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 2017

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 revenue of approximately HK$152,696,000 for the year ended 30 June 2017, representing approximately 9.08% increase comparing to the year ended 30 June 2016.

- The Group's gross profit amounted to approximately HK$556,000 for the year ended 30 June 2017.

- The Group has recorded a loss attributable to owners of the Company for the year ended 30 June 2017 of approximately HK$46,075,000, representing a basic loss per share of HK0.833 cent.

- The Directors do not recommend the payment of any dividend for the year ended 30 June 2017.

- The Group has bank and cash balances of approximately HK$71,092,000; short term borrowings of approximately HK$30,000,000 and no long-term borrowings as at 30 June 2017.

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 2017, together with the comparative audited figures for the year ended 30 June 2016, are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2017

		2017	2016
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**152,696**	139,981
Cost of sales and service rendered		**(152,140)**	(134,133)
Gross profit		**556**	5,848
Other income	*5*	**4,326**	8,848
Impairment of goodwill	*11*	**(23,000)**	(37,900)
Impairment of available-for-sale financial assets		**(2,998)**	–
Selling expenses		**(6,541)**	(782)
Administrative expenses		**(23,229)**	(26,564)
Loss from operations		**(50,886)**	(50,550)
Finance costs	*6*	**(976)**	(525)
Loss before tax		**(51,862)**	(51,075)
Income tax credit/(expense)	*7*	**521**	(478)
Loss for the year	*8*	**(51,341)**	(51,553)
Attributable to:			
Owners of the Company		**(46,075)**	(47,251)
Non-controlling interests		**(5,266)**	(4,302)
		(51,341)	(51,553)
Loss per share	*10*		
Basic (cent per share)		**(0.833)**	(0.940)
Diluted (cent per share)		**(0.833)**	(0.940)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

	2017	2016
	HK$'000	*HK$'000*
Loss for the year	**(51,341)**	(51,553)
Other comprehensive income:		
Item that will not be reclassified to profit or loss:		
Surplus on revaluation of property, plant and equipment	**2,954**	2,287
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(147)**	(552)
Fair value changes of available-for-sale financial assets	**(2,998)**	–
Reclassification adjustment for impairment of available-for-sale financial assets transferred to profit or loss	**2,998**	–
Other comprehensive income for the year, net of tax	**2,807**	1,735
Total comprehensive income for the year	**(48,534)**	(49,818)
Attributable to:		
Owners of the Company	**(44,107)**	(45,943)
Non-controlling interests	**(4,427)**	(3,875)
	(48,534)	(49,818)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Note	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**27,753**	30,590
Goodwill	*11*	**78,064**	101,064
Available-for-sale financial assets		**–**	2,998
Club debenture		**50**	50
Total non-current assets		**105,867**	134,702
CURRENT ASSETS			
Inventories		**4,146**	13,285
Trade and other receivables	*12*	**44,559**	23,339
Pledged bank deposits		**5,560**	613
Bank and cash balances		**71,092**	48,556
Total current assets		**125,357**	85,793
CURRENT LIABILITIES			
Trade and other payables	*13*	**24,256**	33,787
Loan from a non-controlling shareholder of a subsidiary		**30,000**	19,500
Employee benefit obligations		**4,230**	4,650
Current tax liabilities		**5,513**	6,922
Total current liabilities		**63,999**	64,859
Net current assets		**61,358**	20,934
Total assets less current liabilities		**167,225**	155,636
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,146**	732
NET ASSETS		**166,079**	154,904

	Note	2017 HK$'000	2016 HK$'000
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital	*14*	**267,194**	261,144
Reserves		**(103,338)**	(112,890)
		163,856	148,254
Non-controlling interests		**2,223**	6,650
TOTAL EQUITY		**166,079**	154,904

