 1 July 2014		986,359	–	1,103,333	–	412,090
Capital reorganisation	*(a)*	(986,359)	986,359	–	–	(236,726)
Settlement of promissory notes	*(b)*	–	–	–	312,500	50,000
At 30 June 2015 and 1 July 2015		–	986,359	1,103,333	312,500	225,364
Bonus issue	*(c)*	–	3,945,435	–	–	39,454
Conversion of series B convertible non-voting preference shares	*(d)*	–	167,000	–	(33,400)	(3,674)
At 30 June 2016		–	5,098,794	1,103,333	279,100	261,144

Notes:

(a) On 20 August 2014, the par value of each issued consolidated share of HK$0.25 was reduced to HK$0.01 by cancelling paid-up capital to the extent of HK$0.24 on each issued consolidated share. Immediately following the capital reduction, each authorised and unissued consolidated share was subdivided into 25 new shares of HK$0.01 each.

(b) By an ordinary resolution passed on 26 November 2014 the authorised share capital was increased from HK$1,000,000,000 divided into 70,000,000,000 ordinary shares of HK$0.01 each and 2,000,000,000 convertible non-voting preference shares of HK$0.15 each to HK$1,050,000,000 divided into 70,000,000,000 ordinary shares of HK$0.01 each, 2,000,000,000 convertible non-voting preference shares of HK$0.15 each and 312,500,000 series B convertible non-voting preference shares of HK$0.16 each by the creation of an additional 312,500,000 series B convertible non-voting preference shares of HK$0.16 each.

On 15 December 2014, 312,500,000 series B convertible non-voting preference shares of HK$0.16 each were issued for settlement of promissory notes in the principal amount of HK$50,000,000.

(c) On 18 May 2015, the Board of Directors proposed a bonus share issue to the qualifying shareholders on the basis of four bonus shares for every one existing share held on 3 July 2015 (the "Record Date"). The bonus shares, upon allotment and issue, will be credited as fully paid at par by way of capitalisation of an amount equal to the total par value of the bonus shares standing to the credit of the share premium account of the Company. The Board of Directors also proposed a bonus warrant issue to the qualifying shareholders on the basis of one warrant for every one existing share held on the Record Date. Each warrant will entitle the holder thereof to subscribe in cash for one warrant share at an initial subscription price of HK$0.18 per warrant share, subject to adjustment, on the date falling 12 months from the date of issue of the warrants.

The issue of bonus shares and bonus warrants were approved by the shareholders at the extraordinary general meeting of the Company held on 24 June 2015 and a total of 3,945,435,032 bonus shares and 986,358,758 warrants were issued on 13 July 2015.

(d) During the year ended 30 June 2016, 167,000,000 ordinary shares of HK$0.01 each were issued as a result of the conversion of 33,400,000 series B convertible non-voting preference shares.

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.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. 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.

The gearing ratios at 30 June 2016 and 2015 are as follows:

	2016	2015
	HK$'000	*HK$'000*
Total debt	**65,591**	42,185
Less: cash and cash equivalents	**(48,556)**	(71,773)
Net debt	**17,035**	(29,588)
Total equity	**154,904**	206,272
Gearing ratio	**11%**	(14%)

The increase in gearing ratio during the year resulted primarily from the increase in loan from a non-controlling shareholder of a subsidiary and decrease in cash and cash equivalents.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group received a report from the share registrars on substantial share interests showing the non-public float and it demonstrated continuing compliance with the 25% limit throughout the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Purchase of non-controlling interests of a subsidiary

On 13 June 2016, the Group further acquired 5% interest in a non-wholly owned subsidiary, Ricotex Industrial Company Limited ("Ricotex"), from a non-controlling shareholder at cash consideration of HK$2,000,000. As at the date of acquisition, the transaction resulting a loss on acquisition of approximately HK$1,242,000 recognised directly in equity for the year ended 30 June 2016. After completion of the acquisition, the Group held 50% equity interest of Ricotex.

Bonus issue of shares and warrants

On 18 May 2015, (i) the Board proposed a bonus share issue to the qualifying shareholders on the basis of four bonus shares for every one existing share held on 3 July 2015 (the "Record Date"); and (ii) the Board also proposed the bonus warrant issue to the qualifying shareholders on the basis of one warrant for every one existing share held on the Record Date.

