O Luxe Holdings Limited
奧立仕控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 860)

(1) DELAY IN CLOSING OF SUBSCRIPTION, (2) AMENDMENTS TO TERMS OF THE DISCLOSEABLE TRANSACTION IN RELATION TO THE US$10 MILLION CONVERTIBLE NOTE AND US$50 MILLION SUBSCRIPTION OF DIVERGENT PREFERRED SHARES AND (3) ADDITIONAL INFORMATION IN RELATION TO THE SUBSCRIPTION, INVESTMENT RIGHT AND FINANCING ARRANGEMENTS

DELAY IN CLOSING OF SUBSCRIPTION

Reference is made to the announcement of O Luxe Holdings Limited (the "**Company**") dated 22 November 2017 regarding a discloseable transaction in relation to (1) acquisition of US$10 Million Convertible Note; (2) US$50 Million Subscription of Divergent Preferred Shares; and (3) US$40 Million Investment Right (the "**Subscription Announcement**"). Unless defined otherwise, capitalised terms used herein shall have the same meanings as those defined in the Subscription Announcement.

As disclosed in the Subscription Announcement, the Closing was anticipated to be on 15 December 2017. Divergent and the Purchaser have now mutually agreed to delay the Closing until on or before 28 December 2017, or such other date no later than 3 January 2018, in accordance with the Amended Convertible Note and Amended Subscription Agreement (each as defined below).

AMENDMENTS TO TERMS OF THE INVESTMENT

The Board is pleased to announce that Divergent and the Purchaser have mutually agreed to a set of amendments (the "**Amendments**") to amend the terms of the Convertible Note and the Subscription Agreement and have entered into the amended Convertible Note (the "**Amended Convertible Note**") and the amended Subscription Agreement (the "**Amended Subscription Agreement**") on 15 December 2017. The Amendments are as follows:

Amended Convertible Note

1. The principal amount of the Convertible Note is amended from US$10 million to US$25 million. Accordingly, on signing of the Amended Convertible Note, as US$10 million was already paid to Divergent on 13 November 2017, an aggregate consideration of US$15 million was paid by the Purchaser to Divergent.

2. The interest rate of the Convertible Note is amended from 1.38% per annum until and including 15 December 2017 and 5% per annum thereafter, to 1.38% per annum.

3. The maturity date is amended from 10 November 2018 to 15 December 2020.

4. The Amended Convertible Note may be prepaid at any time by Divergent without the consent of the Purchaser from and after 4 January 2018.

5. The defined term "Qualified Financing" is amended to mean "a transaction or series of transactions pursuant to which Divergent issues and sells shares of its preferred stock with the principal purpose of raising capital".

6. The conversion mechanism is amended to the following:

   (i) *Automatic Conversion:* subject to the conditions of the Amended Convertible Note, in the event of a Qualified Financing at any time before the Maturity Date, the outstanding principal amount and all accrued and unpaid interest of the Amended Convertible Note will automatically convert into fully paid preferred stock of Divergent issued in such Qualified Financing. The conversion price of an Automatic Conversion shall be subject to the terms of the Amended Convertible Note.

(ii) *Voluntary conversion:* the Purchaser is entitled to voluntary conversion rights into Divergent Common Shares on or before 3 January 2018.

Save as disclosed above, all other key terms of the Convertible Note remain unchanged and continue to be in full force and effect.

Amended Subscription Agreement

1. The number of shares to be acquired under the Subscription Agreement is amended from 3,447,705 Divergent Preferred Shares to 2,413,393 Divergent Preferred Shares.

2. The aggregate consideration of the Subscription payable upon Closing is amended from US$50 million to US$35 million (the price per Divergent Preferred Share remaining the same at US$14.5024 per share).

3. The closing date of the Subscription Agreement is amended to any time on or before 28 December 2017 or such other date no later than 3 January 2018.

4. A new clause is added to the Subscription Agreement that, if the aggregate consideration of the Subscription (being US$35 million) is not fully paid upon Closing, the Purchaser's right to the valuation adjustment to the Subscription (as detailed in the section headed "Valuation adjustment" in the Subscription Announcement) and the Investment Right will be terminated.

5. A new clause is added to the Subscription Agreement that, if the aggregate consideration of the Subscription (being US$35 million) is not fully paid upon Closing, the Purchaser shall, at the request of Divergent, execute and deliver such transaction documents entered into by any third party purchasers at any subsequent financing transactions of Divergent.

Save as disclosed above, all other key terms of the Subscription Agreement remain unchanged and continue to be in full force and effect.

Based on the assumption that Closing occurs on 28 December 2017, upon Closing, the Automatic Conversion of the Convertible Note will be triggered and the Amended Convertible Note will automatically convert into 1,725,403 Divergent Preferred Shares, and the Purchaser will hold a total of approximately 27% of the fully diluted share capital of Divergent.