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Attributable to owners of the Company								
	Share capital *(note 14)* *HK$'000*	**Share premium** *HK$'000*	**Translation reserve** *HK$'000*	**Plant and machinery revaluation reserve** *HK$'000*	**Capital redemption reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
At 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 14(a))*	39,454	(39,454)	–	–	–	–	–	–	–
Conversion of series B convertible non-voting preference shares into ordinary shares *(note 14(b))*	(3,674)	3,674	–	–	–	–	–	–	–
Deregistration 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 and 1 July 2016	261,144	576,743	(626)	4,453	150	(693,610)	148,254	6,650	154,904
Total comprehensive income for the year	–	–	(147)	2,115	–	(46,075)	(44,107)	(4,427)	(48,534)
Exercise of warrants *(note 14(c))*	50	846	–	–	–	–	896	–	896
Placing and subscription *(note 14(d))*	6,000	52,813	–	–	–	–	58,813	–	58,813
Changes in equity for the year	6,050	53,659	(147)	2,115	–	(46,075)	15,602	(4,427)	11,175
At 30 June 2017	**267,194**	**630,402**	**(773)**	**6,568**	**150**	**(739,685)**	**163,856**	**2,223**	**166,079**

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 and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

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

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 July 2016. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

(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 2016. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7 Statement of Cash Flows: Disclosure initiative	1 January 2017
Amendments to HKAS 12 Income Taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
Hong Kong (IFRIC) Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
HKFRS 16 Leases	1 January 2019

	Effective for accounting periods beginning on or after
Hong Kong (IFRIC) 23 Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course.

HKFRS 9 Financial Instruments

The standard replaces HKAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from HKAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

HKFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in HKAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in HKAS 39 are carried forward largely unchanged.

HKFRS 9 substantially overhauls the hedge accounting requirements in HKAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The new expected credit loss impairment model in HKFRS 9 may result in the earlier recognition of impairment losses on the Group's trade receivables and other financial assets. The Group is unable to quantify the impact until a more detailed assessment is completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer

2. Identify the performance obligations in the contract

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations in the contract

5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

The Group is currently assessing the impacts of adopting HKFRS 15 on the consolidated financial statements and has not identified any areas that are likely to be affected.

HKFRS 15 also introduces new requirements on accounting for contract modifications (variations) and variable consideration (such as claims and incentive payments) which may impact the timing of revenue recognition over the contract period.

The Group is unable to estimate the impact of the new standard on the consolidated financial statements until a more detailed analysis is completed.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The Group's offices, warehouses, director's quarter and car parking spaces are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 35 to the consolidated financial statements in the 2017 Annual Report, the Group's future minimum lease payments under non-cancellable operating leases for its offices, warehouses, director's quarter and car parking spaces amounted to approximately HK$23,300,000 as at 30 June 2017. The Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after taking into account the transition reliefs available in HKFRS 16 and the effects of discounting.

3. SEGMENT INFORMATION

The Group has two reportable segments as follows:

Swimwear and garment	–	Manufacturing and trading of swimwear and garment products
Trading and media related	–	Trading and provision of 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, impairment of available-for-sale financial assets, loss on deregistration 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	Trading and media related	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 30 June 2017			
Revenue from external customers	**152,073**	**623**	**152,696**
Segment loss	**(21,324)**	**(224)**	**(21,548)**
Depreciation	**9,732**	**–**	**9,732**
Income tax credit	**(521)**	**–**	**(521)**
Additions to segment non-current assets	**3,006**	**–**	**3,006**
As at 30 June 2017			
Segment assets	**99,531**	**1,121**	**100,652**
Segment liabilities	**63,176**	**125**	**63,301**
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

Reconciliations of segment profit or loss:

	2017	2016
	HK$'000	*HK$'000*
Total profit or loss of reportable segments	**(21,548)**	(13,780)
Impairment of goodwill	**(23,000)**	(37,900)
Impairment of available-for-sale financial assets	**(2,998)**	–
Loss on deregistration of a subsidiary	**–**	(450)
Unallocated amounts:		
Other income	**4,326**	8,848
Administrative expenses	**(7,145)**	(7,746)
Finance costs	**(976)**	(525)
Consolidated loss for the year	**(51,341)**	(51,553)

Reconciliations of segment assets and liabilities:

	2017	2016
	HK$'000	*HK$'000*
Assets		
Total assets of reportable segments	**100,652**	108,355
Goodwill	**78,064**	101,064
Available-for-sale financial assets	**–**	2,998
Club debenture	**50**	50
Other assets	**52,458**	8,028
Consolidated total assets	**231,224**	220,495
Liabilities		
Total liabilities of reportable segments	**63,301**	63,549
Other liabilities	**1,844**	2,042
Consolidated total liabilities	**65,145**	65,591

