THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in O Luxe Holdings Limited, you should at once hand this circular to the purchaser or the transferee, or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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) MAJOR ACQUISITION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL AND OUTSTANDING SHARE OPTIONS IN GLM CO., LTD. INVOLVING THE ISSUE OF CONSIDERATION SHARES; (2) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE; AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to O Luxe Holdings Limited

Optima Capital Limited

Capitalised terms used on this cover shall have the same meanings as those defined in this circular, unless the context requires otherwise.

The letter from the Board containing details of the Acquisition and the Subscription is set out on pages 7 to 48 of this circular. The notice convening the EGM to be held at 9:00 a.m. on Thursday, 28 September 2017 at Bamboos Education-School for Talents at 4/F, Star House, 3 Salisbury Road, Tsim Sha Tsui, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular. A proxy form for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

8 September 2017

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the proposed acquisition of the entire issued share capital and outstanding share options in the Target pursuant to the respective terms of the Acquisition Agreements and the Target Share Consolidation
"Acquisition Agreements"	the Management Sellers SPA and the Investor Sellers SPA collectively
"Acquisition Completion"	completion of the acquisition of the Management Sale Interests and the Investor Sale Interests in accordance with the respective terms and conditions of the Acquisition Agreements
"Acquisition Condition(s)"	the condition(s) precedent to the Acquisition Completion
"Announcement"	the announcement of the Company dated 7 July 2017 in relation to, among other things, the Acquisition, the Subscription and the Proposed Share Disposal
"Articles"	the articles of incorporation *(teikan)* of the Target
"associate"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day(s) (other than a Saturday, Sunday and public holiday) on which both banks in Hong Kong and Japan are open for the transaction of normal business
"Company"	O Luxe Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 860)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration Share(s)"	the new Share(s) to be allotted and issued by the Company to the Management Sellers and Investor Sellers in satisfaction of part of the Total Consideration
"Consulting Group"	Consulting Group Limited, an independent professional valuer
"Director(s)"	the director(s) of the Company

"Disposal"	the proposed disposal of a 60% equity interest in Power Boom International Limited by the Company pursuant to the terms and conditions of a sale and purchase agreement dated 29 June 2017 entered into between the Company and Clever Trade Investment Limited (details of which are set out in the announcement of the Company dated 29 June 2017 and the circular of the Company dated 21 August 2017)
"EGM"	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving (i) the Acquisition Agreements and the transactions contemplated thereunder, including the grant of the Specific Mandate to the Directors for the allotment and issue of the Consideration Shares; (ii) the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares; and (iii) the Target Share Consolidation
"Enlarged Group"	the Group and the Target upon the Acquisition Completion
"EV(s)"	electric vehicle(s)
"Group"	the Company and its subsidiaries (from time to time)
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	any person(s) or company(ies) who are third party(ies) independent of and not connected with the Company and its connected persons
"Investor Sale Interests"	the Investor Sale Shares and the Investor Sale Options
"Investor Sale Options"	an aggregate of 1,490 outstanding Target Options held by the Investor Sellers, representing 24.9% of the total outstanding Target Options as at the date of the Acquisition Agreements
"Investor Sale Shares"	an aggregate of 20,186 Target Shares held by the Investor Sellers, representing 56.1% of the total issued Target Shares as at the date of the Acquisition Agreements
"Investor Sellers"	each of the sellers of the respective Investor Sale Interests pursuant to the Investor Sellers SPA

"Investor Sellers SPA"	the conditional sale and purchase agreement dated 7 July 2017 (as amended and supplemented by an amendment agreement dated 31 August 2017) entered into among the Company, the Sellers' Representative, the Target and the Investor Sellers in relation to the sale and purchase of the Investor Sale Interests
"Ipsos"	Ipsos Limited, an independent market research company
"Issue Price"	the issue price of JPY11.7085 (equivalent to approximately HK$0.82) per Consideration Share
"Last Trading Day"	6 July 2017, being the last trading day of the Shares prior to the entering into of the Acquisition Agreements and the Subscription Agreement
"Latest Practicable Date"	5 September 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 October 2017, or such later date as the parties to the Management Sellers SPA may agree in writing
"Management Sale Interests"	the Management Sale Shares and the Management Sale Options
"Management Sale Options"	an aggregate of 4,500 outstanding Target Options held by the Management Sellers, representing 75.1% of the total outstanding Target Options as at the date of the Acquisition Agreements
"Management Sale Shares"	an aggregate of 10,585 Target Shares held by the Management Sellers, representing 29.4% of the total issued Target Shares as at the date of the Acquisition Agreements
"Management Seller(s)"	each of the sellers of the respective Management Sale Interests pursuant to the Management Sellers SPA
"Management Sellers SPA"	the conditional sale and purchase agreement dated 7 July 2017 (as amended and supplemented by an amendment agreement dated 31 August 2017) entered into among the Company, the Sellers' Representative, the Target and the Management Sellers in relation to the sale and purchase of the Management Sale Interests

"Mr. Ho"	Mr. Ho King Fung, Eric, the co-chairman of the Company and an executive Director
"Mr. Zhang"	Mr. Zhang Jinbing, the chairman of the Company and an executive Director
"OEM"	original equipment manufacturer
"PRC"	the People's Republic of China, excluding, for the purpose of this circular, Hong Kong, the Macao Special Administrative Region and Taiwan
"Prestige Rich"	Prestige Rich Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Zhang
"Proposed Share Disposal"	the proposed sale of 400,000,000 Shares by Prestige Rich to Ruby Charm Investment Limited as described in the letter from the Board in this circular
"Sellers' Representative"	Mr. Hiroyasu Koma, the representative of each of the Management Sellers and Investor Sellers pursuant to the Acquisition Agreements
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.1 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Specific Mandate"	a specific mandate to allot and issue the Consideration Shares and the Subscription Shares to be sought from the Shareholders at the EGM
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber A"	Ocean Dynasty Investments Limited, being one of the Subscribers pursuant to the Subscription Agreement
"Subscriber B"	Vivaldi International Limited, being one of the Subscribers pursuant to the Subscription Agreement
"Subscriber C"	T.C.L. Industries Holdings (H.K.) Limited, being one of the Subscribers pursuant to the Subscription Agreement
"Subscribers"	Subscriber A, Subscriber B and Subscriber C collectively

"Subscription"	the subscription of the Subscription Shares by the Subscribers pursuant to the Subscription Agreement
"Subscription Agreement"	the conditional agreement dated 7 July 2017 entered into among the Company and the Subscribers in relation to the Subscription
"Subscription Completion"	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
"Subscription Conditions"	conditions precedent to the Subscription Completion
"Subscription Price"	the subscription price of HK$0.82 per Subscription Share
"Subscription Share(s)"	the new Share(s) to be allotted and issued by the Company to the Subscribers pursuant to the Subscription Agreement
"Target"	GLM Co., Ltd., a joint-stock company incorporated in Japan
"Target Option(s)"	issued and outstanding stock option(s) of the Target each entitling the holder(s) thereof to subscribe for an ordinary share of the Target at an exercise price of JPY100,000 per Target Option
"Target Sale Interests"	the Management Sale Interests and the Investor Sale Interests
"Target Share(s)"	issued share(s) in the share capital of the Target
"Target Share Consolidation"	has the meaning ascribed to it under the section headed "Acquisition of remaining Target Shares" in the letter from the Board in this circular
"Target Shareholder(s)"	holder(s) of the Target Share(s)
"Total Consideration"	JPY12,807,658,245 (equivalent to approximately HK$896,976,000), being the aggregation consideration for the Target Sale Interests pursuant to the Acquisition Agreements
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"JPY"	Japanese Yen, the lawful currency of Japan
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollar, the lawful currency of the United States of America
"%"	per cent.

In this circular, amounts in JPY and US$ are translated into HK$ on the basis of HK$1 = JPY14.2787 and US$1 = HK$7.8. The conversion rates are for illustration purpose only and should not be taken as a representation that JPY and US$ could actually be converted into HK$ at such rates or at other rates or at all.

Due to rounding, numbers presented throughout this circular may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures. In addition, the total number of Consideration Shares calculated by dividing the relevant portion of the Total Consideration and the Issue Price in JPY does not equal to the number calculated using the HK$ equivalents due to rounding.

O Luxe Holdings Limited
奧立仕控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 860)

Executive Directors:
Mr. Zhang Jinbing *(Chairman)*
Mr. Ho King Fung, Eric *(Co-Chairman)*
Mr. Wong Chi Ming, Jeffry
(Chief Executive Officer)
Mr. Yu Fei, Philip

Non-executive Director:
Mr. Xiao Gang

Independent non-executive Directors:
Mr. Tam Ping Kuen, Daniel
Dr. Li Yifei
Dr. Zhu Zhengfu

Registered office:
Cricket Square,
Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Head office and principal place of business:
Room 302, 3rd Floor
Lippo Sun Plaza
28 Canton Road, Tsim Sha Tsui
Kowloon
Hong Kong

8 September 2017

To the Shareholders

Dear Sir/Madam,

(1) MAJOR ACQUISITION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL AND OUTSTANDING SHARE OPTIONS IN GLM CO., LTD. INVOLVING THE ISSUE OF CONSIDERATION SHARES; AND (2) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

A. INTRODUCTION

Reference is made to (i) the announcement of the Company dated 5 April 2017 in relation to the entering into of the memorandum of understanding between the Company and the Target in respect of the possible acquisition by the Company of all the Target Shares and outstanding Target Options; and (ii) the announcements of the Company dated 7 July 2017 and 31 August 2017 in relation to the Acquisition, the Subscription and the Proposed Share Disposal.

After trading hours of the Stock Exchange on 7 July 2017, (i) the Company entered into the Management Sellers SPA with the Management Sellers, pursuant to which the Company has conditionally agreed to acquire and the Management Sellers have conditionally agreed to sell the Management Sale Interests (comprising 29.4% of the Target Shares in issue and 75.1% of the outstanding Target Options); and (ii) the Company entered into the Investor Sellers SPA with the Investor Sellers, pursuant to which the Company has conditionally agreed to acquire and the Investor Sellers have conditionally agreed to sell the Investor Sale Interests (comprising 56.1% of the Target Shares in issue and 24.9% of the outstanding Target Options), at the Total Consideration of JPY12,807,658,245 (equivalent to approximately HK$896,976,000). The Total Consideration shall be settled as to JPY7,855,450,135 (equivalent to approximately HK$550,152,000) by the allotment and issue of 670,918,575 Consideration Shares at the Issue Price of JPY11.7085 (equivalent to approximately HK$0.82) per Consideration Share and as to JPY4,952,208,110 (equivalent to approximately HK$346,825,000) in cash. Upon Acquisition Completion, the Company will hold approximately 85.5% of the issued share capital of the Target.

As the Company will hold two-thirds or more of the voting rights in the Target upon Acquisition Completion, the Company intends to implement the Target Share Consolidation involving, among other things, (i) consolidation of all of the existing Target Shares in issue, as a result of which the minority Target Shareholders will hold fractional shares in the Target; and (ii) subsequently acquiring such fractional shares in cash in compliance with applicable rules and laws in Japan. Following completion of the Target Share Consolidation, the Target shall become a wholly-owned subsidiary of the Company.

After trading hours of the Stock Exchange on 7 July 2017, the Company also entered into the Subscription Agreement with the Subscribers, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 570,731,706 Subscription Shares at the Subscription Price of HK$0.82 per Subscription Share. The net proceeds from the Subscription will be US$60,000,000 (equivalent to approximately HK$468,000,000). Completion of the Subscription and the Acquisition are inter-conditional.

The Company was also informed by Mr. Zhang that Prestige Rich (as seller) entered into a sale and purchase agreement with Ruby Charm Investment Limited (as purchaser), pursuant to which Prestige Rich has conditionally agreed to dispose of a total of 400,000,000 Shares, representing approximately 9.0% of the existing issued share capital of the Company, at HK$0.82 per Share to Ruby Charm Investment Limited. Ruby Charm Investment Limited is an investment holding company and its ultimate beneficial owner is an associate of Mr. Ho. Completion of the Proposed Share Disposal is conditional on the Acquisition Completion and the Subscription Completion. For the avoidance of doubt, completion of the Acquisition and the Subscription is not conditional upon or dependent on the completion of the Proposed Share Disposal.

The Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to, among other things, the Shareholders' approval requirements at the EGM by way of poll. The Consideration Shares and the Subscription Shares will be issued under the Specific Mandate to be sought from the Shareholders at the EGM.

The purpose of this circular is to provide you with, among other things, (i) details of the Acquisition Agreements and the Subscription Agreement; (ii) details of the Target Share Consolidation; (iii) financial information of the Group and the Target; (iv) valuation report of the Target; (v) other information as required under the Listing Rules; and (vi) a notice of the EGM.

B. THE ACQUISITION

Details of the Acquisition are set out below.