By an ordinary resolution passed on 24 June 2015, a bonus share was issued to shareholders on the basis of four bonus shares for every one existing share held on the Record Date. The bonus shares were credited as fully paid at par by way of capitalisation of an amount equal to the total par value of bonus shares standing to the credit of the share premium account of the Company. On the same day, another ordinary resolution passed for an issuance of bonus warrant to shareholders on the basis of one warrant for every one existing share held on the Record Date. Each warrant entitled the holder to subscribe in cash for one share at an initial subscription price of HK$0.18 per warrant share, on the date falling 12 months from the date of issuance of the warrant. Issuance of bonus shares and bonus warrants were completed on 13 July 2015. Subsequently, 4,978,523 ordinary shares were issued from the exercise of bonus warrants on 28 July 2016.

Pursuant to the terms of convertible non-voting preference shares ("CPS") and Series B convertible non-voting preference shares ("Series B CPS"), the conversion price of the outstanding CPS and Series B CPS were adjusted from HK$0.65 per share to HK$0.13 per share and HK$0.16 per share to HK$0.032 per share respectively as a result of the bonus share issue. The said adjustments took effect immediately after 3 July 2015. No adjustment was required to be made as a result of the bonus warrant issue.

Details of the transaction is set out in the announcements of the Company dated 18 May 2015, 24 June 2015, 25 June 2015, 3 July 2015, 9 July 2015 and 1 June 2016 and circulars dated 5 June 2015 and 3 June 2016.

On 28 July 2016, an aggregate of 4,978,523 ordinary shares were issued as a result of the exercise of the subscription rights attaching to 4,978,523 warrants. The subscription rights attaching to the remaining 981,380,235 warrants were expired on 12 July 2016. The premium on the issue of shares, amounting to approximately HK$846,000 was credited to the Company's share premium account.

Placing and subscription of new shares under specific mandate

On 18 July 2016, the Company and the placing agent entered into a placing agreement, pursuant to which the placing agent agreed to procure not less than six placees to purchase up to 300,000,000 shares at placing price of HK$0.10 per share (the "Placing"). On the same date, the Company and JL Investments Capital Limited (the "Subscriber"), a substantial shareholder of the Company, entered into a subscription agreement, pursuant to which the Subscriber agreed to subscribe for and the Company agreed to allot and issue an aggregate of 300,000,000 shares at subscription price of HK$0.10 per share (the "Subscription").

The Placing and Subscription were approved by the shareholders at the extraordinary general meeting of the Company held on 7 September 2016. The Placing and Subscription has yet to be completed as at the date of this announcement. The premium on the issue of shares, amounting to approximately HK$52,800,000, net of share issue expenses, will be credited to the Company's share premium account upon completion of the Placing and Subscription. The shares will rank pari passu in all respects with the ordinary shares of the Company in issue on the date of allotment.

Please refer to announcements of the Company dated 18 July 2016, 8 August 2016, 22 August 2016 and 7 September 2016 and circular dated 22 August 2016 for details.

FINANCIAL REVIEW

Finance results

For the year ended 30 June 2016 (the "Year"), loss attributable to owners of the Company (including continuing and discontinued operations) was approximately HK$47,251,000. Comparing to loss attributable to owners of the Company (including continuing and discontinued operations) for year ended 30 June 2015 of approximately HK$245,444,000, the decrease in loss attributable to the owners of the Company was mainly attributable to (i) approximately HK$37,900,000 of allowance for impairment of goodwill made for swimwear cash-generating unit (2015: HK$276,054,000); (ii) no allowance for impairment of goodwill made for provision of on-line shopping, advertising and media related services cash-generating unit (2015: HK$6,250,000); (iii) no loss shared by the Group from an associate (2015: HK$8,070,000); (iv) decrease in administrative expenses to approximately HK$26,564,000 (2015: HK$37,824,000); (v) no loss incurred from discontinued operation during the Year (2015: HK$9,255,000); (vi) decrease in finance cost to approximately HK$525,000 (2015: HK$4,296,000) as the promissory notes had been settled in October 2014, and partially set off by (vii) no gain on deemed disposal of an associate during the Year (2015: HK$61,628,000) and (viii) decrease in gross profit to approximately HK$5,848,000 (2015: HK$22,328,000).

Revenue and Gross Profit

For the Year, the Group's total revenue (including continuing and discontinued operations) and gross profit (including continuing and discontinued operations) were approximately HK$139,981,000 and HK$5,848,000 respectively, as comparing to approximately HK$157,654,000 and HK$47,344,000 respectively for the year ended 30 June 2015.