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	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**108,335**	59,928	**82,405**	105,886
People's Republic of China (the "PRC") except Hong Kong and Macau	**350**	13	**2,771**	2,019
Kingdom of Cambodia	**10,366**	5,826	**20,691**	23,799
United Kingdom	**8,179**	16,932	**–**	–
Spain	**4,493**	16,136	**–**	–
Sweden	**9,405**	15,391	**–**	–
United States of America	**1,185**	278	**–**	–
Netherlands	**6,227**	4,954	**–**	–
Israel	**2,111**	2,682	**–**	–
France	**578**	620	**–**	–
Denmark	**81**	353	**–**	–
Ireland	**365**	11,279	**–**	–
Canada	**–**	272	**–**	–
Australia	**–**	4,381	**–**	–
Others	**1,021**	936	**–**	–
Consolidated total	**152,696**	139,981	**105,867**	131,704

Revenue from major customers:

	2017	2016
	HK$'000	*HK$'000*
Swimwear and garment segment		
Customer a *(note)*	**N/A**	15,391
Customer b	**106,947**	53,748

Note: Customer a did not contribute 10% or more than 10% of the total revenue of the Group during the year ended 30 June 2017.

4. REVENUE

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

	2017 HK$'000	2016 HK$'000
Sales of goods	**142,311**	131,155
Subcontracting fee income	**10,385**	5,826
Media related service income	**–**	3,000
	152,696	139,981

5. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Design fee income	**36**	63
Gain on disposal of property, plant and equipment	**–**	3,120
Insurance claim received	**419**	–
Interest income	**395**	161
Net foreign exchange gains	**573**	–
Reversal of allowance for receivables	**1,233**	1,055
Reversal of provision for employee benefit obligations	**348**	1,408
Government grants *(note)*	**543**	2,634
Sundry income	**779**	407
	4,326	8,848

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

	2017 HK$'000	2016 HK$'000
Interest on other loans	**976**	525

7. INCOME TAX (CREDIT)/EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Overprovision in prior years	**–**	(33)
Current tax – PRC Enterprise Income Tax		
Provision for the year	**–**	32
Deferred tax	**(521)**	479
Income tax (credit)/expense	**(521)**	478

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year (2016: Nil).

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:

	2017	2016
	HK$'000	*HK$'000*
Loss before tax	**(51,862)**	(51,075)
Tax at the Hong Kong Profits Tax rate of 16.5% (2016: 16.5%)	**(8,557)**	(8,427)
Tax effect of income that is not taxable	**(10,450)**	(7,629)
Tax effect of expenses that are not deductible	**15,026**	15,152
Tax effect of other temporary differences not recognised	**(9)**	(260)
Tax effect of tax losses not recognised	**3,692**	1,738
Tax effect of utilisation of tax losses not previously recognised	**(45)**	(74)
Effect of different tax rates of subsidiaries	**(178)**	11
Overprovision in prior years	**–**	(33)
Income tax (credit)/expense	**(521)**	478

8. LOSS FOR THE YEAR

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

	2017	2016
	HK$'000	*HK$'000*
Auditor's remuneration	**850**	870
Cost of inventories sold	**152,140**	133,834
Depreciation	**9,732**	7,987
Allowance for receivables	**275**	1,283
Reversal of allowance for receivables	**(1,233)**	(1,055)
Impairment loss of available-for-sale financial assets	**2,998**	–
Net foreign exchange (gains)/losses	**(573)**	43
Operating lease charges for land and buildings	**4,848**	4,619

There is a reversal of allowance for receivables of approximately HK$1,233,000 (2016: HK$1,055,000) 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$67,831,000 (2016: HK$50,678,000) which are included in the amounts disclosed separately above.

9. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 30 June 2017 (2016: Nil).

10. LOSS PER SHARE

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$46,075,000 (2016: HK$47,251,000) and the weighted average number of ordinary shares of 5,530,801,299 (2016: 5,028,526,030) 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 years ended 30 June 2017 and 30 June 2016. Diluted loss per share was the same as the basic loss per share for the years ended 30 June 2017 and 30 June 2016.