1. The Acquisition Agreements

Date

7 July 2017

Parties

(i) The Company, being the purchaser;

(ii) in respect of the Management Sellers SPA, the Management Sellers, the Sellers' Representative and the Target; and

(iii) in respect of the Investor Sellers SPA, the Investor Sellers, the Sellers' Representative and the Target.

Subject matter

Pursuant to the Management Sellers SPA, the Company has conditionally agreed to acquire and the Management Sellers have conditionally agreed to sell their respective Management Sale Interests, free from any encumbrances. Pursuant to the Investor Sellers SPA, the Company has conditionally agreed to acquire and the Investor Sellers have conditionally agreed to sell their respective Investor Sale Interests, free from any encumbrances.

Details of the Management Sale Interests and Investor Sale Interests are as follows:

	Target Shares	% to total issued Target Shares	Target Options	% to total outstanding Target Options	Target Shares (assuming all Target Options are exercised)	% to total issued Target Shares (assuming all Target Options are exercised)
Management Sellers	10,585	29.4	4,500	75.1	15,085	35.9
Investor Sellers	20,186	56.1	1,490	24.9	21,676	51.6
Total	30,771	85.5	5,990	100.0	36,761	87.6

Total Consideration

The Total Consideration for the Target Sale Interests is JPY12,807,658,245 (equivalent to approximately HK$896,976,000), which comprises:

(i) JPY5,051,472,515 (equivalent to approximately HK$353,777,000), being approximately 39.4% of the Total Consideration, for the Management Sale Interests to be satisfied by the Company to the Management Sellers in the following manner:

   (a) as to JPY1,753,679,850 (equivalent to approximately HK$122,818,000) shall be paid in cash by the Company at Acquisition Completion;

   (b) as to JPY2,702,217,665 (equivalent to approximately HK$189,248,000) shall be satisfied by way of allotment and issue of 230,791,106 Consideration Shares to the Management Sellers at the Issue Price of JPY11.7085 (equivalent to approximately HK$0.82) per Consideration Share at Acquisition Completion; and

   (c) as to the balance of JPY595,575,000 (equivalent to approximately HK$41,711,000) shall be paid in cash by the Company. Such amount shall be paid to and held by an escrow agent upon Acquisition Completion and shall only be released to the Management Sellers one year after Acquisition Completion on the condition that each Management Seller has continued to act as a director of the Target or is employed by the Target and has complied with the terms of the Management Sellers SPA as at such date of release; and

(ii) JPY7,756,185,731 (equivalent to approximately HK$543,200,000), being approximately 60.6% of the Total Consideration, for the Investor Sale Interests to be satisfied by the Company to the Investor Sellers in the following manner:

   (a) as to JPY2,602,953,260 (equivalent to approximately HK$182,296,000) shall be paid in cash by the Company at Acquisition Completion; and

   (b) as to JPY5,153,232,471 (equivalent to approximately HK$360,903,000) shall be satisfied by way of allotment and issue of 440,127,469 Consideration Shares to the Investor Sellers at the Issue Price of JPY11.7085 (equivalent to approximately HK$0.82) per Consideration Share at Acquisition Completion.

Consideration Shares

The aggregate 670,918,575 Consideration Shares to be issued pursuant to the Acquisition Agreements, when allotted and issued, will represent (i) approximately 15.2% of the existing issued share capital of the Company; (ii) approximately 13.2% of the issued share capital as enlarged by the allotment and issue of the Consideration Shares; and (iii) approximately 11.8% of the issued share capital as enlarged by the allotment and issue of the Consideration Shares and the Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares and the Subscription Shares since the Latest Practicable Date up to Acquisition Completion).

The Consideration Shares will be allotted and issued by the Company under the Specific Mandate to be sought at the EGM. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares then in issue, including as to the right to receive all future dividends and distributions which may be declared, made or paid by the Company on or after the date of allotment and issue of the Consideration Shares.

Issue Price

The Issue Price of JPY11.7085 (equivalent to approximately HK$0.82) per Consideration Share represents:

(i) a discount of approximately 19.6% to the closing price of HK$1.02 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 12.8% to the average of the closing prices per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day of approximately HK$0.94 per Share;

(iii) a discount of approximately 2.4% to the average of the closing prices per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day of approximately HK$0.84 per Share;

(iv) a discount of approximately 47.1% to the closing price of HK$1.55 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(v) a premium of approximately 39.0% over the unaudited consolidated equity attributable to the Shareholders of approximately HK$0.59 per Share as at 31 March 2017 (based on the unaudited consolidated equity attributable to the Shareholders of approximately HK$1,452,950,000 as at 31 March 2017 as disclosed in the interim report of the Company for the six months ended 31 March 2017 and 2,451,771,105 Shares in issue as at that date).

The Issue Price was determined after arm's length negotiations among the parties to the Acquisition Agreements with reference to the average closing price of the Shares for the one-month period prior to the date of the Acquisition Agreements. The parties to the Acquisition Agreements considered that by referencing to the average closing Share price for the one-month period before the date of the Acquisition Agreements, the Issue Price would be set at a level based on prevailing market price and at the same time avoiding the effect of short-term market volatility. Based on the above and taking into account the premium of the Issue Price over the net asset value per Share, the Directors considered the Issue Price to be fair and reasonable.

Acquisition Conditions

Completion of the Management Sellers SPA and the Investor Sellers SPA are inter-conditional and is conditional upon the fulfillment (or waiver, as the case may be) of the following Acquisition Conditions:

(i) all corporate approvals of the Company, including approval of the Shareholders at the EGM approving the Acquisition and the issuance of the Consideration Shares, necessary for the Acquisition Completion having been obtained;

(ii) all corporate approvals of each institutional Investor Sellers necessary for the Acquisition Completion having been obtained;

(iii) the board of directors of the Target having passed a resolution approving the transfer of the Target Sale Interests;

(iv) the Target Shareholders having passed a resolution approving an amendment to the Articles to delete Article 20 thereof (which requires the distribution of the Total Consideration in priority to certain classes of Target Shareholders);

(v) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares (and such listing and permission not being subsequently revoked);

(vi) any and all requirements under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) arising out of the offering of the Consideration Shares to the Management Sellers and Investor Sellers having been met;

(vii) the conditions to the Subscription Completion (other than the Acquisition Completion) having been satisfied or waived in accordance with the terms of the Subscription Agreement;

(viii) no Management Seller having terminated any employment contract or directorship between himself and the Target;

(ix) the warranties of the Management Sellers and Investor Sellers given under the Acquisition Agreements remaining true and accurate in all material respects and not misleading in any material respect as at Acquisition Completion;

(x) the warranties of the Company given under the Acquisition Agreements remaining true and accurate in all material respects and not misleading in any material respect as at Acquisition Completion;

(xi) all consents, approvals, permits, authorisations or clearances (as the case may be) that the Company reasonably considers necessary pursuant to applicable laws, regulations or rules (including but not limited to the Listing Rules) for its execution, implementation and completion of the Management Sellers SPA having been obtained, and all such consents, approvals, permits, authorisations and clearances not having been revoked or withdrawn at any time before Acquisition Completion;

(xii) all consents, approvals, permits, authorisations or clearances (as the case may be) that the Management Sellers reasonably considers necessary pursuant to applicable laws, regulations or rules for its execution, implementation and completion of the Management Sellers SPA having been obtained, and all such consents, approvals, permits, authorisations and clearances not having been revoked or withdrawn at any time before Acquisition Completion;

(xiii) the Target Shareholders holding two-thirds or more of the total voting rights of the Target and Target Shareholders holding two-thirds or more of the voting rights of each class of shares in the Target having either (a) entered into the Acquisition Agreements; or (b) executed a letter waiving certain rights held by such Target Shareholder and agreeing to vote in favour of and provide other assistance required for any action that results in the Company holding 100% of the voting rights of the Target; and

(xiv) the Company not having received any notification from the Stock Exchange that (a) the Company will be treated as a new listing applicant as a result of the execution or performance of the Acquisition Agreements and the transactions contemplated thereunder; or (b) the transactions under the Acquisition Agreements constitute a reverse takeover (as defined in the Listing Rules).

At any time on or before the Long Stop Date, the Company may waive the Acquisition Conditions set out in (iii), (iv), (viii), (ix) and (xiii) above (or any part thereof); and the Management Sellers may waive the Acquisition Conditions set out in (x) above.

As at the Latest Practicable Date, the Acquisition Condition (iii) above has been fulfilled.

If any of the above Acquisition Conditions has not been fulfilled or waived (as the case may be) by the Long Stop Date, the Acquisition Agreements shall terminate with immediate effect and no party to the Acquisition Agreements shall have any further obligations and liabilities towards each other save for any accrued rights and obligations as at the date of termination.

Acquisition Completion

Acquisition Completion shall take place on 29 September 2017 simultaneously with the Subscription Completion or such later date as may be agreed by the parties to the Management Sellers SPA in writing.

Non-compete and lock-up undertakings by the Management Sellers

Pursuant to the Management Sellers SPA, for a period of one (1) year commencing on Acquisition Completion:

(i) the Management Sellers shall not either alone or jointly with, through or as adviser to, or agent of, or manager for, any person directly or indirectly carry on or be engaged, concerned or interested in or assist a business which competes, directly or indirectly, with a business of the Target as carried on at the date of the Management Sellers SPA or at any time during the six (6) months prior to that date in a territory in which that business is or was carried on at any such date or time; and

(ii) the Management Sellers, unless with prior written consent of the Company, shall not offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Consideration Shares or any interests therein beneficially owned or held by it or any securities convertible into or exercisable or exchangeable for or substantially similar to any such shares or interests; or enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of the Consideration Shares, whether any such transaction described herein is to be settled by delivery of Shares or other securities, in cash or otherwise, or announce any intention to enter into or effect any of the above transactions.

Lock-up undertakings by the Investor Sellers

Pursuant to the Investor Sellers SPA, for a period of one (1) month commencing on Acquisition Completion, the Investor Sellers shall not offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Consideration Shares or any interests therein beneficially owned or held by it or any securities convertible into or exercisable or exchangeable for or substantially similar to any such shares or interests; or enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of the Consideration Shares, unless with the prior written consent of the Company.

2. Acquisition of remaining Target Shares

Pursuant to the Companies Act *(kaisha hou)* of Japan (Act No. 86 of 2005, as amended), an offeror who has acquired two-thirds or more of the voting rights in a joint-stock company *(kabushiki kaisha)* may, by the approval of the general meeting of shareholders and class meetings *(shurui kabunushi sokai)* of shareholders who hold the class(es) of shares which are subject to the share consolidation procedures described below, compulsorily cash out the interests of all the remaining shareholders by causing the subject company to consolidate a certain number of existing shares into a smaller number of shares, such that the shares held by such remaining shareholders will become a fraction (i.e. less than one share) which will then be acquired by the offeror or the subject company as its treasury shares in exchange for cash and consequently, the offeror will hold 100% of the voting rights in the subject company.

There are no prescribed rules for determining the price to be paid to minority shareholders in the event of a consolidation of shares in exchange for the fractional shares; however, a minority shareholder may (i) object to the price and petition to a court in Japan to determine the price or (ii) request a court in Japan to issue an injunction order to prevent the consolidation of shares when such consolidation of shares is in breach of law or the subject company's articles of incorporation and is likely to adversely affect the shareholders' interests.

As the Company will hold two-thirds or more of the voting rights in the Target upon Acquisition Completion, the Company intends to implement the Target Share Consolidation by (i) consolidating all of the existing Target Shares in issue, as a result of which the minority Target Shareholders will hold fractional shares in the Target; and (ii) subsequently acquiring such fractional shares in cash in compliance with applicable rules and laws in Japan. The consideration for the fractional Target Shares shall be payable by the Company at JPY364,700 (equivalent to approximately HK$26,000) per existing Target Share which is the same as the consideration for the Target Shares acquired under the Acquisition Agreements. Assuming that fractional Target Shares corresponding to 5,209 existing Target Shares will be cashed out pursuant to the Target Share Consolidation, the total consideration payable for the Target Share Consolidation is JPY1,899,722,300 (equivalent to approximately HK$133,046,000). Following completion of the Target Share Consolidation, the Target shall become a wholly-owned subsidiary of the Company.

There is no statutory requirement on the Company to implement the Target Share Consolidation. Further, there are no statutory requirements in respect of the timing of the implementation of the Target Share Consolidation. It is the intention of the Company to commence the procedures required for the Target Share Consolidation as soon as possible after Acquisition Completion.

The process, conditions and expected timeline for the completion of the Target Share Consolidation are outlined as follows:

(i) Following the Acquisition Completion, the Company intends to cause the Target to hold a general meeting of the Target Shareholders, as well as meetings for Target Shareholders of each class to approve an amendment to the Articles in order to convert all outstanding class shares into common shares of the Target. It is intended that the class shares will be converted into common shares on a 1:1 ratio. The notice periods required for holding general meetings and class meetings of the Target are 20 days. As disclosed in the paragraph headed "1. the Acquisition Agreements" above, it is a condition to Acquisition Completion that Target Shareholders holding two-thirds or more of the voting rights of each class of shares in the Target shall have either entered into the Acquisition Agreements or executed a letter agreeing to vote in favour of any resolutions required for the Company to hold 100% of the voting rights in the Target, therefore it is not anticipated that there will be any opposition to the resolutions proposed above. The conversion of all outstanding minority shares in the Target to common shares will be effected on the date of the resolutions being passed.