The Board considers that the terms of the Amendments are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

ADDITIONAL INFORMATION IN RELATION TO THE SUBSCRIPTION

As stated in the Subscription Announcement, the preliminary valuation of Divergent as at 31 October 2017 was based on prices paid in actual sales or fundraising of comparable private 3D printing companies of a similar stage of development as Divergent to derive the fair value of Divergent using the guideline transactions method under the market approach. The Company engaged Consulting Group Limited (the "**Valuer**"), an independent professional valuer, to perform the preliminary valuation on Divergent. Based on the preliminary draft valuation report provided by Valuer, the fair value of 100% equity interest of Divergent was US$154,590,000 as at 31 October 2017 (the "**Valuation Date**"). The Valuer considered that the guideline transaction method under the market approach was the most appropriate method for valuing Divergent for reasons explained below.

The Board is satisfied that the valuation and the relevant underlying assumptions and methodology in relation to the Investment were and remain fair and that it took reasonable steps to achieve an appropriate valuation by engaging independent professional valuers and other advisors to carry out an investigation and due diligence in relation to the Investment.

The Company had several extensive discussions with the Valuer on the applicability of different valuation approaches and methodologies for valuing Divergent. The Valuer considered all commonly adopted valuation approaches in the market (namely, the asset approach, the market approach and the income approach) for the purpose of determining the preliminary valuation of the 100% equity interest in Divergent.

After assessing the appropriateness of possible methodologies for each valuation approach and circumstances and facts specific to Divergent, the Valuer considered that the guideline transaction method under the market approach was the most suitable valuation methodology for valuing Divergent. The market approach develops a value of the subject company based on the principle of substitution, which assumes that the price of two like and similar items should approximate one another. Four guideline transactions were identified which involved comparable private 3D printing company stock, from which a valuation of Divergent could be derived. The four comparable private 3D printing companies which were identified (being Markforged Inc, Formlabs Inc., Carbon, Inc., and Desktop Metal, Inc.) and were selected based on selection criteria which included (1) companies which are principally engaged in the 3D printing industry; (2) companies at the same stage of development as Divergent; and (3) companies which are of a similar size in terms of staff and/or revenue. Based on the median of the pre-money valuation of the above four comparable private 3D printing companies, the Valuer preliminarily concluded that the valuation of the 100% equity interest in Divergent was US$154,590,000 as at the Valuation Date.

The other methodologies and approaches which were considered but were not adopted, together with the reasons for not adopting those methodologies, are summarised below.

Asset approach

Under the asset approach, specific valuation methodologies include: (a) the book value method; (b) the adjusted book value method; and (c) the liquidation value method. The value of Divergent is principally driven by the ability of its management team to continuously develop and enhance its one-stop 3D printing software-hardware platform to serve new customers and achieve competitive advantage (i.e. minimum viable products in place and ready for go-to-market), and such intangible value is more important in terms of valuation than the book value of the underlying assets themselves. Accordingly, the Valuer was of the opinion that the valuation methodologies under the asset approach were not appropriate to be applied to Divergent's business and they therefore did not adopt this methodology for the valuation of Divergent.

Market approach

Under the market approach, the valuation methodologies which were considered but not adopted included: (a) the company transaction method; and (b) the guideline public company method. The Valuer rejected the company transaction method on the grounds that, as of the Valuation Date, the Company was at a more advanced stage of development as compared to the previous round of Series A financing in 2016 and there were no transactions in the stocks of Divergent between its Series A round fundraising in 2016 and the Valuation Date. In respect of the guideline public company method, as no comparable guideline public company (being a public company which is also engaged in 3D printing business and is at the same stage of development and has similar company size in terms of staff and/or revenue as Divergent) could be identified, the Valuer considered that the guideline public company method was not applicable in valuing Divergent.

Income approach

The discounted future cash flow method under the income approach requires an explicit forecast of the future benefit stream of the business over a reasonably foreseeable short term (e.g. five years) and an estimate of a long-term benefit stream of the business that is stable and sustainable (i.e. terminal growth beyond year five and terminal value). As Divergent is a start-up 3D printing company at the development and pre-profit stage, it would be impractical, if not impossible, to prepare a reliable forecast for any future period for the purposes of an income approach valuation. Hence, the Valuer did not adopt the income approach for the valuation of Divergent.

Board's consideration

The Board duly considered the basis of computation, scope of review, assumptions, limitations and qualifications, valuation methodologies on which the valuation was based. Having discussed with the Valuer the basis and rationale for different valuation methods and approaches and having considered the analysis of the Valuer on the applicability of each method and approach explained above, the Board concurred with the Valuer's analysis and adoption of the guideline transaction method under the market approach as the appropriate valuation methodology for Divergent and was and is satisfied that the underlying assumptions were and remain fair and reasonable.

Qualifications of the Valuer

The main responsible persons of the Valuer to conduct the preliminary valuation on Divergent are Mr. Samuel Y.C. Chan and Mr. Alex T.M. Cheng. Mr. Chan is the managing director of the Valuer, and has more than 10 years of experience in valuation of businesses, intangible assets, financial instruments and mineral assets, and has experience in the provision of valuation services to Hong Kong listed automobile companies, China automobile companies and other sino-foreign joint ventures of auto part companies in China and a European super car and electric super car company. He has also conducted valuations of 100% equity interest in GLM CO., Ltd for the Company (details of which are set out in the report attached to the circular of the Company dated 8 September 2017). He is an International Certified Valuation Specialist, a professional license in business valuation issued by the International Association of Consultants, Valuators and Analysts.