11. 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")	**Swimwear – Easy Time Trading Limited ("Easy Time")** *(note (a))*	**Garment and swimwear – Ricotex Industrial Company Limited ("Ricotex")** *(note (b))*	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 1 July 2015, 30 June 2016, 1 July 2016 and 30 June 2017	75,343	640,966	61,457	777,766
Accumulated impairment losses				
At 1 July 2015	75,343	563,459	–	638,802
Impairment loss	–	37,900	–	37,900
At 30 June 2016 and 1 July 2016	75,343	601,359	–	676,702
Impairment loss	–	–	23,000	23,000
At 30 June 2017	75,343	601,359	23,000	699,702
Carrying amount				
At 30 June 2017	–	39,607	38,457	78,064
At 30 June 2016	–	39,607	61,457	101,064

Notes:

(a) The recoverable amount of the swimwear 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 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.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five (2016: five) years with residual period using the growth rate of 3.00% (2016: 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 15.00% (2016: 14.57%).

(b) The recoverable amount of the garment and 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 swimwear 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 (2016: five) years with residual period using the growth rate of 3.00% (2016: 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% (2016: 14.60%).

Due to the unsatisfactory performance and the uncertainties arising from its possible restructuring, the Group has revised its cash flow forecasts for this CGU for the nine months ended 31 March 2017. The recoverable amount of this CGU is approximately HK$105,000,000 as at 31 March 2017, 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$23,000,000 during the nine months ended 31 March 2017 and year ended 30 June 2017.

12. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade and bills receivables	**41,220**	20,590
Prepayments, deposits and other receivables	**3,339**	2,749
	44,559	23,339

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 14 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:

	2017	2016
	HK$'000	*HK$'000*
Current to 30 days	**4,491**	14,996
31 – 90 days	**23,236**	3,930
91 – 180 days	**3,842**	1,644
Over 180 days	**9,651**	20
	41,220	20,590

As at 30 June 2017, an allowance was made for estimated irrecoverable trade and bills receivables of approximately HK$1,375,000 (2016: HK$2,486,000).

Reconciliation of allowance for trade and bills receivables:

	2017	2016
	HK$'000	*HK$'000*
At beginning of year	**2,486**	2,258
Allowance for the year	**275**	1,283
Amounts written off	**(153)**	–
Reversal of allowance for the year	**(1,233)**	(1,055)
At end of year	**1,375**	2,486

As of 30 June 2017, trade and bills receivables of approximately HK$13,968,000 (2016: HK$1,664,000) 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:

	2017	2016
	HK$'000	*HK$'000*
1 – 30 days	**475**	–
91 – 180 days	**3,842**	1,644
Over 180 days	**9,651**	20
	13,968	1,664

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

	2017	2016
	HK$'000	*HK$'000*
Hong Kong dollars	**483**	20
United States dollars	**40,737**	20,570
Total	**41,220**	20,590

13. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**4,601**	13,194
Due to a substantial shareholder	**100**	130
Due to a non-controlling shareholder of a subsidiary	**1,594**	618
Accruals and other payables	**17,961**	19,845
	24,256	33,787

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:

	2017	2016
	HK$'000	*HK$'000*
Current to 30 days	**1,318**	9,802
31 – 90 days	**1,020**	3,382
91 – 180 days	**2,196**	–
Over 180 days	**67**	10
	4,601	13,194

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

	2017	2016
	HK$'000	*HK$'000*
Hong Kong dollars	**562**	2,186
United States dollars	**3,082**	10,103
Renminbi	**953**	905
Euro	**4**	–
Total	**4,601**	13,194

14. SHARE CAPITAL

	2017	2016
	HK$'000	*HK$'000*
Authorised:		
70,000,000,000 ordinary shares of HK$0.01 each	**700,000**	700,000
2,000,000,000 convertible non-voting preference shares of HK$0.15 each	**300,000**	300,000
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:		
5,703,772,313 (2016: 5,098,793,790) ordinary shares of HK$0.01 each	**57,038**	50,988
1,103,333,333 (2016: 1,103,333,333) convertible non-voting preference shares of HK$0.15 each	**165,500**	165,500
279,100,000 (2016: 279,100,000) series B convertible non-voting preference shares of HK$0.16 each	**44,656**	44,656
	267,194	261,144

A summary of the movements in the authorised and issued share capital of the Company during the years ended 30 June 2017 and 2016 is as follows:

	Note	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$0.16 each	Par value
		'000	*'000*	*'000*	*HK$'000*
Authorised:					
At 1 July 2015, 30 June 2016, 1 July 2016 and 30 June 2017		70,000,000	2,000,000	312,500	1,050,000
Issued and fully paid:					
At 1 July 2015		986,359	1,103,333	312,500	225,364
Bonus issue	*(a)*	3,945,435	–	–	39,454
Conversion of series B convertible non-voting preference shares	*(b)*	167,000	–	(33,400)	(3,674)
At 30 June 2016 and 1 July 2016		5,098,794	1,103,333	279,100	261,144
Exercise of warrants	*(c)*	4,978	–	–	50
Placing and subscription	*(d)*	600,000	–	–	6,000
At 30 June 2017		5,703,772	1,103,333	279,100	267,194

Notes:

(a) 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 "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.

