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 2018

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.

HIGHLIGHTS

- The Group has recorded a total revenue of approximately HK$156,572,000 for the year ended 30 June 2018, representing approximately 3% increase comparing to the year ended 30 June 2017.

- The Group's gross loss amounted to approximately HK$39,322,000 for the year ended 30 June 2018.

- The Group has recorded a loss attributable to owners of the Company for the year ended 30 June 2018 of approximately HK$138,268,000, representing a basic loss per share of HK2.232 cents.

- The Directors do not recommend the payment of any dividend for the year ended 30 June 2018.

- The Group has bank and cash balances of approximately HK$57,853,000; short term borrowings of approximately HK$26,044,000 and no long-term borrowings as at 30 June 2018.

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 2018, together with the comparative audited figures for the year ended 30 June 2017, are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2018

	Note	**2018** *HK$'000*	2017 *HK$'000*
Revenue	*4*	**156,572**	152,696
Cost of sales and service rendered		**(195,894)**	(152,140)
Gross (loss)/profit		**(39,322)**	556
Other income	*5*	**2,607**	4,326
Impairment of property, plant and equipment		**(6,789)**	–
Impairment of goodwill	*11*	**(78,064)**	(23,000)
Impairment of available-for-sale financial assets		**–**	(2,998)
Allowance for trade and other receivables		**(19,641)**	(275)
Selling expenses		**(1,435)**	(6,541)
Administrative expenses		**(22,035)**	(22,954)
Loss from operations		**(164,679)**	(50,886)
Finance costs	*6*	**(893)**	(976)
Loss before tax		**(165,572)**	(51,862)
Income tax credit	*7*	**5,954**	521
Loss for the year	*8*	**(159,618)**	(51,341)
Attributable to:			
Owners of the Company		**(138,268)**	(46,075)
Non-controlling interests		**(21,350)**	(5,266)
		(159,618)	(51,341)
Loss per share	*10*		
Basic *(cents per share)*		**(2.232)**	(0.833)
Diluted *(cents per share)*		**(2.232)**	(0.833)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	2018	2017
	HK$'000	*HK$'000*
Loss for the year	**(159,618)**	(51,341)
Other comprehensive income:		
Item that will not be reclassified to profit or loss:		
Surplus on revaluation of property, plant and equipment	**5,027**	2,954
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**38**	(147)
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	**5,065**	2,807
Total comprehensive income for the year	**(154,553)**	(48,534)
Attributable to:		
Owners of the Company	**(134,570)**	(44,107)
Non-controlling interests	**(19,983)**	(4,427)
	(154,553)	(48,534)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Note	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**16,970**	27,753
Goodwill	*11*	**–**	78,064
Available-for-sale financial assets		**–**	–
Club debenture		**50**	50
Total non-current assets		**17,020**	105,867
CURRENT ASSETS			
Inventories		**4,882**	4,146
Trade and other receivables	*12*	**52,089**	44,559
Loan receivable		**2,507**	–
Pledged bank deposits		**434**	5,560
Bank and cash balances		**57,853**	71,092
Total current assets		**117,765**	125,357
CURRENT LIABILITIES			
Trade and other payables	*13*	**19,008**	24,256
Other loans		**26,044**	30,000
Employee benefit obligations		**4,720**	4,230
Current tax liabilities		**503**	5,513
Total current liabilities		**50,275**	63,999
Net current assets		**67,490**	61,358
Total assets less current liabilities		**84,510**	167,225
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,594**	1,146
NET ASSETS		**82,916**	166,079

	Note	2018 HK$'000	2017 HK$'000
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital	*14*	**266,194**	267,194
Reserves		**(167,018)**	(103,338)
		99,176	163,856
Non-controlling interests		**(16,260)**	2,223
TOTAL EQUITY		**82,916**	166,079