(ii) Immediately following the conversion of all outstanding minority shares in the Target to common shares, the Company intends to cause the Target to hold a subsequent general meeting of the Target Shareholders to approve the consolidation of all common shares in the Target at a rate which will cause all Target Shareholders other than the Company to hold fractional shares. The conversion rate to be used for the Target Share Consolidation (as a result of which the Target Shareholders other than the Company will hold only fractional shares) has not been determined as at the Latest Practicable Date. A two-thirds majority of the Target Shareholders is required to pass a resolution to consolidate shares. The Company, then holding approximately 85.5% of the voting rights in the Target, intends to vote in favour of the resolution at such general meeting.

(iii) Following the consolidation of the Target Shares, the Target will then seek court approval that the Company acquires the fractional shares held by the minority Target Shareholders for cash consideration equivalent to the consideration paid for the Target Shares acquired under the Acquisition Agreements. Once court approval has been obtained for the acquisition of the fractional shares, the Company will then be registered as the shareholder of such fractional shares and the implementation of the Target Share Consolidation will be completed, as a result of which the Company will hold 100% of the voting rights in the Target and become the sole shareholder of the Target.

At this stage, it is anticipated that the meetings of the Target Shareholders to approve the amendment to the Articles and the subsequent share consolidation will take place approximately one month after the Acquisition Completion and the effective date of the Target Share Consolidation is intended to be shortly after the date of the general meeting of the Target Shareholders to approve the Target Share Consolidation. Further, whilst there is no prescribed statutory period for the court to approve the acquisition of the fractional shares from the minority Target Shareholders by the Company, it is expected that such approval will be obtained within three months from the effective date of the Target Share Consolidation, based on the timeline of similar cases of share consolidation. Assuming that the Target Share Consolidation is completed according to the expected timeline above, the Company will hold 100% of the voting rights in the Target and become the sole shareholder of the Target approximately four months after the Acquisition Completion.

3. Information on the Management Sellers and the Investor Sellers

The Management Sellers are Mr. Hiroyasu Koma, Mr. Tomohisa Tanaka and Mr. Sota Nagano, who are the chief executive officer, chief operating officer and chief financial officer of the Target respectively. Please refer to the paragraph headed "Management team of the Target" below for further details on the Management Sellers. Details of the Management Sale Interests held by the respective Management Sellers are set out below:

	Target Shares	% to total issued Target Shares	Target Options	% to total outstanding Target Options	Target Shares (assuming all Target Options are exercised)	% to total issued Target Shares (assuming all Target Options are exercised)
Mr. Hiroyasu Koma	10,575	29.4	1,500	25.0	12,075	28.8
Mr. Tomohisa Tanaka	2	—	1,500	25.0	1,502	3.6
Mr. Sota Nagano	8	—	1,500	25.0	1,508	3.6
Total	10,585	29.4	4,500	75.1	15,085	35.9

The Investor Sellers comprise three directors and eight employees of the Target, five individual investors and 25 corporate investors. Details of the Investor Sale Interests held by the respective Investor Sellers and the principal activities of the corporate investors are set out below:

Investor Sellers	Principal activities (for corporate investors only)	Target Shares	% to total issued Target Shares	Target Options	% to total outstanding Target Options	Target Shares (assuming all Target Options are exercised)	% to total issued Target Shares (assuming all Target Options are exercised)
Corporate investors							
Investor Seller A	Japanese venture capital fund	3,334	9.3	—	—	3,334	7.9
Investor Seller B	Japanese venture capital fund	1,584	4.4	—	—	1,584	3.8
Investor Seller C	Japanese venture capital fund	1,161	3.2	—	—	1,161	2.8
Investor Seller D	Japanese venture capital fund	834	2.3	—	—	834	2.0
Investor Seller E	Japanese venture capital fund	708	2.0	—	—	708	1.7
Investor Seller F	Japanese venture capital fund	125	0.3	—	—	125	0.3
Investor Seller G	Asset management company	500	1.4	—	—	500	1.2
Investor Seller H	Asset management company	400	1.1	—	—	400	1.0
Investor Seller I	Asset management company	400	1.1	—	—	400	1.0
Investor Seller J	Asset management company	400	1.1	—	—	400	1.0
Investor Seller K	Investment holding	839	2.3	—	—	839	2.0
Investor Seller L	Investment holding	316	0.9	—	—	316	0.8
Investor Seller M	Japanese property management company	450	1.3	—	—	450	1.1

Investor Sellers	Principal activities (for corporate investors only)	Target Shares	% to total issued Target Shares	Target Options	% to total outstanding Target Options	Target Shares (assuming all Target Options are exercised)	% to total issued Target Shares (assuming all Target Options are exercised)
Corporate investors							
Investor Seller N	Japanese insurance agency	800	2.2	—	—	800	1.9
Investor Seller O	Saudi Arabian investment firm	2,057	5.7	—	—	2,057	4.9
Investor Seller P	Manufacturer of electronic components and circuit products used in advanced fields in Japan	250	0.7	—	—	250	0.6
Investor Seller Q	Japanese wholesale and distribution company of electrical apparatus and equipment wiring supplies	84	0.2	—	—	84	0.2
Investor Seller R	Manufacturer of work tools for automobile maintenance, other general tools, and related apparatus in Japan	83	0.2	—	—	83	0.2
Investor Seller S	Manufacturer of servos, motion controllers, AC motor drives, switches and industrial robots in Japan	250	0.7	—	—	250	0.6
Investor Seller T	Japanese car dealer	400	1.1	—	—	400	1.0
Investor Seller U	Manufacturer of office automation related products	278	0.8	—	—	278	0.7
Investor Seller V	Japanese company which imports/installs construction materials and designs/develops house equipment	400	1.1	—	—	400	1.0

Investor Sellers	Principal activities (for corporate investors only)	Target Shares	% to total issued Target Shares	Target Options	% to total outstanding Target Options	Target Shares (assuming all Target Options are exercised)	% to total issued Target Shares (assuming all Target Options are exercised)
Corporate investors							
Investor Seller W	Japanese cosmetics original design manufacturer	400	1.1	—	—	400	1.0
Investor Seller X	Sale and distribution of men and women's wear	400	1.1	—	—	400	1.0
Investor Seller Y	Manufacturer of apparel and accessory	400	1.1	—	—	400	1.0
Sub-total		16,853	46.8	—	—	16,853	40.2
Directors of the Target							
Investor Seller Z	N/A	1,250	3.5	—	—	1,250	3.0
Investor Seller AA	N/A	500	1.4	—	—	500	1.2
Investor Seller AB	N/A	25	0.1	—	—	25	0.1
Sub-total		1,775	4.9	—	—	1,775	4.2
Employees of the Target							
Investor Seller AC	N/A	200	0.6	1,000	16.7	1,200	2.9
Investor Seller AD	N/A	50	0.1	40	0.7	90	0.2
Investor Seller AE	N/A	—	—	100	1.7	100	0.2
Investor Seller AF	N/A	—	—	100	1.7	100	0.2
Investor Seller AG	N/A	—	—	100	1.7	100	0.2
Investor Seller AH	N/A	—	—	40	0.7	40	0.1
Investor Seller AI	N/A	—	—	100	1.7	100	0.2
Investor Seller AJ	N/A	—	—	10	0.2	10	0.0
Sub-total		250	0.7	1,490	24.9	1,740	4.1

Investor Sellers	Principal activities (for corporate investors only)	Target Shares	% to total issued Target Shares	Target Options	% to total outstanding Target Options	Target Shares (assuming all Target Options are exercised)	% to total issued Target Shares (assuming all Target Options are exercised)
Individual investors							
Investor Seller AK	N/A	625	1.7	—	—	625	1.5
Investor Seller AL	N/A	500	1.4	—	—	500	1.2
Investor Seller AM	N/A	83	0.2	—	—	83	0.2
Investor Seller AN	N/A	75	0.2	—	—	75	0.2
Investor Seller AO	N/A	25	0.1	—	—	25	0.1
Sub-total		1,308	3.6	—	—	1,308	3.1
Total		**20,186**	**56.1**	**1,490**	**24.9**	**21,676**	**51.6**

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Management Sellers, the Investor Sellers and (in the case where the Investor Sellers are companies) their respective ultimate beneficial owners are Independent Third Parties.

4. Information on the Target

Shareholding structure

The Target is a joint stock company incorporated in Kyoto, Japan in April 2010. As at the date of the Acquisition Agreements and the Latest Practicable Date, the Target has (i) a total of 35,980 Target Shares in issue, comprising 10,575 ordinary shares, 5,125 Class A preferred shares, 4,155 Class B preferred shares, 14,109 Class C preferred shares and 2,016 Class D preferred shares; and (ii) a total of 5,990 outstanding Target Options entitling the holders thereof to subscribe for a total of 5,990 ordinary shares of the Target at an exercise price of JPY100,000 per Target Option.

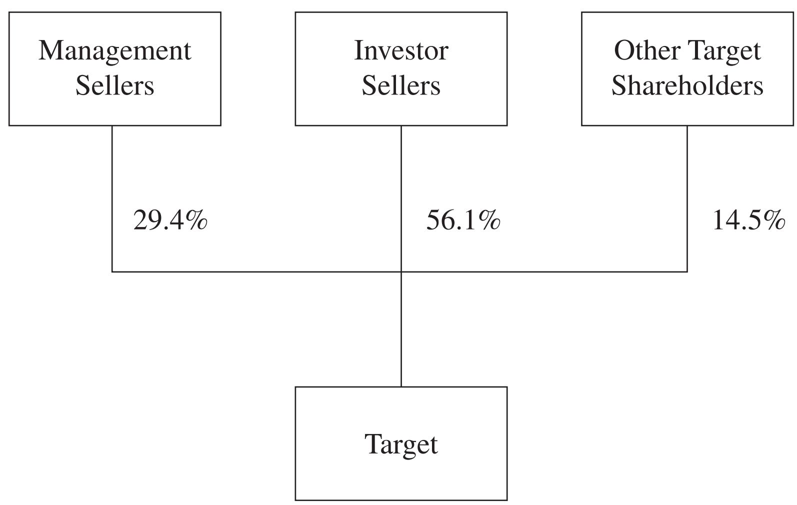
The Class A, B, C and D preferred shares carry different rights from each other and from the ordinary shares of the Target in various aspects including the priority in distribution of residual assets in the Target, entitlement to preferred dividends, right to demand the Target's buy-back of the preferred shares or exchange into ordinary shares and veto rights regarding reserved matters. The ordinary shares and the Class A, B, C and D preferred shares carry the same voting rights at a shareholders meeting of the Target.

The Target Options are subject to different terms in respect of, among other things, exercise period and restrictions on exercise.

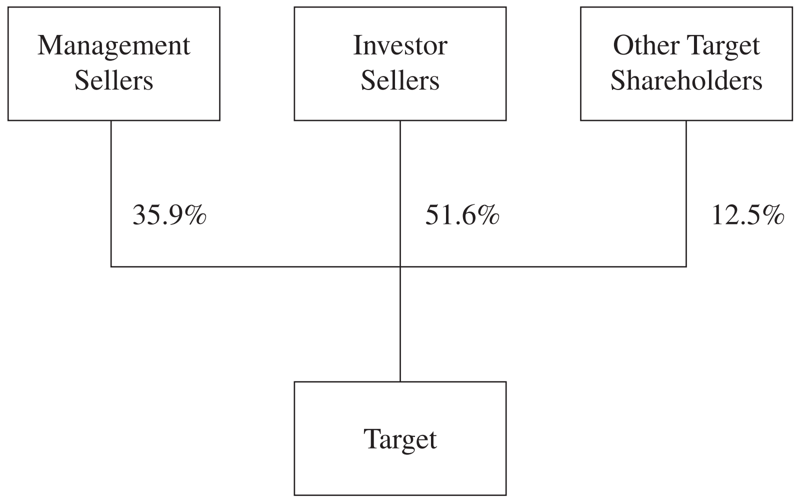
After Acquisition Completion, the Company intends to either hold the Target Options acquired by the Company until they lapse in accordance with the existing terms thereof, or cause the Target to cancel the Target Options acquired by the Company. In the event that the Company elects to cancel the Target Options, the Company will cause the Target to take all necessary procedures to effect the cancellation.

Set out below are the simplified shareholding structures of the Target (i) as at the date of the Acquisition Agreements; (ii) as at the date of the Acquisition Agreements assuming all the Target Options are exercised for illustrative purpose; (iii) immediately after Acquisition Completion; and (iv) immediately after completion of the Target Share Consolidation.