(b) 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.

(c) 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 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.

(d) 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 (who are individual, corporate or other investors) 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 and a total of 600,000,000 ordinary shares were issued on 14 October 2016. The premium on the issue of shares, amounting to approximately HK$52,813,000, net of share issue expenses, was credited to the Company's share premium account.

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 2017 and 2016 are as follows:

	2017	2016
	HK$'000	*HK$'000*
Total debt	**65,145**	65,591
Less: cash and cash equivalents	**(71,092)**	(48,556)
Net debt	**(5,947)**	17,035
Total equity	**166,079**	154,904
Gearing ratio	**(4%)**	11%

The decrease in the gearing ratio during the year resulted primarily from the placing and subscription of shares and increase 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

Bonus issue of shares and warrants

On 18 May 2015, (i) the Board of Directors (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 warrants (the "Warrants"). Issuance of bonus shares and bonus warrants were completed on 13 July 2015. 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 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.

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 Warrants 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.

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 were completed and shares were issued on 14 October 2016. The premium on the issue of shares, amounting to approximately HK$52,813,000, net of share issue expenses, was credited to the Company's share premium account. The shares will rank pari passu in all respects with the ordinary shares of the Company in issue on the date of allotment.

Pursuant to the terms of CPS and Series B CPS, the conversion price of the outstanding CPS and Series B CPS were adjusted from HK$0.13 per share to HK$0.12 per share and HK$0.032 per share to HK$0.030 per share respectively as a result of the Placing and Subscription. The said adjustments took effect immediately after 15 July 2016.

Please refer to announcements of the Company dated 18 July 2016, 8 August 2016, 22 August 2016 and 7 September 2016 and 14 October 2016 and circular dated 22 August 2016 for details.

Deregistration of Charmston (Holdings) Limited

On 28 June 2017, a resolution was passed by the shareholders of Charmston (Holdings) Limited ("Charmston") to cease its operations and deregister the company. The Group holds 13% equity interests in Charmston and is classified as available-for-sale financial assets. The investment in Charmston was thus considered as non-recoverable and an impairment of approximately HK$2,998,000 was made against the available-for-sale financial assets during the year ended 30 June 2017. It is the Directors' opinion that the deregistration of Charmston will not have a material impact on the Group's result of operations and financial position. The deregistration process is yet to complete at the date of this announcement.

FINANCIAL PERFORMANCE

For the year ended 30 June 2017 (the "Year"), loss attributable to owners of the Company was approximately HK$46,075,000. Comparing to loss attributable to owners of the Company for year ended 30 June 2016 of approximately HK$47,251,000, the decrease in loss attributable to the owners of the Company was mainly attributable to decrease of impairment of goodwill to approximately HK$23,000,000 (2016: HK$37,900,000) made for garment and swimwear cash-generating unit (2016: swimwear cash-generating unit) and partially set off by (i) decrease in gross profit to approximately HK$556,000 (2016: HK$5,848,000); (ii) impairment of available-for-sale financial assets of approximately HK$2,998,000 (2016: HK$Nil) was made during the Year; (iii) decrease of other income to approximately HK$4,326,000 (2016: HK$8,848,000); (iv) increase in selling expenses to approximately HK$6,541,000 (2016: HK$782,000), mainly for sale of swimwear and garment products in the Kingdom of Cambodia ("Cambodia"); and (v) increase in finance costs to approximately HK$976,000 (2016: HK$525,000).

Revenue and gross profit

For the Year, the Group's total revenue and gross profit were approximately HK$152,696,000 and HK$556,000 respectively, as comparing to approximately HK$139,981,000 and HK5,848,000 respectively for the year ended 30 June 2016.