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Attributable to owners of the Company								
	Share capital *(note 14)*	**Share premium**	**Translation reserve**	**Plant and machinery revaluation reserve**	**Capital redemption 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*
At 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(a))*	50	846	–	–	–	–	896	–	896
Placing and subscription *(note 14(b))*	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 and 1 July 2017	267,194	630,402	(773)	6,568	150	(739,685)	163,856	2,223	166,079
Total comprehensive income for the year	–	–	143	3,555	–	(138,268)	(134,570)	(19,983)	(154,553)
Issue of shares *(note 14(c))*	7,000	62,890	–	–	–	–	69,890	–	69,890
Conversion of series B convertible non-voting preference shares into ordinary shares *(note 14(d))*	(8,000)	8,000	–	–	–	–	–	–	–
Capital contributions from non-controlling interests	–	–	–	–	–	–	–	1,500	1,500
Changes in equity for the year	(1,000)	70,890	143	3,555	–	(138,268)	(64,680)	(18,483)	(83,163)
At 30 June 2018	**266,194**	**701,292**	**(630)**	**10,123**	**150**	**(877,953)**	**99,176**	**(16,260)**	**82,916**

NOTES

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).

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 2017. None of these impact on the accounting policies of the Group. However, the Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative require disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The effect of the amendments on the Group's consolidated financial statements has been the inclusion of additional disclosures in note 35(b) to the consolidated financial statements in the 2018 Annual Report.

(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 2017. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HKFRS 16 Leases	1 January 2019

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. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 31 December 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

HKFRS 9 Financial Instruments

HKFRS 9 will replace HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 30 June 2018 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of HKFRS 9 to the Group's consolidated financial statements as follows:

(a) Impairment

HKFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. Based on a preliminary assessment, the Group does not expect the application of the expected credit loss model will have a significant impact.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18 Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11 Construction contracts, which specifies the accounting for revenue from construction contracts.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in accumulated losses as of 1 July 2018 and that comparatives will not be restated.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) Timing of revenue recognition

Currently, revenue arising from the provision of subcontracting services is recognised when the service is rendered, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from the provision of subcontracting services.

For contracts with customers in which the sale of goods is generally expected to be the only performance obligation, adoption of HKFRS 15 is not expected to have any impact on the Group's revenue or profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

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.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating 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 37 to the consolidated financial statements in the 2018 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$23,462,000 as at 30 June 2018. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

3. SEGMENT INFORMATION

The Group has three operating segments as follows:

Swimwear and garment	–	Manufacturing and trading of swimwear and garment products
Trading and on-line shopping related	–	Trading and provision of on-line shopping and media related services
Money lending	–	Money lending business

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 and corporate administrative and other operating expenses. Segment assets do not include club debenture, goodwill and other assets for general administrative use. Segment liabilities do not include loan from a related company and other liabilities for general administrative use.

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

	Swimwear and garment	Trading and on-line shopping related	Money lending	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 30 June 2018				
Revenue from external customers	**63,209**	**93,093**	**270**	**156,572**
Segment loss	**(64,048)**	**(13,322)**	**(200)**	**(77,570)**
Depreciation	**11,855**	**–**	**1**	**11,856**
Income tax credit	**(5,954)**	**–**	**–**	**(5,954)**
Other material non-cash items:				
Allowance for inventories	**(15,507)**	**–**	**–**	**(15,507)**
Allowance for receivables	**(3,515)**	**(16,126)**	**–**	**(19,641)**
Impairment of property, plant and equipment	**(6,789)**	**–**	**–**	**(6,789)**
Additions to segment non-current assets	**1,396**	**–**	**37**	**1,433**
As at 30 June 2018				
Segment assets	**51,116**	**59,078**	**7,923**	**118,117**
Segment liabilities	**39,824**	**28**	**14**	**39,866**
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

Reconciliations of segment profit or loss:

	2018	2017
	HK$'000	*HK$'000*
Total profit or loss of reportable segments	**(77,570)**	(21,548)
Impairment of goodwill	**(78,064)**	(23,000)
Impairment of available-for-sale financial assets	**–**	(2,998)
Unallocated amounts:		
Other income	**2,868**	4,326
Administrative expenses	**(5,959)**	(7,145)
Finance costs	**(893)**	(976)
Consolidated loss for the year	**(159,618)**	(51,341)

Reconciliations of segment assets and liabilities:

	2018	2017
	HK$'000	*HK$'000*
Assets		
Total assets of reportable segments	**118,117**	100,652
Goodwill	**–**	78,064
Club debenture	**50**	50
Other assets	**16,618**	52,458
Consolidated total assets	**134,785**	231,224
Liabilities		
Total liabilities of reportable segments	**39,866**	63,301
Loan from a related company	**10,000**	–
Other liabilities	**2,003**	1,844
Consolidated total liabilities	**51,869**	65,145