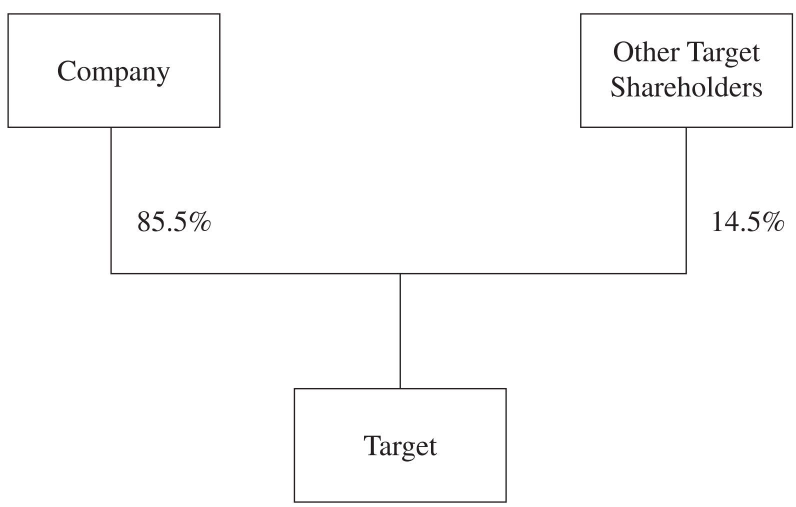
(i) As at the date of the Acquisition Agreements



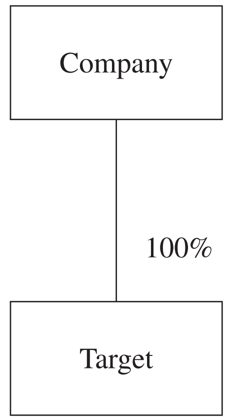
(ii) For illustrative purpose only, as at the date of the Acquisition Agreements assuming all the Target Options are exercised



(iii) Immediately after Acquisition Completion



(iv) After completion of the Target Share Consolidation



Immediately upon Acquisition Completion but before completion of the Target Share Consolidation, the Target will become a 85.5%-owned subsidiary of the Company (assuming none of the Target Options is exercised). Upon completion of the Target Share Consolidation, the Target will become a wholly-owned subsidiary of the Company.

Business

With its head office located in Kyoto, Japan, the Target is principally engaged in the manufacturing and sales of EVs and the provision of EV engineering solutions including chassis, power systems, and vehicle control units to downstream EV manufacturers in Japan. Currently, the Target has launched one model of sports EV to the market, namely "Tommykaira ZZ", and is developing a model of EV supercar, namely "GLM-G4".

(i) Products

Set out below are the products offered by the Target to its customers:

(a) Tommykaira ZZ

The first generation of Tommykaira ZZ was a mid-engined sports car designed by a Japanese tuning manufacturer Tommykaira in the 1990s, which ceased production in the 2000s. In 2011, the Target acquired a perpetual exclusive licence, without restrictions as to geographical areas, of the trademark of Tommykaira and the right to develop, manufacture, design and use the "Tommykaira ZZ" brandname and design drawings thereof. The Target has through its own research, design and development capability developed Tommykaira ZZ as its first electrically powered vehicle. Tommykaira ZZ was first launched by the Target in 2014 and was exhibited in "Goodwood Festival of Speed" event for motor racing vehicles in the United Kingdom in 2015.

As the first EV model manufactured and sold by the Target, Tommykaira ZZ attracted numerous attention with initially a limited production of 99 units. In 2015, the Target commenced production of Tommykaira ZZ, which is marketed and sold to customers via its official websites and through domestic distributors including automobile parts retailers in Japan and the PRC, targeting mainly at high net worth individuals.

(b) GLM-G4

Following the launch of Tommykaira ZZ, the Target designed a model of supercar named GLM-G4 which is a 4-seater sedan having a stronger battery pack with an enhanced range. The concept of GLM-G4 was released in Salon Mondial de l'Automobile show in Paris in 2016. GLM-G4 is currently at the design and development stage and is expected to commence pilot testing by the end of 2018 and be put into production in the second half of 2019.

(c) Engineering solutions

Apart from the manufacturing and sale of sports EVs, the Target also provides engineering solutions including platform chassis, power systems and vehicle control units to customers according to their needs. These engineering solutions enable the application of the Target's EV expertise in a wide range of contexts.

(ii) Customers

Tommykaira ZZ is primarily targeted at domestic customers in Japan while GLM-G4 is primarily targeted at high net worth individuals in Japan and in the Asian-Pacific region, the Gulf Cooperation Council regions and Europe. It is the plan of the Target to develop electric passenger vehicles which will be targeted to household customers, and EV commercial vehicles which will be targeted to customers which are regional bus, school bus and car fleet operators. The major customers of the Target's engineering solutions are principally downstream EV manufacturers and technology service providers.

(iii) Sales and marketing

The Target primarily sells its EVs through distributors and also directly sells the EVs and engineering solutions to the customers. The Target currently sells Tommykaira ZZ through one distributor in each of the PRC and Japan markets. In the previous years, the sales conducted through distributors accounted for over 75% of the revenue from sales of EVs. It is the plan of the Target to engage one exclusive distributor in each of the target markets other than the PRC, and one exclusive distributor in each major cities in the PRC market. To support the sales efforts of the distributors, the Target established its official websites (i.e. http://tommykairazz.com and http://glm-g4.com) to promote the EVs and collect customer feedback. The Target's official websites are the online showcase platform for the EV products and customers may make order enquiry and book test ride through the official websites.

The Target has been placing great emphasis on promoting and marketing its brand and products to end-user customers. The Target's marketing and brand-building activities include participating in and organising new model launch events and exhibitions to showcase and seek end-user feedback of the products. In 2013, the Target unveiled the first design of Tommykaira ZZ and set up exhibition booth at Grand Front Osaka and Tokyo, Japan. The Target also exhibited its EVs in "Goodwood Festival of Speed 2015" event for motor racing vehicles in the United Kingdom in 2015 and in Salon Mondial de l' Automobile show in Paris in 2016.

(iv) Research and development

The new EV development process normally includes the following steps:

Project planning → Designing prototype → Manufacturing prototype → Commencing production

(a) ***Project planning*** — At the planning stage, studies are carried out to assess the feasibility of developing and launching the new EV model.

(b) ***Designing prototype*** — After performing feasibility assessment, the technical team is responsible for working out the overall layout and structural design of the new model.

(c) ***Manufacturing prototype*** — The power system and other appropriate components will be matched based on the overall layout and structural design to manufacture the prototype of the new model.

(d) ***Commencing production*** — Once the prototype passes the testing phase with acceptable results, it is ready to be placed into production.

In order to enhance its competitiveness in the market, the Target has established a research and development center in Fushimi-ku, Kyoto, Japan, which mainly focuses on the development of technological competency of its EV products. After years of development, the Target launched Tommykaira ZZ to the market in 2015 and released GLM-G4 concept car for exhibition in the motor show in 2016. The development of GLM-G4 by the Target has demonstrated the application of experience of the Target accumulated from its development of Tommykaira ZZ. In particular, the technical development of new electrified powertrain to be adopted in GLM-G4 has demonstrated a step change in complexity in vehicle system engineering when compared with Tommykaira ZZ.

(v) Production, suppliers and quality control

The Target currently outsources all the assembly works of the EVs and platform chassis to five OEM sub-contractors which possess accredited automotive gride production facility and each of them undertakes different part of the assembly processes. The Target sources raw materials for the manufacturing of EVs and platform chassis from over 100 external suppliers. The major parts and components purchased by the Target include powertrain, battery and body frame, and costs of materials accounted for over 60% of the total costs of sales of the Target over the past years. As the Target possesses relevant technologies and knowledge in the production of EVs and platform chassis, the Target is able to engage different OEM sub-contractors to produce and assemble the EVs and EV components according to its instruction and requirements. For the purpose of controlling the product quality, the Target has an in-house technical team, comprising 15 team members with extensive experience in the automobile industry led by the chief technical officer, to perform on-site inspections to monitor the production process of the OEM sub-contractors and the quality of final EV products so as to ensure compliance with the Target's specifications and international automotive quality management standard (ISO/TS16949) issued by the International Automotive Task Force.

In September 2016, the Target acquired a parcel of land with a site area of approximately 2,810 square metres and buildings erected thereon at Kyoto, Japan at an acquisition cost of approximately JPY523 million (equivalent to approximately HK$36.7 million). Such property is intended to be used to set up the Target's own assembly facilities so as to reduce the reliance on OEM sub-contractors. As at the Latest Practicable Date, the Target had not drawn up any concrete plan or incurred any capital commitment for the development of the property and the establishment of assembly facility therein. The Group shall, after the Acquisition Completion, assess the costs and benefits as well as the timing of setting up the facilities depending on the business development pace and needs of the Target.

(vi) Certification, patent and technology knowhow

The business of the Target does not require any specific licences in Japan while all EVs produced by the Target are required to obtain safety certification from relevant government departments. The Target has obtained the government safety certification before launching Tommykaira ZZ to the market in early 2015. For details of the regulatory requirements to which the Target is subject, please refer to the section headed "Regulatory Overview" in this circular.

The Target has currently registered one invention patent in relation to the mainframes for automobiles and automobiles using such mainframes in Japan. In 2011, the Target acquired an exclusive license of the trademark of Tommykaira and the right for the development, manufacturing, design and use of the "Tommykaira ZZ" brand name and design drawings thereof from a Japanese racing car manufacturer. The aforesaid license agreement initially covered a one-year period from 1 April 2011 to 31 March 2012 and is automatically renewable every year thereafter without condition. In 2015, the Target acquired an exclusive and irrevocable license from Savage Rivale B.V., a Dutch super racing car manufacturer, for the use of Savage Rivale's GTS design and all other related intellectual properties for a term of 25 years.

Management team of the Target

The Target possesses a team of professionals and personnel with extensive experience and expertise in the design, development, quality control and sale of automobiles and a strong network with market players in the automobiles industry in Japan. The responsibilities and profiles of the key personnel are set out below:

(i) Mr. Hiroyasu Koma, a director and the chief executive officer of the Target, is responsible for overseeing the overall business and making strategic decision for the operations and development of the Target. He founded the Target and has taken up his current role since April 2010. Mr. Koma has substantial experience in business ventures in addition to establishing the Target, including identifying a business process outsourcing company for domestic and foreign electronic manufacturers in 2000.

(ii) Mr. Tomohisa Tanaka, a director and the chief operating officer of the Target, is responsible for overseeing the business performance and operations of the Target. He joined the Target in 2013 and has taken up his current role since June 2015. Before joining the Target, Mr. Tanaka was employed by Nestle Japan Limited and specialised in sales strategy and business development.

(iii) Mr. Sota Nagano, a director and the chief financial officer of the Target, is responsible for overseeing the financial performance and preparing financial planning for the Target. He joined the Target in 2013. Prior to his involvement in the Target, Mr. Nagano was the vice president of a Japanese private equity fund where he was engaged in various acquisitions and financing transactions.

(iv) Mr. Yuji Fujitsuka, the chief technical officer of the Target, is responsible for the development and quality control of EV products of the Target. He joined the Target and has taken up his current role since April 2011. Mr. Fujitsuka has over 10 years of experience in design engineering for vehicle body, chassis frame and platform during his service for Japanese automobile companies such as Nissan Motor Co., Ltd. and Toyota Motor Corporation.

After the Acquisition Completion, the Target will continue to be managed by the existing key management under the supervision of the Board. In addition to the existing senior management team, the Company plans to recruit additional engineers in 2017 and each of the coming two years and several market analysts who possess relevant industry experience and expertise to assist in the business development of the Target as disclosed in the paragraph headed ''Business plan'' below.

The Acquisition Agreements do not contain any terms which entitle the Management Sellers or the Investor Sellers to nominate or propose Directors. According to the Management Sellers SPA, part of the cash consideration payable to the Management Sellers (i.e. the existing chief executive officer, chief operating officer and chief financial officer) shall be released to them one year after the Acquisition Completion on the condition that each Management Sellers has continued to act as a director of the Target or is employed by the Target.

Prior to Acquisition Completion, the Target will enter into new service contracts with the above four existing key personnel of the Target to secure their continuous participation in the business of the Target. The new service contracts to be offered by the Target are expected to cover a fixed term of three years and contain non-compete undertakings by the key personnel that he shall not, during the term of his service or during three years after the date of the service contract (whichever the longer), and during a period of 12 months after the termination of his service contract, directly or indirectly engage in any business which competes or may compete with the business of the Target, in such places where the Target may conduct or carry on business from time to time. Having considered the fact that all of the four existing key personnel are expected to provide the aforesaid non-compete undertakings for their terms of service and the duration of such non-compete undertakings in addition to the one-year non-compete undertaking provided by the chief executive officer, the chief operating officer and the chief financial officer as the Management Sellers under the Management Sellers SPA, the Directors are of the view that these undertakings are sufficient to prevent the potential competition between the existing key personnel of the Target and the Group and to safeguard the interests of the Company and the Shareholders as a whole.