Details of the increase in total revenue but decrease in gross profit 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$152,073,000 (2016: HK$136,981,000). Gross profit for the Year was approximately HK$550,000 (2016: HK$3,147,000). Gross profit ratio for the Year was 0.36% (2016: 2.30%). Increase in revenue was mainly due to the increase in garment products orders of lower gross profit margin in Ricotex Industrial Company Limited ("Ricotex") with its factories located in Cambodia. However, it was offset by the decrease in revenue for high-end swimwear products as the orders for high-end swimwear products has substantially dropped. These customers were affected by the economic downturn of European market and the effect of the withdrawal of the United Kingdom from the European Union. Decrease in gross profit for the Year was mainly due to (i) substantially decrease in orders, together with drop of gross profit margin as compared with the corresponding period in 2016, for high-end swimwear products; (ii) continuous increase in portion of garment products of lower gross profit margin; and (iii) increase in factory overhead for the expansion in Cambodia of which the operation had not been fully utilised during the Year.

Trading and provision of media related services ("Trading and media related segment")

The revenue generated from Trading and media related segment for the Year was approximately HK$623,000 (2016: HK$3,000,000). Gross profit for the Year was approximately HK$6,000 (2016: HK$2,701,000). Gross profit ratio for the Year was 0.96% (2016: 90.03%). The decrease of revenue and gross profit was due to the revenue for this segment was generated from trading of second-hand mobile phones which was just started in June 2017. The revenue and gross profit generated for the year ended 30 June 2016 represented provision of information technology services.

Impairment of goodwill

For the Year, impairment of goodwill was approximately HK$23,000,000, comparing to approximately HK$37,900,000 for the year ended 30 June 2016.

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

No impairment of goodwill relates to Swimwear CGU was made for the Year (2016: HK$37,900,000).

The recoverable amount of the Swimwear CGU is determined from value in use calculation (2016: 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. Budgeted gross margin and revenue are based on past practices and expectations on market development.

During the Year, the Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors for the next five (2016: five) years with residual period using the growth rate of 3.00% (2016: 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 15.00% (2016: 14.57%). No impairment of goodwill related to Swimwear CGU was made during the Year (2016: HK37,900,000).

(ii) The impairment of goodwill relates to garment and swimwear cash-generating unit ("Garment and swimwear CGU")

An impairment of goodwill relates to Garment and swimwear CGU of approximately HK$23,000,000 (2016: HK$Nil) was made for the Year.

The recoverable amount of the Garment and swimwear CGU is determined from value in use calculation (2016: 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 Year, the Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors for the next five (2016: five) years with residual period using the growth rate of 3.00% (2016: 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% (2016: 14.60%).

Due to the unsatisfactory performance and the uncertainties arising from its possible restructuring, the Group has revised its cash flow forecasts for this CGU for the nine months ended 31 March 2017. The recoverable amount of this CGU is approximately HK$105,000,000 as at 31 March 2017, 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$23,000,000 during the nine months ended 31 March 2017 and the Year.

Key unobservable inputs used in the fair value measurements are disclosed in note 7 to the consolidated financial statements in the 2017 Annual Report.

Impairment of available-for-sale financial assets

On 28 June 2017, a resolution was passed by the shareholders of Charmston to cease its operations and apply for deregistration of the company. The Group holds 13% equity interests in Charmston and is classified as available-for-sale financial assets. As Charmston was in net liabilities position, the investment thus considered as non-recoverable and an impairment of approximately HK$2,998,000 was made against the available-for-sale financial assets during the Year.

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 2017, the Group had total assets of approximately HK$231,224,000 (2016: HK$220,495,000). As at 30 June 2017, the Group had short term borrowings of approximately HK$30,000,000 (2016: HK$19,500,000). The increase of total borrowings was mainly due to the further borrowing from a non-controlling shareholder of Ricotex during the Year. As at 30 June 2017, the Group had bank and cash balances of approximately HK$71,092,000 (2016: HK$48,556,000). The Group has a current ratio of approximately 1.96 comparing to that of 1.32 as at 30 June 2016. As at 30 June 2017, the Group's gearing ratio of -4% (2016: 11%) 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.