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	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**94,171**	108,335	**663**	82,405
People's Republic of China (the "PRC") except Hong Kong and Macau	**261**	350	**3,774**	2,771
Kingdom of Cambodia	**17,604**	10,366	**12,583**	20,691
United Kingdom	**10,580**	8,179	**–**	–
Spain	**5,109**	4,493	**–**	–
Sweden	**8,925**	9,405	**–**	–
United States of America (the "USA")	**7,253**	1,185	**–**	–
Netherlands	**6,026**	6,227	**–**	–
Israel	**2,294**	2,111	**–**	–
France	**550**	578	**–**	–
Denmark	**–**	81	**–**	–
Ireland	**–**	365	**–**	–
Others	**3,799**	1,021	**–**	–
Consolidated total	**156,572**	152,696	**17,020**	105,867

Revenue from major customers:

	2018	2017
	HK$'000	*HK$'000*
Swimwear and garment segment		
Customer a *(note (a))*	**N/A**	106,947
Trading and on-line shopping related segment		
Customer b *(note (b))*	**51,301**	N/A
Customer c *(note (b))*	**25,314**	N/A

Notes:

(a) Customer a did not contribute 10% or more than 10% of the total revenue of the Group during the year ended 30 June 2018.

(b) Customers b and c 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 interest income from money lending business are as follows:

	2018	2017
	HK$'000	*HK$'000*
Sales of goods	**137,797**	142,311
Subcontracting fee income	**18,505**	10,385
Interest income from money lending business	**270**	–
	156,572	152,696

5. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Design fee income	**34**	36
Insurance claim received	**–**	419
Interest income	**827**	395
Net foreign exchange gains	**–**	573
Reversal of allowance for receivables	**55**	1,233
Reversal of provision for employee benefit obligations	**–**	348
Government grants *(note)*	**1,123**	543
Sundry income	**568**	779
	2,607	4,326

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

	2018	2017
	HK$'000	*HK$'000*
Interest on other loans	**893**	976

7. INCOME TAX CREDIT

	2018	2017
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Overprovision in prior years	**(5,031)**	–
Current tax – PRC Enterprise Income Tax		
Underprovision in prior years	**31**	–
Deferred tax	**(954)**	(521)
Income tax credit	**(5,954)**	(521)

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year (2017: 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 credit and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2018	2017
	HK$'000	*HK$'000*
Loss before tax	**(165,572)**	(51,862)
Tax at the Hong Kong Profits Tax rate of 16.5% (2017: 16.5%)	**(27,319)**	(8,557)
Tax effect of income that is not taxable	**(4,207)**	(10,450)
Tax effect of expenses that are not deductible	**21,961**	15,026
Tax effect of other temporary differences not recognised	**155**	(9)
Tax effect of tax losses not recognised	**10,192**	3,692
Tax effect of utilisation of tax losses not previously recognised	**(336)**	(45)
Effect of different tax rates of subsidiaries	**(1,400)**	(178)
Overprovision in prior years	**(5,031)**	–
Underprovision in prior years	**31**	–
Income tax credit	**(5,954)**	(521)

8. LOSS FOR THE YEAR

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

	2018 *HK$'000*	2017 *HK$'000*
Auditor's remuneration	**910**	850
Cost of inventories sold	**195,894**	152,140
Depreciation	**11,856**	9,732
Allowance for inventories (included in cost of inventories sold)	**15,507**	–
Allowance for trade and other receivables	**19,641**	275
Reversal of allowance for receivables	**(55)**	(1,233)
Impairment of available-for-sale financial assets	**–**	2,998
Impairment of property, plant and equipment	**6,789**	–
Net foreign exchange losses/(gains)	**960**	(573)
Operating lease charges for land and buildings	**4,651**	4,848

There is a reversal of allowance for receivables of approximately HK$55,000 (2017: HK$1,233,000) 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$59,675,000 (2017: HK$67,831,000) 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 2018 (2017: 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$138,268,000 (2017: HK$46,075,000) and the weighted average number of ordinary shares of 6,195,553,135 (2017: 5,530,801,299) in issue during the year.

Diluted loss per share

The exercise of the Group's outstanding convertible non-voting preference shares would be anti-dilutive for the year ended 30 June 2018. 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 2017. Diluted loss per share was the same as the basic loss per share for the years ended 30 June 2018 and 30 June 2017.