The Directors possess rich experience in corporate and business management, for example, (i) Mr. Zhang, an executive Director and the chairman of the Company, has extensive experience in corporate management, private investments, and investment in properties; and (ii) Mr. Eric Ho, an executive Director and the co-chairman of the Company, has rich experience in capital markets and overseeing corporate investments. Despite that the Directors do not have direct experience in the EV business, they have the experience and skill sets to evaluate investment opportunities in different industries and assess the merits of the Acquisition. The Directors also consider that the new service contracts and aforesaid arrangement for payment of cash consideration provide effective measures to cause the Management Sellers to continue with their service and contribution to the Group's EV business under the supervision of the Board after the Acquisition Completion.

Market and competition

As mentioned in the section headed "Industry Overview" in this circular and the paragraph headed "Reasons for and benefits of the Acquisition, the Subscription and use of proceeds from the Subscription" below, with the increasing global concern on air pollution problems arisen from severe tailpipe emission and the government support on the development of the EV industry, the production volume of EVs in Japan has increased steadily over the years. In 2016, there were nine EV manufacturers in Japan, which comprised six traditional automobile manufacturers, the Target, and two other pioneer EV manufacturers. Based on the number of EVs produced, the Target is estimated to account for a market share of less than 1% of the total EV production volume in Japan in 2016.

Although the competition of the EV industry is expected to increase in the future, the Directors expect such competition to be concentrated in the segment of electric passenger and commercial vehicles which are affordable by the public. Having considered that the market for electric supercars is not likely to provide great incentive to EV manufacturers and not many market players currently possess the technical competency and capital to develop quality EV supercars, the Directors consider that the competitive edge of the Target will remain strong in the near future.

Strengths and strategies

The competitive strength of the Target lies with its strong technical capability, experienced management team, recognised product design and quality as well as established industry network.

The Target has a well-established research and development centre and a team of professionals dedicated to advance the technologies of the EV products. The primary technical expertise of the Target is focused on design and system integration engineering in key areas related to electrified powertrain. It also has aluminum chassis engineering expertise linked to its electrified platform proposition for the development of the EV products. The technical capability of the Target is demonstrated by the increasing revenue from the provision of engineering solutions to other EV manufacturers.

The Target has a team of capable and long-serving management who is responsible for the implementation of its business strategy and future plan. The management is supported by a team of professionals and personnel with extensive experience and expertise in the EV industry. For further details of the management team of the Target, please refer to the paragraph headed "Management team of the Target" above.

With the advanced technical expertise and strong commitment in developing quality EV products, the Target has gained high market recognition through its successful launching of Tommykaira ZZ to the market and innovation of GLM-G4 based on its experience accumulated from the development of Tommykaira ZZ. The design of the Target's EVs are considered to be well planned and integrates the latest technologies and know-how focusing on performance and efficiency.

To maintain its competitive edge and strengthen its market position, the Target strategically focuses on advancing the technologies and developing innovative EV products. It also adopts a partnership approach to form alliances with many technological partners in order to establish a network of potential customers and a technically and commercially credible supply chain for its outsourcing model. The Target believes the partnership approach is beneficial to its business development, as it enables the Target to gain access to a wide range of technical expertise, share latest market and technical updates as well as join force with other industry participants to promote the EV industry.

Financial information

Set out below is the audited financial information of the Target as extracted from the accountants' report of the Target for the three years ended 31 March 2015, 2016 and 2017 set out in Appendix II to this circular:

	For the year ended 31 March					
	2015		**2016**		**2017**	
		equivalent to approximately		*equivalent to approximately*		*equivalent to approximately*
	JPY'000	*HK$'000*	*JPY'000*	*HK$'000*	*JPY'000*	*HK$'000*
Loss before taxation	232,532	16,285	742,389	51,993	1,418,765	99,362
Loss after taxation	232,532	16,285	742,389	51,993	1,418,765	99,362

	As at 31 March 2017	
		equivalent to approximately
	JPY'000	*HK$'000*
Net assets	866,348	60,674

It is noted that the net loss of the Target for the years ended 31 March 2016 and 2017 and the net assets of the Target as at 31 March 2017 as disclosed in the Announcement which were prepared in accordance with generally accepted accounting principles in Japan (the "**Japanese GAAP**") are different from those disclosed above which were prepared in accordance with the International Financial Reporting Standards (the "**IFRS**"). Such difference is attributable to the adjustments made pursuant to the IFRS for preparing the financial information of the Target, which mainly comprise the fair value adjustments for the recognition of share-based payments as a result of the grant of the Target Share Options and the write-off of certain research and development expenditures which had previously been capitalised in the financial statements of the Target under Japanese GAAP.

The revenue of the Target was mainly generated from the sales of EVs and the provision of EV components as engineering solutions to customers. The cost of sales mainly comprised (i) costs of materials used in production of EVs and platform chassis in respect of the engineering solutions provided by the Target; and (ii) costs incurred for the assembly works of EVs provided by the OEM sub-contractors, including the manufacturing overheads and labour costs. For further details on the analysis of revenue and costs of sales of the Target for the three years ended 31 March 2015, 2016 and 2017, please refer to the section headed "2. Management discussion and analysis of the Target" in Appendix II to this circular.

The standard pricing of the Target's EV products is set with reference to the costs of raw materials and other production and distribution costs of EVs and the comparable selling price of other EVs with similar features in the market. Tommykaira ZZ is currently sold at a retail price of approximately US$70,000 per unit and it is the plan of the Target to sell GLM-G4 at a retail price of approximately US$263,000 per unit. The fees for the engineering solutions depend on the size and complexity of the projects and there is no standard pricing for these solutions. The Target generally charges its customers for the provision of engineering solution on a cost-plus basis based on the costs of raw materials and time costs incurred by its engineers at an hourly rate in the range of around US$200 to US$300.

Business plan

Capitalising on the positive market responses and feedbacks on GLM-G4 and the increasing global demand for EV, the Target will continue its efforts on the research and development of EV technology and to focus on the development of the following areas:

(i) ***Development of EVs:*** The concept car of GLM-G4 was released in 2016. The Target expects that the model prototype and trial production of GLM-G4 will be completed in 2018 and manufacturing and launching of GLM-G4 will be in 2019. The Target plans to develop an electric passenger vehicle targeting as a family car in Asian market. The concept design of electric passenger vehicle will adopt the powertrain and key electrical components used in GLM-G4, and the Target will work on the model prototype and trial production of the electric passenger vehicle at a later stage.

The Target also plans to develop an electric commercial vehicle and is currently in the process of preparing the feasibility study thereon. Subject to the outcome of feasibility study, the Target will work out the final layout and design, model prototype and trial production of electric commercial vehicle at a later stage.

(ii) ***Engineering solutions:*** The Target has a track record of providing engineering solutions to third party customers including provision of EV whole car and EV powertrain solutions. The Target will continue to make use of its engineering knowhow and partnership relationships accumulated over the years to provide EV engineering solutions to its target customers, which are mostly existing automobile OEM and new entrants to the EV sector. In this connection, the Target plans to strengthen its engineering team to accommodate the engineering solutions needs.

The aforesaid business plan is the goal which the Target aims to achieve and is subject to the outcome of the feasibility study for its new products and actual development progress of the Target. Following Acquisition Completion, the Company shall review the aforesaid plan with the management of the Target, make adjustments to the plan if needed, and assess the capital needs and funding available to implement the business plan.

As disclosed in the circular of the Company dated 21 August 2017, (i) the research and development expenses for GLM-G4, electric passenger and commercial vehicles and other EV components; (ii) the expenditures for designing and fine tuning the production and logistic processes; (iii) the costs for recruiting additional engineers to be involved in research, development and production; and (iv) the expenses for participating in various motor shows and events to promote the new EV models and for establishing a public relation team for coordination of marketing events shall amount to approximately HK$300 million up to 2019 and are intended to be financed by the proceeds from the Disposal. As the Target will tend to focus its resources on the development and launching of GLM-G4 and other new electric passenger and commercial vehicles instead of the sales and production of its existing EV products and engineering solutions in the coming two years, it is expected that the amount of operating and administrative expenses other than those disclosed above to be incurred by the Target would be immaterial and it will not have significant working capital requirement during the period save for the capital needs for the aforesaid expenditures. Apart from the proceeds from the Disposal, the Company may also finance the capital requirements of the Target by internal resources, bank borrowings or a combination thereof as the Board may consider appropriate taking into account the then financial position of the Enlarged Group.

5. Basis of determining the Total Consideration

The Total Consideration of JPY12,807,856,245 (equivalent to approximately HK$896,976,000) was determined after arm's length negotiations among the parties to the Acquisition Agreements having taken into account the following factors:

(i) Preliminary valuation

The Company has engaged Consulting Group to perform a valuation on the Target to assist the Company in the negotiation of the consideration for the Acquisition. Based on the indication of Consulting Group prior to the signing of the Acquisition Agreements, the preliminary valuation of 100% equity interest in the Target was HK$1,167 million as at 28 June 2017, using the company transaction method under the market approach.

The Company has had extensive discussions with Consulting Group on the applicability of different valuation approaches and methodologies for valuing the Target. Consulting Group has considered all commonly adopted valuation approaches in the market (namely asset approach, market approach and income approach) for the purpose of determining the preliminary valuation of the 100% equity interest in the Target. After having assessed the appropriateness of all possible methodologies for each valuation approaches and circumstances and facts specific to the Target, Consulting Group considered that the company transaction method under the market approach as the most appropriate valuation methodology in the case of the Target, and hence has adopted this method for use in the fair value analysis of the Target, on the basis that sufficient transactions relating to the shares of the Target can be identified to perform the valuation of the Target. The completed company transactions were selected by reference to the recent completed subscriptions of new Target Shares at the issue price of JPY360,000 per Target Share by six institutional investors in 2016, where these investors comprised listed companies in Japan and the PRC, including a current supplier of the Target.

The other valuation methodologies and approaches which have been considered but rejected, together with the basis of rejection, are summarised below.

(a) Asset approach

Under the asset approach, the valuation methodologies include (aa) book value method; (bb) adjusted book value method; and (cc) liquidation value method. The value of the Target is principally driven by the ability of its committed management team and the use of its technology knowhow to successfully develop and launch its initial product, Tommykaira ZZ, and other future products and platform solutions, rather than the book value of its assets. For this reason, both the book value method and the adjusted book value method are rejected in the valuation of the Target. The liquidation value method is not applicable in performing the valuation of the Target since the Target is an ongoing business.

(b) Market approach

Under the market approach, the valuation methodologies considered but rejected include (aa) completed transaction method; and (bb) guideline company method. Consulting Group rejected the completed transaction method on the grounds that there is insufficient number of comparable private company transactions available in the market (only two transactions can be identified, i.e. Tesla Inc. and Rimac Automobili d.o.o.) for any meaningful comparison. In respect of the guideline company method, since no comparable guideline public company (being a public company which is also engaged in EV business and is at the same development stage and has similar company size in terms of staff and/or revenue as the Target) can be identified, the guideline company method is considered by Consulting Group not applicable in performing the valuation of the Target.

(c) 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 (i.e. 5 years) and an estimate of a long-term benefit stream of the business that is stable and sustainable (i.e. terminal growth beyond year 5 and terminal value). As the Target is a start-up EV company at a 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, Consulting Group rejected the income approach for the valuation of the Target.

Having discussed with Consulting Group on the basis and rationale of different valuation methods and approaches and considered the analysis of Consulting Group on the applicability of each method and approach to the Target as explained above, the Company concurred with Consulting Group's adoption of the "company transaction method under the market approach" as the valuation methodology for the Target. The report issued by Consulting Group including details on the selection of valuation methodology is set out in Appendix IV to this circular.

(ii) Previous rounds of fund raising of the Target

The Target has conducted several rounds of fund raising involving the issue of four series of Target Shares. The issue price of Target Shares increased from JPY10,000 (equivalent to approximately HK$700) per Target Share in the first round fund raising in 2012 and 2013 to JPY360,000 (equivalent to approximately HK$25,000) per Target Share in the latest round of fund raising in 2016 (the "**Latest Round**"). The Directors noted the gradual increase in issue price of the Target Shares in successive rounds of fund raising and consider such increase to be reasonable, taking into account the significant business development of the Target including the successful launching of the model Tommykaira ZZ for sale, the strengthening of its alliance relationship with many technological partners and the increasing market recognition on the Target's products and technical capability over the years. In particular, the considerable increase in issue price to JPY360,000 in the Latest Round from JPY120,000 in the preceding fund raising in 2015 reflected the significant milestone achieved by the Target in unveiling the GLM-G4 supercar.