USE OF PROCEEDS

The Placing and Subscription were completed and shares were issued on 14 October 2016. The premium on the issue of shares, amounting to approximately HK$52,813,000, net of share issue expenses, was credited to the Company's share premium account. The Company planned to apply the net proceeds from the Placing and Subscription as to (i) up to approximately HK$31,000,000 for expansion of the Group's swimwear and garment production facilities in Cambodia; (ii) up to approximately HK$20,000,000 for general working capital for the Group's existing principal business; and (iii) the balance for future investment opportunities. The net proceeds of approximately HK$23,500,000 have been utilised by the Group as to (i) approximately HK$7,500,000 for expansion of the Group's swimwear and garment production in Cambodia including additional labour force for second production plant and purchase of raw materials for the expanded capacity; (ii) approximately HK$6,000,000 for purchase of raw materials for its existing swimwear and garment business; and (iii) approximately HK$10,000,000 for salaries, professional fees and other administrative expenses for Group's existing principal business. The remaining unutilised net proceeds are held in banks for future use as intended.

Save as disclosed above, the Company has not conducted any equity fund raising activities during the Year.

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 following 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 49% (2016: 68%) of the Group's total purchase, are mainly related to the purchase of fabric. There is no assurance that these 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 87% (2016: 70%) of the Group's total revenue. There is no assurance that major customers will continue to conduct business with us. In the event that 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. 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 as 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.

4. 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 were issued from the exercise of bonus warrants on 28 July 2016. The proceeds from the exercise of warrants in the sum of approximately HK$896,000 has been used as administrative expenses of the Group.

Subsequent to the issuance of bonus share, the conversion price of the outstanding CPS had 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 had 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.

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. On the same date, the Company and Subscriber 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 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 were completed and shares were issued on 14 October 2016. The premium on the issue of shares, amounting to approximately HK$52,813,000, net of share issue expenses, was credited to the Company's share premium account. The shares will rank pari passu in all respects with the ordinary shares of the Company in issue on the date of allotment.

Pursuant to the terms of CPS and Series B CPS, the conversion price of the outstanding CPS and Series B CPS were adjusted from HK$0.13 per share to HK$0.12 per share and HK$0.032 per share to HK$0.030 per share respectively as a result of the Placing and Subscription. The said adjustments took effect immediately after 15 July 2016.

As at 30 June 2017, issued and fully paid share capital of the Company included (a) 5,703,772,313 (2016: 5,098,793,790) ordinary shares of HK$0.01 each; (b) 1,103,333,333 CPS (2016: 1,103,333,333) of HK$0.15 each; and (c) 279,100,000 (2016: 279,100,000) Series B CPS of HK$0.16 each. Pursuant to the terms of the CPS and Series B CPS, the conversion prices of the outstanding CPS and Series B CPS were adjusted from HK$0.65 and HK$0.16 per HK$0.13 and HK$0.032 per share respectively as a result of completion of the rights issue, and further adjusted to HK$0.12 and HK$0.030 per share respectively as a result of completion of the Placing and Subscription.

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 14 to 90 days to its trade customers.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, the Group had 1,427 full time employees compared with that of 2,124 in the previous financial year. The staff costs, including directors' remuneration, were approximately HK$67,919,000 (2016: HK$58,672,000). The Group offers a comprehensive remuneration package and benefits to its full time employees in compliance with the regulations in Hong Kong, the People's Republic of China (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 2017, the Group did not have any material contingent liabilities (2016: Nil).

CHARGE ON ASSETS

The Group has pledged bank deposits of approximately HK$5,560,000 (2016: HK$613,000) 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 for high-end swimwear for the factory located in the PRC continuously decrease in current year and the coming years. In order to seek new business opportunities, a non-wholly owned subsidiary, Ricotex, has established and is operating a factory 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. Furthermore, in order to diversify our products, we are developing new products other than swimwear with our new/existing business partners during the Year, and 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.

In order to diversify our business, (i) the Group launched trading of second-hand mobile phone business by a subsidiary of the Group, Luxey Online Solutions Limited, in June 2017; and (ii) the Group explored to another new business segment, the money lending business, of which the Group has obtained a Money Lenders Licence in July 2017 and started a new business of money lending since then.

For the Trading and media related segment, it represented provision of information technology services to customer last year. During the Year, provision of information technology services ceased but on the other hand the Group started a new business for trading of second-hand mobile phone business. Our Group will continue to seek and explore other business opportunity for the Trading and media related 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 manage 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 ended 30 June 2017 (2016: Nil).

COMPETING INTERESTS

The Directors are not aware of, as at 30 June 2017, any business or interest of each Director, substantial shareholder and management shareholders (as defined in the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (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 2017 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, 21 September 2017

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.