Details of the decrease in total revenue are discussed below:

Manufacturing and trading of high-end swimwear and garment products ("Swimwear and garment segment")

The revenue generated from Swimwear and garment segment for the Year was approximately HK$136,981,000 (2015: HK$118,137,000). Gross profit for the Year was approximately HK$3,147,000 (2015: HK$20,970,000). Gross profit ratio for the Year was 2.30% (2015: 17.75%). Increase in revenue was mainly due to the contribution from Ricotex on sales of garment and related products and it was partially offset by the decrease in orders for high-end swimwear from several customers which were affected by the economic downturn of European market and the effect of the withdrawal of the United Kingdom from the European Union during the Year. Decrease in gross profit for the current year was mainly due to (i) the decrease of selling price resulted from the economic downturn of European markets; and (ii) the increase of portion on sales of garment products with lower gross profit margin, which were manufactured by the factories of Ricotex in the Kingdom of Cambodia ("Cambodia") that still expanding in order to enjoy the benefit from economies of scale.

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

The revenue generated from On-line shopping and advertising segment for the Year was approximately HK$3,000,000 (2015: HK$3,114,000). Gross profit for the Year was approximately HK$2,701,000 (2015: HK$1,358,000). Gross profit ratio for the Year was 90.03% (2015: 43.61%). The increase in gross profit for the Year was mainly due to revenue for this segment was mainly generated from information technology services provided. Subsequent to the end of the reporting period, this segment became inactive.

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

The revenue generated from Apparel and related accessories segment for the year ended 30 June 2015 was approximately HK$36,403,000. Gross profit for the year ended 30 June 2015 was approximately HK$25,016,000. Gross profit ratio for the year ended 30 June 2015 was 68.72%. No consolidation was required for this segment upon disposal of this segment since October 2014.

Impairment of Goodwill

For the Year, the Group's total impairment of goodwill was approximately HK$37,900,000, comparing to approximately HK$282,304,000 for the year ended 30 June 2015.

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

An impairment of goodwill relates to Swimwear CGU was approximately HK$37,900,000 for the Year (2015: HK$276,054,000).

The recoverable amount of the Swimwear CGU is determined from value in use calculation (2015: value in use calculation). The key assumptions are those regarding the discount rate, growth rate and budgeted gross margin and revenue during the period. The Group estimates discount rate using pre-tax rate that reflects 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. 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 3.99% (2015: 3.99%). 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 14.57% (2015: 14.96%). Based on the past performance and expecting of economic downturn of European market and increase in production costs in the People's Republic of China (the "PRC") in the coming years, 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$37,900,000 for the Year (2015: HK$276,054,000).

(ii) The impairment of goodwill relates to provision of on-line shopping advertising and media related services ("On-line shopping and advertising segment")

The recoverable amount of the provision of On-line shopping, advertising and media related services CGU was 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 revenue during the period. The Group estimates discount rate using pre-tax rate that reflects 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 revenue were based on past practices and expectations on market development.

During the six months ended 31 December 2014, the Group prepared 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 did not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows from the provision of On-line shopping, advertising and media related services CGU was 13.22%. Based on the past performance, the Group had revised its cash flow forecasts and the recoverable amount for this CGU was negligible. The goodwill allocated to this CGU was thus considered as non-recoverable. The goodwill has therefore been fully impaired through recognition of an impairment loss against goodwill of approximately HK$6,250,000 during the six months ended 31 December 2014 and year ended 30 June 2015.

Valuation of available-for-sale financial assets

The investment in Charmston (Holdings) Limited is accounted for as available-for-sale financial assets. The fair value of the available-for-sale financial assets is determined by the market comparable approach calculated based on the average price-to-book ratio and average price-to-sales ratio of several companies listed on the Stock Exchange (the "Comparables").

At 30 June 2016, after a 24.90% (2015: 29.75%) discount on lack of marketability (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 6 months (2015: 6 months), the fair value of the available-for-sale financial assets is approximately HK$2,998,000 (2015: HK$2,998,000).

OPERATIONS

During the Year, 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 2016, the Group had total assets of approximately HK$220,495,000 (2015: HK$248,457,000). As at 30 June 2016, the Group had short term borrowings of approximately HK$19,500,000 (2015: HK$10,000,000). The increase of total borrowings was mainly due to the further contribution funding from a non-controlling shareholder of Ricotex during the Year. As at 30 June 2016, the Group had bank and cash balances of approximately HK$48,556,000 (2015: HK$71,773,000). The Group has a current ratio of approximately 1.32 comparing to that of 2.05 as at 30 June 2015. As at 30 June 2016, the Group's gearing ratio of 11% (2015: –14%) was calculated as net debt divided by total equity. 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.