The existing Target Shareholders include senior management and employees of the Target as well as reputable asset management companies, venture capital funds, Saudi Arabian investment company, and other companies which are engaged in businesses relating to electronic components, automobile tools and office automation products. To the best of the knowledge of the Directors, having made all reasonable enquiries, the existing shareholders of the Target and their respective ultimate beneficial owners are Independent Third Parties.

The Latest Round involved the issue of series D Target Shares representing approximately 5.6% of the existing issued share capital of the Target to six institutional and strategic investors including subsidiaries of three listed companies in Japan (one of which is a manufacturer of motors, motion controllers and industrial robots which supplies motors to the Target) and a subsidiary of a listed company in the PRC engaged in development of online and mobile games. Having considered the profile of the shareholders spread of the Target particularly the investors in the Latest Round, the timing of the Latest Round and the business development of the Target after the Latest Round, the Company considered that the issue price in the Latest Round, which was determined among the Target and the six independent investors after arm's length negotiations, represents a fair indication of the value of the Target Shares and a reasonable reference price for the acquisition of the Target Shares. The equivalent price per Target Share under the Acquisition of JPY364,700 (equivalent to approximately HK$26,000) represents a slight premium of approximately 1.3% over that in the Latest Round. The Company considered the premium is reasonable taking into account the successful launch of the model Tommykaira ZZ and release of the GLM-G4 concept car and the positive response from the market on GLM-G4 at the Salon Mondial de l'Automobile show held in Paris in October 2016 after completion of the Latest Round, and the controlling interest in the Target to be acquired by the Company under the Acquisition.

(iii) Financial position and prospects of the Target

The Directors consider that typical to many new technology companies, most EV companies would incur losses during their development stages as significant amount of start-up costs and research and development expenditures are incurred in designing and manufacturing the prototype of new products before such products are ready for commercial production and sales. As the Target is still in its product pre-launch stage, and taking into account of the achievement of the Target to-date, the Directors acknowledge that the losses incurred by the Target in the past are reasonable.

After its establishment in 2010, the Target acquired the licence for use of the "Tommykaira ZZ" brand name for its EV products. Through the continued efforts of the technical experts and senior management of the Target, it had developed and launched for sale its first EV sports car, Tommykaira ZZ, in January 2015. A total of 29 units of Tommykaira ZZ were sold by the Target since its first launch, with 15, 7 and 7 units sold for each of the years ended 31 March 2015, 2016 and 2017 respectively. Although the revenue from the sales of EVs recorded a small decline of approximately 8.6% from approximately JPY56,830,000 (equivalent to approximately HK$3,980,000) for the year ended 31 March 2016 to approximately JPY51,950,000 (equivalent to approximately HK$3,638,000) for the year ended 31 March 2017, the revenue generated from Tommykaira ZZ marked the market recognition of the Target's products and technical capability.

After launching Tommykaira ZZ for sale, the Target designed the GLM-G4 supercar and released its concept car in a motor show in Paris in 2016. The business plan of the Target is to commercially launch GLM-G4 in 2019 and to develop electric passenger vehicle and electric commercial vehicle. According to the technical due diligence report issued by Cenex (a UK-based consultant company engaged by the Company undertaking consultancy and research projects covering transport and energy with a particular focus on low carbon vehicle technologies), the Target's EV designs are well planned and integrate the latest technologies and know-how focusing on performance and efficiency. Taking into account the progressive development of the Target since its establishment, the recognition from the market and the comment of Cenex, the Directors consider that the Target possesses the technical capability to implement its business plan to capture the opportunities in the EV market in Japan and globally. Despite the Target's historical loss making track record, the Directors believe the financial performance of the Target will improve in the long run when it advances to the next development stage of commercial launch of its products in light of the prospects of the EV industry and the technical competitive edge of the Target.

In addition to designing and developing EVs, the Target is also engaged in the provision of engineering solutions to other motor vehicle manufacturers. It is noted that the Target recorded a substantial growth in revenue from the provision of EV engineering solutions from JPY31,490,000 (equivalent to approximately HK$2,205,000) for the year ended 31 March 2016 to JPY152,000,000 (equivalent to approximately HK$10,645,000) for the year ended 31 March 2017. The Directors considered this also demonstrated the market recognition of the technical capability of the Target. Details of the Target's financial information and the management discussions and analysis on the historical performance of the Target are set out in Appendix I to this circular.

(iv) The prospects of EV industry

In view of the increasing concern in air pollution problems and the supportive policies introduced by governments from various countries in enhancing environmental protection, the development and usage of EV has become a global trend for the automobile industry.

According to the research report issued by an international investment bank in May 2017, it is believed that scientific and political concerns over vehicle emission are driving tighter regulations on existing internal combustion engines, pushing car manufacturers to change their technology strategy towards EVs. Penetration of global EV sales (i.e. sales of EVs as a percentage of total car sales) is projected to be 9% by 2025, 16% by 2030, 51% by 2040 and 69% by 2050. EV business of the Target can ride along this global trend, and with the proven technical capability of the Target, it commands an advantage over the other industry laggers in capturing a bigger market share when the big time comes for the EV industry.

Japan is the home grown market for the Target. The rapid growth of the EV industry in Japan has been supported by government incentives and well established infrastructure. Since 2009, the Japanese government introduced the Green Vehicle Purchasing Promotion Measure, which offered tax deductions and exemptions in order to encourage early adopters to choose environmentally friendly and fuel-efficient vehicles over traditional vehicles. The Japanese government has also invested heavily in the development of a changing infrastructure for EVs across Japan.

Details of an overview of the EV industry is set out in the section headed "Industry Overview" in this circular.

Taking these into account and the remarkable development of the Target from establishment of its own technical competence to successful product launch within a short period of five years as described above, the Directors believe that the Acquisition represents a good opportunity for the Group to tap into the fast growing EV market and the terms of the Acquisition including the Total Consideration are fair and reasonable.

C. THE SUBSCRIPTION

After trading hours of the Stock Exchange on 7 July 2017, the Company and the Subscribers entered into the Subscription Agreement, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 570,731,706 Subscription Shares at the Subscription Price of HK$0.82 per Subscription Share.

Details of the Subscription are set out below.

1. The Subscription Agreement

Date

7 July 2017

Parties

(i) the Company;

(ii) Ocean Dynasty Investments Limited, being Subscriber A;

(iii) Vivaldi International Limited, being Subscriber B; and

(iv) T.C.L. Industries Holdings (H.K.) Limited, being Subscriber C.

Subscription Shares

Pursuant to the Subscription Agreement, Subscriber A has conditionally agreed to subscribe for 171,219,512 Subscription Shares, Subscriber B has conditionally agreed to subscribe for 114,146,341 Subscription Shares and Subscriber C has conditionally agreed to subscribe for 285,365,853 Subscription Shares. The aggregate of 570,731,706 Subscription Shares represent (i) approximately 12.9% of the issued Shares as at the Latest Practicable Date; (ii) approximately 11.4% of the issued Shares as enlarged by the allotment and issue of the Subscription Shares; and (iii) approximately 10.1% of the issued Shares as enlarged by the allotment and issue of the Consideration Shares and the Subscription Shares (assuming that there is no change in the issued Shares other than the issue of the Consideration Shares and the Subscription Shares since the Latest Practicable Date up to Subscription Completion).

The aggregate nominal value of the Subscription Shares is HK$57,073,170.60.

The Subscription Shares will be allotted and issued by the Company under the Specific Mandate to be sought at the EGM. The Company will apply to the Stock Exchange for the granting of the listing of, and permission to deal in, the Subscription Shares.

The Subscription Shares, when allotted and issued, will rank *pari passu* in all respects with all the Shares then in issue.

Subscription Price

The Subscription Price of HK$0.82 per Share is equal to the Issue Price. Please refer to the paragraph headed "Issue Price" under the section headed "The Acquisition Agreements" above for comparison of the Subscription Price with market prices and net asset value per Share.

The Subscription Price was agreed after arm's length negotiations among the Company and the Subscribers to be the same as the Issue Price, which was determined with reference to the average closing price of the Shares for the one-month period prior to the date of the Acquisition Agreements. As the Acquisition and the Subscription are inter-conditional and the net proceeds from the Subscription will be entirely used to fund the Acquisition, the Directors consider it fair and reasonable that the Issue Price and the Subscription Price are the same.

Subscription Conditions

Subscription Completion is conditional upon the fulfillment of the following Subscription Conditions:

(i) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Subscription Shares (and such listing and permission not subsequently revoked prior to the Subscription Completion);

(ii) the Shareholders having approved, by the passing of an ordinary resolution at a general meeting of the Company, the proposed allotment and issue of the Subscription Shares by the Company to the Subscribers; and

(iii) each condition precedent to the Acquisition Completion (other than the Subscription Completion) having been satisfied or waived (as applicable) in accordance with the respective terms of the Management Seller SPA and the Investors Sellers SPA.

As at the Latest Practicable Date, none of the Subscription condition above has been fulfilled.

If the above Subscription Conditions are not fulfilled by the Long Stop Date, all rights, obligations and liabilities of the parties to the Subscription Agreement (other than certain provisions which shall survive termination) shall cease and terminate and no party to the Subscription Agreement shall have any claim against each other save for any antecedent breaches of the Subscription Agreement.

Subscription Completion

Subscription Completion shall take place simultaneously with the Acquisition Completion (or such other date on which Acquisition Completion takes place as agreed among the Company and the Management Sellers, which shall be deemed as agreed by the Subscribers).

Lock-up undertakings by the Subscribers

Each of the Subscribers has undertaken in favour of the Company that it shall not, and shall procure that none of its subsidiaries, its holding company, the subsidiaries of its holding company, and their respective nominees and affiliates (whether individually or together and whether directly or indirectly) shall offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Subscription Shares or any interests therein beneficially owned or held by it or any securities convertible into or exercisable or exchangeable for or substantially similar to any such shares or interests; or enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of the Subscription Shares, whether any such transaction described herein is to be settled by delivery of Shares or other securities, in cash or otherwise; or announce any intention to enter into or effect any such transaction described herein, within three (3) months from the date of Subscription Completion.

2. Information on the Subscribers

Subscriber A

Ocean Dynasty Investments Limited is an investment holding company incorporated in the British Virgin Islands with limited liability which is ultimately and beneficially owned by Mr. Li Ka Shing.

Subscriber B

Vivaldi International Limited is an investment holding company incorporated in the British Virgin Islands which is ultimately and beneficially owned by Ms. Chau Hoi Shuen Solina Holly.

Subscriber C

T.C.L. Industries Holdings (H.K.) Limited is an investment holding company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of TCL Corporation. TCL Corporation is a joint stock company established under the laws of the PRC, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 100) and its group companies are principally engaged in the design, development, manufacturing and sale of electrical appliances, electric products and telecommunication products.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Subscriber A, Subscriber B, Subscriber C and their ultimate beneficial owners are Independent Third Parties.

D. REASONS FOR AND BENEFITS OF THE ACQUISITION, THE SUBSCRIPTION AND USE OF PROCEEDS FROM THE SUBSCRIPTION

The Company is an investment holding company and the Group is principally engaged in distribution of watches, wholesale trading of jewellery products, money lending, securities investments and property investment. The Group also holds an investment in the Chi Feng gold mine in Inner Mongolia. To maximise Shareholders' value and bring long term benefits to the Group, the Company has been actively exploring business opportunities in different sectors which can diversify its source of income and achieve sustainable growth.

As tailpipe emission from conventional vehicles has been reportedly identified as one of the main causes of severe air pollution problems, the development and usage of EV has become a global ubiquitous trend amid the efforts of governments of various countries in enhancing environmental protection measures. In view of this global trend, the Directors believe that the worldwide demand for EV will continue to increase. In addition, the rapid growth of the EV industry in Japan has been supported by government incentives and well established infrastructure. Since 2009, the Japanese government introduced the Green Vehicle Purchasing Promotion Measure, which offered tax deductions and exemptions in order to encourage early adopters to choose environmentally friendly and fuel-efficient vehicles over traditional vehicles. The Japanese government has also invested heavily in the development of a charging infrastructure for EVs across Japan.

The Target principally operates in Japan with primary focus on delivering battery-powered EVs and engineering solutions including chassis, power systems and vehicle control units to customers. In the past few years, the Target has been focusing on the manufacturing and sale of a model of high performance EV which combines engineering expertise with sports car competence, namely Tommykaira ZZ. Tommykaira ZZ is a lightweight sports car which is aesthetically designed and equipped with advanced motor. With the recognition on the quality of Tommykaira ZZ and the ability of the engineering team of the Target in developing EV, the Target has established a network of alliance with many technological partners and has been invited by many renowned automobile manufacturing enterprises to design engineering solutions. At present, the Target is in the final stage of developing a model of EV supercar, namely GLM-G4, the concept car of which has been released in a motor show held in Paris with positive feedbacks from the market. The Target intends to launch GLM-G4 to the market in 2019.