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	**Swimwear – Easy Time Trading Limited**	**Garment and swimwear – Ricotex Industrial Company Limited**	**Total**
		(note (a))	*(note (b))*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 1 July 2016, 30 June 2017, 1 July 2017 and 30 June 2018	75,343	640,966	61,457	777,766
Accumulated impairment losses				
At 1 July 2016	75,343	601,359	–	676,702
Impairment loss	–	–	23,000	23,000
At 30 June 2017 and 1 July 2017	75,343	601,359	23,000	699,702
Impairment loss	–	39,607	38,457	78,064
At 30 June 2018	75,343	640,966	61,457	777,766
Carrying amount				
At 30 June 2018	–	–	–	–
At 30 June 2017	–	39,607	38,457	78,064

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 (2017: five) years with residual period using the growth rate of 3.00% (2017: 3.00%). 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% (2017: 15.00%).

Having regard to (1) the substantial losses suffered by the swimwear CGU due to loss of sales orders from several major customers; and (2) trade protectionism announced by the USA government and the risks of its impact on the global economy, 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$39,607,000 during the year ended 30 June 2018.

(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 (2017: five) years with residual period using the growth rate of 3.00% (2017: 3.00%). 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 14.00% (2017: 14.60%).

Having regard to (1) the substantial losses suffered by the garment and swimwear CGU due to loss of sales orders from several major customers; and (2) trade protectionism announced by the USA government and the risk of its impact on the global economy, 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$38,457,000 during the nine months ended 31 March 2018 and year ended 30 June 2018.

12. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade and bills receivables	**39,837**	41,220
Prepayments, deposits and other receivables	**12,252**	3,339
	52,089	44,559

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:

	2018	2017
	HK$'000	*HK$'000*
Current to 30 days	**15,530**	4,491
31 – 90 days	**12,660**	23,236
91 – 180 days	**11,594**	3,842
Over 180 days	**53**	9,651
	39,837	41,220

As at 30 June 2018, an allowance was made for estimated irrecoverable trade and bills receivables of approximately HK$20,138,000 (2017: HK$1,375,000).

Reconciliation of allowance for trade and bills receivables:

	2018	2017
	HK$'000	*HK$'000*
At beginning of year	**1,375**	2,486
Allowance for the year	**19,150**	275
Amounts written off	**(332)**	(153)
Reversal of allowance for the year	**(55)**	(1,233)
At end of year	**20,138**	1,375

As of 30 June 2018, trade and bills receivables of approximately HK$7,851,000 (2017: HK$13,968,000) 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:

	2018	2017
	HK$'000	*HK$'000*
1 – 30 days	**482**	475
31 – 90 days	**778**	–
91 – 180 days	**11,594**	3,842
Over 180 days	**53**	9,651
	12,907	13,968

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

	2018	2017
	HK$'000	*HK$'000*
Hong Kong dollars	**33,401**	483
United States dollars	**6,436**	40,737
Total	**39,837**	41,220

13. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**787**	4,601
Due to a substantial shareholder *(note)*	**100**	100
Due to a non-controlling shareholder of a subsidiary *(note)*	**188**	1,594
Accruals and other payables	**17,933**	17,961
	19,008	24,256

Note: 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:

	2018	2017
	HK$'000	*HK$'000*
Current to 30 days	**603**	1,318
31 – 90 days	**159**	1,020
91 – 180 days	**15**	2,196
Over 180 days	**10**	67
	787	4,601

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

	2018	2017
	HK$'000	*HK$'000*
Hong Kong dollars	**303**	562
United States dollars	**15**	3,082
Renminbi	**469**	953
Euro	**–**	4
Total	**787**	4,601

14. SHARE CAPITAL

	2018	2017
	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:		
6,803,772,313 (2017: 5,703,772,313) ordinary shares of HK$0.01 each	**68,038**	57,038
1,103,333,333 (2017: 1,103,333,333) convertible non-voting preference shares of HK$0.15 each	**165,500**	165,500
204,100,000 (2017: 279,100,000) series B convertible non-voting preference shares of HK$0.16 each	**32,656**	44,656
	266,194	267,194

A summary of the movements in the authorised and issued share capital of the Company during the years ended 30 June 2018 and 2017 is as follows:

	Note	Number of ordinary shares of HK$0.01 each *'000*	Number of convertible non-voting preference shares of HK$0.15 each *'000*	Number of series B convertible non-voting preference shares of HK$0.16 each *'000*	Par value *HK$'000*
Authorised:					
At 1 July 2016, 30 June 2017, 1 July 2017 and 30 June 2018		70,000,000	2,000,000	312,500	1,050,000
Issued and fully paid:					
At 1 July 2016		5,098,794	1,103,333	279,100	261,144
Exercise of warrants	*(a)*	4,978	–	–	50
Placing and subscription	*(b)*	600,000	–	–	6,000
At 30 June 2017 and 1 July 2017		5,703,772	1,103,333	279,100	267,194
Issue of shares	*(c)*	700,000	–	–	7,000
Conversion of series B convertible non-voting preference shares	*(d)*	400,000	–	(75,000)	(8,000)
At 30 June 2018		6,803,772	1,103,333	204,100	266,194

Notes:

(a) 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.

(b) 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 I"), a substantial shareholder of the Company, entered into a subscription agreement, pursuant to which the Subscriber I 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 I").

The Placing and Subscription I 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.

(c) On 8 November 2017, the Company and Wide Select Investments Limited (the "Subscriber II"), an independent third party, entered into a subscription agreement, pursuant to which the Subscriber II agreed to subscribe and the Company agreed to allot and issue an aggregate of 700,000,000 shares at subscription price of HK$0.10 per share (the "Subscription II").

The Subscription II was approved by the shareholders at the extraordinary general meeting of the Company held on 28 November 2017 and a total of 700,000,000 ordinary shares were issued on 30 November 2017. The premium on the issue of shares, amounting to approximately HK$62,890,000, net of share issue expenses, was credited to the Company's share premium account.

(d) On 16 April 2018, 400,000,000 ordinary shares of HK$0.01 each were issued as a result of the conversion of 75,000,000 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 2018 and 2017 are as follows:

	2018	2017
	HK$'000	*HK$'000*
Total debt	**51,869**	65,145
Less: cash and cash equivalents	**(57,853)**	(71,092)
Net debt	**(5,984)**	(5,947)
Total equity	**82,916**	166,079
Gearing ratio	**(7%)**	(4%)

The decrease in the gearing ratio during the year resulted primarily from the issue of shares and decrease in total debt.

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

Issue of new shares under general mandate

On 8 November 2017, the Company and Wide Select Investments Limited (the "Subscriber") entered into a subscription agreement, pursuant to which the Subscriber agreed to subscribe and the Company agreed to allot and issue a total of 700,000,000 new shares at the price of HK$0.10 per share (the "Subscription"). The Subscription was completed on 30 November 2017. The premium on the issue of shares, amounting to approximately HK$62,890,000, net of share issue expenses, was credited to the Company's share premium account. The shares ranked pari passu in all respects with the ordinary shares of the Company in issue of the date of allotment.

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 opinion of the directors of the Company (the "Directors") 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 results announcement.

Litigation

On 4 December 2017, the Company received a writ of summons ("Writ") issued from the High Court of Hong Kong by Billions Field Development Limited ("Billions Field"), against Ricotex Industrial Company Limited ("Ricotex"). Ricotex is a 50% owned subsidiary of the Company. Billions Field was a non-controlling shareholder of Ricotex holding 50% equity interest at the time of the Writ. According to the Writ, Billions Field claimed against Ricotex for, among others, HK$30,000,000, being the shareholder's loan advanced to Ricotex.

On 9 February 2018, Billions Field filed into the High Court a notice of discontinuance of the legal proceedings against Ricotex as a result of the Billions Field's disposal to a third party of all its shares in Ricotex together with its shareholder's loan which was the subject matter of the Writ.