KEY RISKS AND UNCERTAINTIES

Our Group's financial condition, results of operations and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. The followings are the key risks and uncertainties identified by our Group. There may be other risks and uncertainties in addition to those shown below which are not known to our Group or which may not be material now but could be material in the future:

1. **Reliance on a small number of key suppliers**

   The Group's five largest suppliers, which accounted for approximately 68% (2015: 55%) of the Group's total purchases, are mainly related to the purchases of fabric. Except for purchases of fabric from Dakota Industrial Company Limited ("Dakota"), of which a supply agreement has entered into, there is no assurance that other major suppliers shall continue to provide the fabric to us at price acceptable to our Group. In the event that our Group were unable to retain these suppliers, or procure replacement suppliers, our business, results of operations, profitability and liquidity might be adversely affected. However, the Group has established strong business relationship with these major suppliers.

2. Reliance on a small number of key customers

The Group's five largest customers, which accounted for approximately 70% (2015: 64%) of the Group's total revenue. Except for sales to Dakota, of which a sales agreement has entered into, there is no assurance that other major customers will continue to conduct business with us. In the event that other major customers materially reduce their purchase orders with the Group or cease to conduct business with the Group and the Group fails to obtain a comparable level of purchase orders from new customers, the Group's business, result of operations and financial condition may be adversely affected. Customer satisfaction with our products has a profound effects on our profitability. To provide good quality services to our customers, our Group is in constant communication with our customers and potential customers to uncover and create customer needs and help customers make informed decision.

3. Reliance on the European market

The Group's total sales to the customers in the European countries, which accounted for 49% (2015: 64%) of the Group's total revenue for the Year. The Group derives a majority of its sales from the exports to the European countries, including but not limited to France, Spain, the United Kingdom, Ireland and Sweden. Any unexpected economic, political and social events in the European countries may have significant impact on retail consumptions which could, in turn, affect the financial performance of the Group. For instance, the economies and financial system of the European countries were adversely hit by the global financial crisis recently. The Group cannot assure whether these European countries will continue to deteriorate or when the European market will cover. Should these European countries' markets continue to deteriorate and the Group is unable to compensate such deterioration of these European countries economy with other strategic moves, the Group's business operations and financial positions will be adversely jeopardised. Therefore, the Group has diversified its market from European countries and expand to other countries and from swimwear business and expand to garment products by set up Ricotex in 2014, of which is engaged in trading and manufacturing of garment products and related accessories and other related business, to minimise our risk on too reliance on European countries as majority of Ricotex's customers for its garment products are come from Hong Kong.

4. Foreign exchange rate risk

The Group business transactions, assets and liabilities are mainly denominated in Hong Kong dollars, Renminbi and United States dollars, of which the Group's exposure to foreign exchange risk is considered limited. During the Year, the Group did not carry out any hedging activity against foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies against Renminbi may have a financial impact on 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.

5. Investment risk

Investment risk can be defined as the likelihood of occurrence of losses relative to the expected return on any particular investment. Key concern of investment framework will be balancing risk and return across different investments, and thus risk assessment is a core aspect of the investment decision process. Proper authorisation system has been set up and detailed analysis will be made before approving investments. Regular updates on the progress of the investments of our Group would be submitted to the Board.

CAPITAL STRUCTURE

By an ordinary resolution passed on 24 June 2015, 3,945,435,032 bonus shares were issued to shareholders on the basis of four bonus shares for every one existing share held on the Record Date. The bonus shares were credited as fully paid at par by way of capitalisation of an amount equal to the total par value of bonus shares standing to the credit of the share premium account of the Company. On the same day, another ordinary resolution passed for an issuance of bonus warrant to shareholders on the basis of one warrant for every one existing share held on the Record Date. Each warrant entitled the holder to subscribe in cash for one share at an initial subscription price of HK$0.18 per warrant share, on the date falling 12 months from the date of issues of the warrant. Issuance of bonus shares and bonus warrant were completed on 13 July 2015. Subsequently, 4,978,523 ordinary shares had been issued from the exercise of bonus warrant on 28 July 2016.