Mr. Alex Cheng is the associate director of the Valuer, and has more than 3 years of experience in valuation of businesses, intangible assets and financial instruments. He is a charter holder of Certified Financial Analyst, and is also a Financial Risk Manager certified by the Global Association of Risk Professionals.

Other advisors

Other than the Valuer, the Company has also engaged other advisors to advise on the Investment, including but not limited to Roland Berger (a global strategy consulting firm focusing on the auto-manufacturing sector, who advised on the technology validation and business model of Divergent), Pricewaterhouse Coopers (who provided financial due diligence) and Ipsos Limited (who provided relevant market research).

ADDITIONAL INFORMATION IN RELATION TO THE INVESTMENT RIGHT

As stated in the Subscription Announcement, pursuant to the Investors' Right Agreement, at any time prior to 31 December 2019, the Purchaser has the right (the "**Investment Right**") but not the obligation to purchase from Divergent 2,271,436 shares (subject to customary adjustments for stock splits, stock dividends, combinations, subdivisions, reverse stock splits, recapitalizations, and the like) of Series B-1 preferred stock of Divergent (the "**Investment Right Shares**"). If the Purchaser chooses to exercise this Investment Right, it can subscribe for the Investment Right Shares for a consideration of US$40 million. However, there is no separate or additional consideration for the acquisition of the Investment Right itself.

To estimate the fair value of the Investment Right, the Valuer considered the binomial option pricing model and the probability-weighted expected return method (also known as scenario method or decision-tree analysis). The Valuer considered that the probability-weighted expected return method is the most suitable valuation methodology for valuing the Investment Right on the basis that (1) there is information available regarding subsequent round valuation information for the four comparable private 3D printing companies adopted in the guideline transaction company method (i.e. Markforged Inc, Formlabs Inc., Carbon, Inc. and Desktop Metal, Inc.) to derive the expected valuation of Divergent and therefore the expected return of the Investment Right Shares; and (2) the scenario probability (i.e. initial public offering or trade sales vs written off or uncertain outcome). Applying the probability-weighted expected return method, the fair value of the Investment Right as at 31 October 2017 was preliminarily estimated on a preliminary basis as US$16,510,000.

In respect of the binomial option pricing model, since (1) the distribution of return of private equity investments such as the investment into Divergent is often leptokurtic (i.e. they often have fat tails) or skewed; and (2) the basic assumption for applying the binomial option pricing model is a normal distribution of return, the Valuer considered the binomial option pricing model was not appropriate to the present circumstances.

ADDITIONAL INFORMATION IN RELATION TO FINANCING ARRANGEMENTS

The consideration paid by the Purchaser on signing of the Amended Convertible Note on 15 December 2017 was US$15 million (equivalent to approximately HK$117 million) and was financed through internal resources of the Group. On Closing of the Amended Subscription Agreement, the consideration payable by the Purchaser will be US$35 million (equivalent to approximately HK$273 million), and such consideration will be financed by the Group through a combination of internal resources and equity financing.

The Group has different avenues of funding available. One of the sources of internal funding is in relation to the announcement of the Company dated 29 June 2017 (the "**Disposal Announcement**"), the circular of the Company dated 21 August 2017 (the "**Disposal Circular**") and the announcement of the Company dated 29 September 2017 in relation to, among others, the disposal of 60% equity interest in Power Boom International Limited (the "**Disposal**"). As disclosed in the Disposal Announcement and Disposal Circular, upon completion of the Disposal, the Company will receive the consideration of HK$610 million (the "**Disposal Consideration**") in cash.

The Company will continue to monitor closely the status of the Disposal and expected timing on receipt of the Disposal Consideration, and is considering alternative sources of funding, including but not limited to debt financing or equity financing, if and as necessary to finance the Group's investment in Divergent. The Company will make further announcement(s) in relation to the financing arrangements as and when appropriate.

With respect to the aggregate consideration of US$40 million (equivalent to approximately HK$312 million) in the event that the Investment Right is exercised, the Investment Right is exercisable at the Company's sole discretion any time prior to 31 December 2019, and the Company expects that the total consideration for the exercise of the Investment Right will be financed by a combination of the Group's internal resources and borrowings. The Company will continue to monitor its resources and make the necessary arrangements in due course in the event it wishes to exercise the Investment Right.

By order of the Board
O Luxe Holdings Limited
Ho King Fung, Eric
Chairman

Hong Kong, 15 December 2017

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Ho King Fung, Eric (Chairman), Mr. Ho Chi Kit and Mr. Hiroyasu Koma; one non-executive Director, namely Mr. Zhang Jinbing (Co-Chairman); and three independent non-executive Directors, namely Mr. Tam Ping Kuen, Daniel, Mr. Teoh Chun Ming and Mr. Heung Chee Hang, Eric.