FINANCIAL PERFORMANCE

For the year ended 30 June 2018 (the "Year"), loss attributable to owners of the Company was approximately HK$138,268,000. Comparing to loss attributable to owners of the Company for year ended 30 June 2017 of approximately HK$46,075,000, the increase in loss attributable to the owners of the Company was mainly attributable to (i) significant decline of gross margin to loss of approximately HK$39,322,000 (2017: profit of HK$556,000); (ii) increase of impairment of goodwill to approximately HK$78,064,000 (2017: HK$23,000,000) made for swimwear cash-generating unit ("CGU") and garment and swimwear CGU (2017: garment and swimwear CGU); (iii) impairment of property, plant and equipment of approximately HK$6,789,000 (2017: HK$Nil); and (iv) increase of allowance for trade and other receivables to approximately HK$19,641,000 (2017: HK$275,000), and partially set off by (i) decrease of impairment of available-for-sale financial assets to approximately HK$Nil (2017: HK$2,998,000); (ii) decrease in selling expenses to approximately HK$1,435,000 (2017: HK$6,541,000), mainly for sale of swimwear and garment products in the Kingdom of Cambodia ("Cambodia"); and (iii) increase in income tax credit to approximately HK$5,954,000 (2017: HK$521,000), mainly from overprovision of Hong Kong Profits Tax in prior years.

Revenue and Gross (Loss)/Profit

For the Year, the Group's total revenue and gross (loss)/profit were approximately HK$156,572,000 and HK$(39,322,000) respectively, as comparing to approximately HK$152,696,000 and HK556,000 respectively for the year ended 30 June 2017.

Details of the increase in total revenue but decrease in gross margin 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$63,209,000 (2017: HK$152,073,000). Gross loss for the Year was approximately HK$42,860,000 (2017: gross profit of HK$550,000). Gross loss for the Year was 67.81% (2017: gross profit ratio of 0.36%). Decrease in revenue was mainly due to the decrease in garment products orders of Ricotex Industrial with its factories located in Cambodia. In addition, a substantial part of the sale orders from our new customer in United States of America ("US") was cancelled due to the trade protectionism announced by the US government. The new customer had ceased to place new orders with the Group during the Year. 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 2017, for high-end swimwear products; and (ii) increase in factory overhead in Cambodia of which the operation had not been fully utilised during the Year.

Trading and on-line shopping related services ("Trading and media related segment")

The revenue generated from Trading and on-line shopping related segment for the Year was approximately HK$93,093,000 (2017: HK$623,000). Gross profit for the Year was approximately HK$3,268,000 (2017: HK$6,000). Gross profit ratio for the Year was 3.51% (2017: 0.96%). The increase of revenue and gross profit was due to the revenue for this segment was generated from trading of second-hand mobile phones, cameras and electronic parts.

Money lending business ("Money lending segment")

Money lending business segment was started in August 2017. The revenue generated from Money lending segment for the Year was approximately HK$270,000 (2017: HK$Nil). Gross profit for the Year was approximately HK$270,000 (2017: HK$Nil). Gross profit ratio for the Year was 100% (2017: Nil).

Impairment of Goodwill

For the Year, impairment of goodwill was approximately HK$78,064,000 comparing to approximately HK$23,000,000 for the year ended 30 June 2017.

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

An impairment of goodwill relates to Swimwear CGU of approximately HK$39,607,000 (2017: HK$Nil) was made for the Year.

The recoverable amount of the Swimwear CGU is determined from value in use calculation (2017: 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 (2017: five) years with residual period using the growth rate of 3.00% (2017: 3.00%). 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% (2017: 15.00%).

Having regard to (1) the substantial losses suffered by the swimwear CGU due to loss of sales orders from several major customers; and (2) trade protectionism announced by the US government and the risks of its impact on the global economy, 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$39,607,000 during the year ended 30 June 2018.

(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$38,457,000 (2017: HK$23,000,000) was made for the Year.

The recoverable amount of the Garment and swimwear CGU is determined from value in use calculation (2017: 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 (2017: five) years with residual period using the growth rate of 3.00% (2017: 3.00%). 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 14.00% (2017: 14.60%).

Having regard to (1) the substantial losses suffered by the garment and swimwear CGU due to loss of sales orders from several major customers; and (2) trade protectionism announced by the US government and the risks of its impact on the global economy, 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$38,457,000 during the nine months ended 31 March 2018 and year ended 30 June 2018.

Key unobservable inputs used in the fair value measurements are disclosed in note 7 to the consolidated financial statements in the 2018 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 ended 30 June 2017.