Subsequent to the issuance of bonus share, the conversion price of the outstanding CPS has been adjusted from HK$0.65 per share to HK$0.13 per share; and the conversion price of 312,500,000 Series B CPS has been adjusted from HK$0.16 per share to HK$0.032 per share. These said adjustments took effect immediately after 3 July 2015. No adjustment was required to make as a result of the bonus warrant issue for both CPS and Series B CPS.

As at 30 June 2016, issued and fully paid share capital of the Company included (a) 5,098,793,790 (2015: 986,358,758) ordinary shares of HK$0.01 each; (b) 1,103,333,333 CPS (2015: 1,103,333,333) of HK$0.15 each. Pursuant to the terms of the CPS, the conversion price of the outstanding CPS had been adjusted from HK$0.13 per share to HK$0.65 per share as a result of completion of the share consolidation, and further adjusted to HK$0.13 per share as a result of completion of the right issue; and (c) 279,100,000 (2015: 312,500,000) Series B CPS of HK$0.16 each. Pursuant to the terms of the Series B CPS, the conversion price of the outstanding Series B CPS was adjusted from HK$0.16 to HK$0.032 per share as a result of completion of the rights issue.

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 90 days to its trade customers.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, the Group had 2,124 full time employees compared with that of 1,276 in the previous financial year. The staff costs, including directors' remuneration, were approximately HK$58,672,000 (2015: HK$49,414,000). The Group offers a comprehensive remuneration package and benefits to its full time employees in compliance with the regulations in Hong Kong, the PRC and the Cambodia 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 2016, the Group did not have any material contingent liabilities (2015: Nil).

CHARGE ON ASSETS

The Group has pledged bank deposits of approximately HK$613,000 (2015: HK$641,000) to secure banking facilities granted to the Group.

PROSPECT

For the Swimwear and garment segment, due to the recent economic downturn of European market and effect of the withdrawal of the United Kingdom from the European Union, the orders on hand for high-end swimwear for the factory located in the PRC decreased and is expected to decrease continuously in the coming year as comparing with last year. In order to seek new business opportunities, a non-wholly owned subsidiary, Ricotex, has established and is operating two factories in the Cambodia to manufacture swimwear and garment products. Due to the import tariff tax benefit offer to European customers, the operation in Ricotex can attract more European customers and therefore Ricotex can stimulate and increase revenue for swimwear and garment segment in the future. In order to diversify our products, we are developing new products with our new/existing business partners during the Year, we expect there would be new orders received in coming years. Also, our Group continues to closely monitor and control cost in order to push up the gross profit margin of Swimwear and garment segment.

For the On-line shopping and advertising segment, it has been making losses for several years and subsequent to year end date, this segment becomes inactive. Our Group continues to seek and explore other business opportunity for the On-line shopping and advertising segment.

The management of the Group continues to formulate its business strategies to optimise the use of its operating and financial resources. It will consider to diversify its operations including but not limited to invest in financial instruments in order to ensure cash availability through managing cash on hand to best meet the Group's cash and liquidity needs to management risk. It will also consider to reorganise the non-performing business segments including but not limited to the disposal or downsizing of the non-performing business segments.

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 (2015: Nil).

COMPETING INTERESTS

The Directors are not aware of, as at 30 June 2016, 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 Year.

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 Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules except provisions A.2.1 and A.4.1 of the CG Code as detailed below:

Code Provision A.2.1

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lau Chi Yuen, Joseph, the chairman of the Company, took up the role of Chief Executive Officer ("CEO") since the position became vacant on 30 June 2014, and thus there has been no segregation of duties during the Year. The Board has evaluated the current situation of the Group and taken into account of the experience and past performance of Mr. Lau Chi Yuen, Joseph, the Board was of the opinion that it was appropriate and in the best interest of the Company at the present stage for vesting the roles of the Chairman and the CEO of the Company in the same person as it helps to facilitates the execution of the Group's business strategies and maximises the effectiveness of its operation. The Board will nevertheless review this structure from time to time and will consider the segregation of the two roles at the appropriate time.

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.

PRELIMINARY ANNOUNCEMENT OF THE RESULTS AGREED BY AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 30 June 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, RSM Hong Kong, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by RSM Hong Kong 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 Hong Kong on the preliminary announcement.

PUBLICATION ON ANNUAL RESULTS AND ANNUAL REPORT

This results announcement of the Group for the Year 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, 22 September 2016

As at the date of this announcement, the Board comprises two (2) Executive Directors, namely, Mr. Lau Chi Yuen, Joseph (Chairman) and Mr. Lau Chun Fat, George, 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.