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 2018, the Group had total assets of approximately HK$134,785,000 (2017: HK$231,224,000). As at 30 June 2018, the Group had short term borrowings of approximately HK$26,044,000 (2017: HK$30,000,000). The decrease of total borrowings was mainly due to the offsetting with trade receivables in accordance with a deed of novation entered into between the debtor, the non-controlling shareholder and Ricotex during the Year. As at 30 June 2018, the Group had bank and cash balances of approximately HK$57,853,000 (2017: HK$71,092,000). The Group has a current ratio of approximately 2.34 comparing to that of 1.96 as at 30 June 2017. As at 30 June 2018, the Group's gearing ratio of -7% (2017: -4%) 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 Subscription was completed and shares were issued on 30 November 2017. The premium on the issue of shares, amounting to approximately HK$62,890,000, net of share issue expenses, was credited to the Company's share premium account. The Company planned to apply the net proceeds from the Subscription as to (a) approximately up to HK$30 million for the Group's money lending business; (b) approximately up to HK$30 million for future investments; and (c) balance for general working capital of the Group including administrative expenses, professional fees and general corporate expenses.

Refer to the announcement of the Company dated 10 April 2018 regarding the change in use of proceeds. As at 10 April 2018, approximately HK$5.5 million has been used for general working capital of the Group including administrative expenses, professional fees and general corporate expenses. In order to focus the Company's resources on its existing swimwear and garment business and trading business, the Company intends to use the balance of the net proceeds of approximately HK$64.3 million as follows: (a) approximately HK$30 million as working capital for its swimwear and garment business including but not limited to purchase of raw materials, rental, wages and other administrative expenses; (b) approximately HK$30 million as working capital for its trading business including but not limited to purchase of inventories; and (c) the balance as general working capital of the Group.

The net proceeds of approximately HK$49.5 million have been utilised by the Group as to (a) approximately HK$12 million as working capital for its swimwear and garment business including but not limited to purchase of raw materials, rental, wages and other administrative expenses; (b) approximately HK$30 million as working capital for its trading business including but not limited to purchase of inventories; and (c) approximately HK$7.5 million as general working capital of the Group. 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 67% (2017: 49%) of the Group's total purchases, are mainly related to the purchases of fabric, second-hand mobile phone, cameras and electronic parts (2017: fabric). There is no assurance that these major suppliers shall continue to provide the goods 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 72% (2017: 87%) 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 of Directors (the "Board").

As at 30 June 2018, issued and fully paid share capital of the Company included (a) 6,803,772,313 (2017: 5,703,772,313) ordinary shares of HK$0.01 each; (b) 1,103,333,333 convertible non-voting preference shares ("CPS") (2017: 1,103,333,333) of HK$0.15 each; and (c) 204,100,000 (2017: 279,100,000) series B convertible non-voting preference shares ("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 share to 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 on 14 October 2016.

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 2018, the Group had 1,206 full time employees compared with that of 1,427 in the previous financial year. The staff costs, including directors' remuneration, were approximately HK$55,735,000 (2017: HK$67,919,000). 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 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 2018, the Group did not have any material contingent liabilities (2017: Nil).

CHARGE ON ASSETS

The Group has pledged bank deposits of approximately HK$434,000 (2017: HK$5,560,000) to secure banking facilities granted to the Group.

PROSPECT

For the Swimwear and garment segment, due to the keen competition in the market, even though we have put more effort to maintain good relationship with our existing customers, the number of orders of high-end swimwear from existing customers remained at similar level of correspondence period of last year. Furthermore, no orders of garment products were received in Ricotex from the affiliated companies of our previous non-controlling shareholder, Billions Field, during the Year due to its cessation as the shareholder of Ricotex. In view of the above, we are actively seeking new business opportunities with new customers and new products. Nevertheless we shall continue with our strategy of expanding customer base and product mix with the aim to improve performance of this segment in the coming year. 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 Trading and on-line shopping related segment, it mainly represented trading of second-hand mobile phones, cameras and electronic parts business which started in June 2017. The demand from customers was stable and we would put more resources to develop this segment in the coming year. Our Group continues to seek and explore other business opportunity for the Trading and on-line shopping related segment.

In order to diversify our business, the Group obtained a Money Lenders Licence in July 2017 and started a new business of money lending in August 2017.

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.

The Group 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 2018 (2017: Nil).

COMPETING INTERESTS

The Directors are not aware of, as at 30 June 2018, 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 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 of
Luxey International (Holdings) Limited
Lau Chi Yuen, Joseph
Chairman

Hong Kong, 20 September 2018

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.