In order to assess the benefits of the Acquisition, the Company has engaged various professional parties to assist in performing extensive due diligence work on the Target covering various aspects of the Target and its business before the signing of the Acquisition Agreements. In particular,

(i) the Company has engaged Cenex to review the EV technical competence of the Target. Cenex is a UK-based consultant company undertaking consultancy and research projects covering transport and energy with a particular focus on low carbon vehicle technologies. Based on the due diligence report issued by Cenex, the primary technical expertise of the Target focuses on design and systems integration engineering in relation to electrified powertrain. The development of GLM-G4 by the Target has demonstrated the application of experience of the Target accumulated from its development of Tommykaira ZZ. In particular, the technical development of new electrified powertrain to be adopted in GLM-G4 has demonstrated a step change in complexity in vehicle systems engineering when compared with Tommykaira ZZ. The Target's EV designs are well planned and integrate the latest technologies and know-how focusing on performance and efficiency. Cenex has also noted that the Target has developed a technically and commercially credible supply chain with a number of credible market leaders for its outsourcing model, which is essential to the future business success of the Target;

(ii) the Company has engaged Consulting Group to perform a valuation on the Target and negotiated the Total Consideration by making reference to the preliminary valuation of the Target indicated by Consulting Group;

(iii) the Company has reviewed various research reports issued by an international investment bank to understand the market demand, major EV market players, governmental policies and measures in the EV industry and the future applications and technologies in relation to the EV products so as to assess the future prospects of the EV industry; and

(iv) the Company has interviewed the senior management team of the Target and obtained on understanding of the business model, operation, manpower and profile of the key management team of the Target.

Having considered the prospects of the EV market and the potentials of the Target leveraging upon its technical capabilities and based upon the due diligence work performed as described above, the Directors are of the view that the Acquisition represents an opportunity for the Group to tap into the fasting growing EV industry to capture the prospective return on investment and is therefore in the long term interests of the Group.

The Company intends to finance the cash portion of the Total Consideration and the Target Share Consolidation by the net proceeds from the Subscription and existing financial resources available to the Group.

The net proceeds from the Subscription will be US$60,000,000 (equivalent to approximately HK$468,000,000), representing a net price of approximately HK$0.82 per Subscription Share. The Company intends to apply the net proceeds from the Subscription as to (i) approximately HK$346,825,000 for the payment of the cash portion of the Total Consideration; and (ii) approximately HK$121,175,000 for the payment of cash consideration payable under the Target Share Consolidation. As disclosed in the paragraph headed "Acquisition of remaining Target Shares" under the section headed "The Acquisition" in this letter from the Board, it is the intention of the Company to commence the procedures required for the Target Share Consolidation as soon as possible after Acquisition Completion. In the unlikely event that the Target Share Consolidation is not completed due to objection by minority Target Shareholders, the Company shall apply the portion of proceeds allocated thereto to the research and development activities of EVs of the Target.

The Directors consider that the Subscription is a suitable fund raising method to fund the Acquisition, as the Group would not incur additional interest or finance costs if the Company were to finance the Acquisition by borrowing and the Subscription is less costly and more efficient than pre-emptive issues such as rights issue and open offer. In addition, the introduction of the Subscribers as strategic investors of the Company would greatly enhance the Shareholders profile and may attract new business development opportunities to the Group in the future. The Subscription Agreement does not contain any terms which entitle the Subscribers to nominate or propose Directors. Both the Acquisition and the Subscription will not result in a change of control of the Company.

Based on the above, the Directors are of the view that the Acquisition and the Subscription are in the interests of the Company and the Shareholders as a whole, and the terms of the Acquisition Agreements and the Subscription Agreement are fair and reasonable.

As disclosed in the interim report of the Company for the six months ended 31 March 2017, the production schedule of the Chi Feng gold mine has been delayed due to extensive time spent on reviewing and negotiating the construction cost of the infrastructure of the mining facilities with the PRC mining institution, and revision of the production plan in compliance with the latest PRC safety regulations. It was further mentioned in the interim report that the Group will adjust the development pace as and when appropriate. While there has not been significant development on the rescheduling of the production plan of the Chi Feng gold mine since the interim report, the Directors will review and formulate the strategy of the Group in relation to its investment in the Chi Feng gold mine, taking into account the new business direction of the Group with the Acquisition. However, as the Acquisition is subject to a number of conditions, it may or may not proceed. The Directors do not have any plan on the Chi Feng gold mine yet except those disclosed in the interim report. Save for the possible adjustment to its strategy for the Chi Feng gold mine as described above and the Disposal, the Company had no intention or understanding to dispose of and/or downsize any of the Company's existing core businesses in the distribution of watches, wholesale of jewellery products, money lending, securities investments and property investment.

E. FINANCIAL EFFECTS OF THE ACQUISITION AND THE SUBSCRIPTION

The Target will become a 85.5% subsidiary of the Company upon the Acquisition Completion and a wholly-owned subsidiary of the Company upon completion of the Target Share Consolidation.

Except for the transaction costs of approximately HK$19.5 million relating to the Acquisition, it is not expected that there will be any material effect on earnings of the Group associated with the Acquisition Completion and the Subscription Completion. As noted from the Target's business plan, since the Target intends to focus on the research and development of EVs such as completing the model prototype and trial production of GLM-G4 in 2018, it is expected that the Target will not contribute positively to the earnings of the Group in the near term before GLM-G4 is successfully launched to the market.

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix III to this circular, had the Acquisition and the Subscription been completed on 31 March 2017, the total assets of the Enlarged Group would have been increased by approximately HK$1,051.8 million from approximately HK$1,943.6 million as at 31 March 2017 to approximately HK$2,995.4 million, and total liabilities of the Enlarged Group would have been increased by approximately HK$43.2 million from approximately HK$337.2 million as at 31 March 2017 to approximately HK$380.4 million.

The above financial effects are for illustrative purposes only. The actual financial effects of the Acquisition and the Subscription upon Acquisition Completion and Subscription Completion will be subject to the financial position of the Target as well as the assessment of the goodwill arising from the Acquisition which will be determined based on, among other things, the fair value of the Target at Acquisition Completion and the closing Share price as at the date of Acquisition Completion and Subscription Completion, and therefore may be different from those disclosed above.

F. FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities during the past twelve months immediately preceding the date of the Announcement.

G. PROPOSED SHARE DISPOSAL

On 7 July 2017, the Company was informed by Mr. Zhang that Prestige Rich, a company wholly owned by Mr. Zhang (as seller) entered into a sale and purchase agreement with Ruby Charm Investment Limited (as purchaser), pursuant to which Prestige Rich has conditionally agreed to dispose of a total of 400,000,000 Shares, representing approximately 9.0% of the issued share capital of the Company, at HK$0.82 per Share to Ruby Charm Investment Limited. Ruby Charm Investment Limited is an investment holding company and its ultimate beneficial owner is an associate of Mr. Ho.

Completion of the Proposed Share Disposal is conditional on the Acquisition Completion and the Subscription Completion. For the avoidance of doubt, completion of the Acquisition and the Subscription is not conditional upon or dependent on the completion of the Proposed Share Disposal.

As at the Latest Practicable Date, Mr. Zhang holds 2,634,102,316 Shares, representing approximately 59.6% of the issued share capital of the Company. Immediately upon completion of the Proposed Share Disposal, Mr. Zhang will hold 2,234,102,316 Shares, representing approximately 39.5% of the issued share capital as enlarged by the allotment and issue of the Consideration Shares and the Subscription Shares and shall remain as the controlling Shareholder.

H. SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structures of the Company (i) as at the Latest Practicable Date; (ii) immediately after the issue and allotment of the Consideration Shares and the Subscription Shares; and (iii) immediately after the issue and allotment of the Consideration Shares and the Subscription Shares and completion of the Proposed Share Disposal (assuming that there is no other change in the issued share capital of the Company from the Latest Practicable Date to completion of the Acquisition and the Subscription):

	(i) As at the Latest Practicable Date		(ii) Immediately after the issue and allotment of the Consideration Shares and the Subscription Shares		(iii) Immediately after the issue and allotment of the Consideration Shares and the Subscription Shares and completion of the Proposed Share Disposal	
	Number of Shares	*Approximate % to total issued Shares*	*Number of Shares*	*Approximate % to total issued Shares*	*Number of Shares*	*Approximate % to total issued Shares*
Mr. Zhang *(Note 1)*	2,634,102,316	59.6	2,634,102,316	46.5	2,234,102,316	39.5
Mr. Xiao Gang	240,000	—	240,000	—	240,000	—
Mr. Tam Ping Kuen, Daniel	480,000	—	480,000	—	480,000	—
Dr. Zhu Zhengfu	60,000	—	60,000	—	60,000	—
Dr. Li Yifei	6,192,000	0.1	6,192,000	0.1	6,192,000	0.1
Sub-total of Shares held by Directors	2,641,074,316	59.7	2,641,074,316	46.6	2,241,074,316	39.6
Management Sellers *(Note 2)*	—	—	230,791,106	4.1	230,791,106	4.1
Investor Sellers *(Note 2)*	—	—	440,127,469	7.8	440,127,469	7.8
Subscriber A	—	—	171,219,512	3.0	171,219,512	3.0
Subscriber B	—	—	114,146,341	2.0	114,146,341	2.0
Subscriber C	—	—	285,365,853	5.0	285,365,853	5.0
Other public Shareholders	1,779,216,789	40.3	1,779,216,789	31.4	2,179,216,789	38.5
Total	4,420,291,105	100.0	5,661,941,386	100.0	5,661,941,386	100.0

Notes:

1. As at the Latest Practicable Date, 2,633,622,316 Shares were held by Prestige Rich, which is in turn wholly-owned by Mr. Zhang. Together with his direct interest as beneficial owner of 480,000 Shares, Mr. Zhang was thus deemed to be interested in 2,634,102,316 Shares.

2. None of the Management Sellers and Investor Sellers shall hold 10% or more of the issued Shares and accordingly they shall be regarded as public Shareholders.

I. IMPLICATIONS UNDER THE LISTING RULES

The Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to, among other things, Shareholders' approval requirements at the EGM by way of poll. The Consideration Shares and the Subscription Shares will be issued under the Specific Mandate to be sought from the Shareholders at the EGM.

J. EGM

An EGM will be convened and held at 9:00 a.m. on Thursday, 28 September 2017 at Bamboos Education-School for Talents at 4/F, Star House, 3 Salisbury Road, Tsim Sha Tsui, Hong Kong for the Shareholders to consider and, if thought fit, approve, among other things, (i) the Acquisition Agreements, the Target Share Consolidation, the Subscription Agreement and the transactions contemplated thereunder; and (ii) the Specific Mandate for the issue of the Consideration Shares and the Subscription Shares.

In view of their interests in the Proposed Share Disposal, Mr. Zhang and Mr. Ho have not attended the Board meeting to approve the entering into of the Acquisition Agreements and the Subscription Agreement.

As at the Latest Practicable Date, (i) Mr. Ho does not hold any Shares and (ii) Mr. Zhang, through Prestige Rich or as beneficial owner himself, is interested in 2,634,102,316 Shares, representing approximately 59.6% of the issued share capital of the Company. Mr. Zhang, Mr. Ho and their respective associates who are Shareholders will abstain from voting on the resolutions to approve the Acquisition Agreements, the Target Share Consolidation, the Subscription Agreement and the transactions contemplated thereunder including the Specific Mandate for the issue of the Consideration Shares and the Subscription Shares at the EGM. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquires, there are no Shareholders who have a material interest in the Acquisition and the Subscription and are required to abstain from voting on the aforesaid resolutions at the EGM.

The notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. A proxy form for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 25 September 2017 to Thursday, 28 September 2017 (both dates inclusive) during which period no transfer of shares will be registered. To be qualified for attending and voting at the EGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration on or before 4:30 p.m. on Friday, 22 September 2017.

K. GENERAL

The Acquisition Agreements and the Subscription Agreement are inter-conditional upon each other, the completion of which is conditional upon fulfillment of the Acquisition Conditions and the Subscription Conditions. Completion of the Target Share Consolidation is subject to the Acquisition Completion, the Subscription Completion and the implementation of certain procedures pursuant to applicable Japanese laws and regulations. Accordingly, the Acquisition, the Subscription and the Target Share Consolidation may or may not proceed. As completion of the Proposed Share Disposal is conditional upon the Acquisition Completion and the Subscription Completion, the Proposed Share Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company and are recommended to consult their professional advisers if they are in any doubt about their position and as to the actions that they should take.

L. RECOMMENDATION

The Directors consider the Acquisition and the Subscription are in the interests of the Company and the Shareholders as a whole, and the terms of the Acquisition Agreements and the Subscription Agreement are fair and reasonable. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Acquisition Agreements, the Target Share Consolidation, the Subscription Agreement and the transactions contemplated thereunder, and the Specific Mandate for the issue of the Consideration Shares and the Subscription Shares.

M. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
O Luxe Holdings Limited
Zhang Jinbing
Chairman

After the Acquisition Completion, the Group will diversify its business into the EV industry through the Target. The Directors consider that there are risks associated with the business and operation of the Target which are inherent to the business and operation of companies in the EV industry. The principal risks associated with the Acquisition and the business of the Target are described below. The risks identified below do not purport to comprise all those risks associated with the Acquisition and the Target. Additional risks and uncertainties not currently known to the Board or that the Board currently deem to be immaterial may also have an adverse effect on the Target's businesses and hence the Enlarged Group's performance after the Acquisition Completion.

RELATING TO THE ACQUISITION

1. The Group will diversify its business into EV industry upon Acquisition Completion in which it has no previous involvement and exposure

Upon Acquisition Completion, the Enlarged Group will diversify its business into EV industry in which the Group has no previous involvement and exposure. The new business may pose challenges to the Company's administrative, financial and operational resources and expose the Group to a risk profile which may be different from that of its existing businesses. The Directors are of the view that extensive due diligence work has been performed by the Company and that the risks associated with the entering into a new business segment have been properly assessed prior to the signing of the Acquisition Agreements.

2. The Group will be engaged in EV business in Japan, a new country in which it has no existing business presence, upon Acquisition Completion

The EV business of the Target is principally based in Japan, in which the Group has no existing business presence. The changes in economic and political environment in Japan may pose risks in conducting business in Japan, which may in turn affect the performance of the Target and therefore the Group.

3. The Group will be exposed to new foreign exchange risks in relation to its new business operation in Japan

The Target's business is currently in Japan and its income and expenses are mostly settled in JPY. The financial statements of the Target are also prepared using JPY as reporting currency. As a result of the consolidation of the Target's financial statements into the Group's upon Acquisition Completion, the functional currency of the Group will also include JPY other than its existing functional currencies in RMB and HK$. For the purpose of preparing and presenting the consolidated financial statements of the Group, foreign currency exchange gain or loss may be arisen when translating the Target's financial statements denominated in JPY into the presentation currency of the Group in HK$ and such differences will be recognised in other comprehensive income and accumulated in equity of the Company.

Furthermore, as disclosed in the paragraph headed "Customers" under the section headed "Information of the Target" contained in the letter from the Board in this circular, the target customers of the Target of GLM-G4 includes high net worth individuals from the Asian-Pacific region, the Gulf Cooperation Council regions and Europe. In case future sales are made to these countries directly, the receipts of foreign currency sales proceeds may give rise to foreign exchange gains or losses. At present, the Target does not use any financial instruments to hedge the foreign exchange risk. The Group will review its foreign currency exposures after Acquisition Completion on a regular basis and take necessary action to mitigate such risk.

RELATING TO THE BUSINESS OF THE TARGET

4. The business success of the Target depends on its ability to develop and launch new EV products which can gain market acceptance

Over the past years, the Target has dedicated significant efforts on advancing the technological competency of its EV products. In the near future, the Target plans to launch several new models of EVs to the market, including GLM-G4, electric passenger vehicle and electric commercial vehicle. The business success of the Target depends on its ability to launch new products which can gain market acceptance. However, consumer preference for EV products may vary from time to time following changes in social trend and launching of new EV products with different features and specifications by different EV manufacturers. There is no assurance that the new EV models to be launched by the Target in the future will be widely accepted by the market and its customers. In addition, the demand for EVs is associated with the purchasing power and income level of customers, which can be significantly affected by economic conditions. If the Target is not able to react promptly to the needs of its customers and the swiftly changing economic conditions in a timely manner, its sales performance could be adversely affected and it may fail to recover the costs of production and research and development, resulting in loss of market and decline in competitiveness.

To maintain the Target's competitive edge in developing products which can gain market acceptance, the Target will continue to allocate sufficient resources for the research and development of technical competency of the products and expanding the engineering team with the aim to broadening its access to market expertise in the EV industry. For further details, please refer to the paragraph headed "Business plan" under the section headed "4. Information of the Target" in the letter from the Board contained in this circular.

5. The Target relies on third party distributors for distribution of its EV products

The Target primarily sells its EVs to customers via distributors. The Target currently sells Tommykaira ZZ through one distributor in each of the PRC and Japan markets. In the previous years, sales conducted through distributors accounted for over 75% of the revenue from sales of EVs. There is no assurance that the Target will be able to maintain business relationships with the existing distributors or to develop relationships with new distributors on favorable terms. In the near future, it is the intention of the Target to extend its sales presence to other countries in the Asian Pacific region and the Target may continue to engage local distributors in those markets. It is the plan of the Target to engage one exclusive distributor in each of the target markets other than the PRC, and one exclusive distributor in each major cities in the China market. If the Target is not able to establish business relationships with distributors who have strong distribution networks in these new regions on terms favorable to it, the business performance and prospects of the Target may be adversely impacted.

To reduce the reliance on third party distributors in selling its EV products, the Target will consider to strengthen its websites, engage actively in marketing and advertising activities through online social media platform and participate in more car shows to showcase its EVs, with a view to extending business reach and developing direct sales relationship with potential customers.

6. The Target relies on OEM sub-contractors to assemble the EVs

The Target currently outsources all the assembly works of the EVs and platform chassis to five OEM sub-contractors which possess accredited automotive gride production facility and each of them undertakes different part of the assembly processes. Such outsourcing arrangement gives rise to high costs of production to the Target. As the profitability of the business and the competitiveness of the Target in the market depend heavily on its ability to control the production costs effectively, any increase in assembling costs payable to OEM sub-contractors will diminish the Target's profit margin. In addition, there is no assurance that the Target can successfully manage its OEM sub-contractors to control the quality of the deliverables. Despite that the Target has its in house technical team responsible for quality control, if the sub-contractors are not able to maintain the quality of the EV products, the Target would have to incur additional time and costs in checking the products and rectifying the defective parts. Any EVs released to the market which fail to meet the expected quality standard could negatively affect the image of the Target.

To reduce the reliance on OEM sub-contractors, it is the long term plan of the Target to establish its own assembly facilities. In this regard, the Target has acquired a piece of land in Kyoto in September 2016 which is intended to be used to set up its own assembly facilities. The Group shall, after the Acquisition Completion, assess the cost and benefit as well as the timing of setting up the facilities depending on the business development pace and needs of the Target.

7. The Target relies on third party suppliers for major parts and components

The major parts and components of the EVs of the Target include powertrain, battery and body frame, and costs of materials accounted for over 60% of the total costs of sales of the Target over the past years. Currently, the Target sources raw materials for the manufacturing of EVs and platform chassis from over 100 external suppliers. There is no assurance that these suppliers are always able to serve the needs of the Target in a timely manner and on reasonable terms. If there is an increase in price or a disruption of supply of raw materials, the Target may need to incur additional costs to locate alternative suppliers in order to maintain the production. The occurrence of any of the aforesaid circumstances can adversely affect the business operation and profitability of the Target.

To avoid over reliance on raw material suppliers, the Directors will, after the Acquisition, explore other sources of suppliers through its business network and assist in negotiating better terms for the Target, with an aim to broadening the Target's supplier base, diversifying its risks in relying heavily on certain suppliers, and enabling the Target to select the most suitable suppliers who can fit its needs from time to time and improve its profitability.

8. The success of the Target depends on the its ability to retain the senior management

The management team of the Target comprises a team of professionals and personnel with extensive experience and expertise as well as strong network with market players in the automobile industry in Japan. They play an important role in implementing the business plan of the Target and developing new products to maintain its competitiveness. As it is the plan of the Target to expand its business in the near future, the ability to retain or recruit qualified personnel is important for it to successfully achieve this goal. However, there is no assurance that the Target will be able to retain its existing management team for an indefinite period or recruit suitable candidates for its future business operation and expansion. If there is a loss of key personnel and the Target is not able to find suitable replacement at reasonable costs, the business operation and financial performance of the Target would be adversely affected.

As mentioned in the paragraph headed "Management team of the Target" under the section headed "4. Information on the Target" in the letter from the Board contained in this circular, the four existing key personnel of the Target, comprising the chief executive officer, the chief operating officer, the chief financial officer and the chief technical officer, shall respectively enter into new service contracts with the Target at Acquisition Completion to secure their continued participation in the management of the business of the Target. The Company may also consider granting share options to these key management members to incentivise their service and contribution to the Group's EV business after the Acquisition Completion. The Board believes the aforesaid measures enable the Group to retain key personnel of the Target. To ensure the Target has sufficient manpower to cater for its business expansion, the Company also plans to recruit additional engineers for the development and production of EVs in the near future.

RELATING TO THE EV INDUSTRY

9. Government subsidies to production and sales of EVs may decline and regulation on manufacturing and sales of EVs may become more stringent

As mentioned in the section "Industry Overview" in this circular, the Japanese government provides certain subsidies for the sales and production of EVs in Japan. The growth of the Japanese EV market may be threatened when the Japanese government gradually withdraws these subsidies.

In addition, the manufacturing and sales of EVs by the Target are subject to the applicable rules and requirements in the relevant markets. At present, the Target manufactures and principally sells its EVs in Japan. There is no assurance that the regulations therein will not be tightened in the future. If there are changes in the regulatory requirements on the manufacturing and sales of EVs in Japan, the Target may have to incur additional costs and efforts to comply with them, which may in turn affect the results of operations of the Target. Also, the Target intends to extend its sales presence to other countries. There is no assurance that the places to which the Target intends to extend its presence will not adopt policies to restrict or prohibit the sales of EVs in the future. The implementation of any unfavourable policies in these regions may restrict the ability of the Target to expand its business.

To reduce the Target's reliance on government subsidies, the Target will continue to devote substantial efforts on research and development and marketing to maintain its competitiveness and explore opportunities in overseas markets with an aim to capturing promising return from regions which favor the development of EV business.

10. Competition from other foreign EV manufacturers may be more heightened

As disclosed in the section headed "Industry Overview" in this circular, the EV manufacturing industry in Japan is facing heightened competition from foreign industry players, and that their technological developments in enhancing performance and charge time of EVs will impose a threat to EV manufacturers in Japan.

To manage such risks arising from the competitive forces within the industry, the Target will continue to strengthen its relationships and cooperation established with suppliers and OEM sub-contractors with a view to reducing the overall costs of production for EVs, and to recruit additional engineers and allocate appropriate resources to strengthen its research and development capability.

11. The sales of EVs may be affected by customers concerns over EV safety and ease of use

As disclosed in the section headed "Industry Overview" in this circular, as the EV market is still a new and developing market, target customers may have concerns over, among other things, safety of lithium-ion batteries contained in the EVs and the ease of use of EVs such as ease and efficiency of charging such lithium-ion batteries.

The Target's current product standard is governed by international automotive quality management standard, which is a common quality standard applied to other automotives. All EVs launched to the market will be subject to safety certification by relevant government authorities. The Directors are of the view that the safety standard of the Target's EV will be improved along with market trend through ongoing technology advancement and continuous research and development of the Target to strengthen the performance of its EVs. The Directors will also consider to establish strategic networks with other automotive companies to increase the number of stations available for charging lithium-ion batteries as so to promote the ease of use of EVs.

Except as otherwise provided in this circular, the information and statistics set out in this section have been extracted from various official government publications and other publications as well as industry reports the Company commissioned from independent industry consultant, Ipsos. The Directors believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Directors have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted rendering such information false or misleading in any material respect. The information has not been independently verified by the financial adviser, any of the respective directors, officers, representatives, affiliates or other advisers or any other persons involved in the Acquisition, and no representation is given as to its accuracy.

SOURCE OF INFORMATION

Background of Ipsos

The Company commissioned Ipsos, an independent professional market research company, to conduct an analysis of, and to report on the market and competitive landscape of the EV manufacturing industry in Japan and selected global regions. The cost of preparing the report is HK$398,000 which is reflective of the market rates for a report of this scope.

Ipsos is wholly-owned by Ipsos Group S.A.. Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos Group S.A. acquired Synovate Limited in October 2011 and employs approximately 16,000 personnels worldwide across 88 countries. Ipsos Group S.A. conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence.

The information in the Ipsos report is derived from data and intelligence obtained by: (i) conducting desk research covering government and regulatory statistics, industry and analyst reports, industry associations, industry journals and other online sources and data from the research database of Ipsos; (ii) conducting primary research by interviewing key stakeholders and industry experts including but not limited to EV manufacturers. The information and statistics set forth in this section have been extracted from the Ipsos report. The actual data are used, where feasible. In the event where the actual data are not available, Ipsos' estimates are based on the best available information from primary and secondary information sources regarding industry structure, integration and practice. All statistics set forth in this section are approximate figures unless otherwise specified.

Assumption used in the Ipsos Report

Forecast data was projected based on: (i) historical data regarding macro-economic factors as well as industry-specific drivers and the development of the individual industry; (ii) forecast data published by government bodies or industry associations.

The following assumptions are used in the market sizing and forecasting model in Ipsos report: (i) it is assumed that the global economy will remain in steady growth over the forecast period; and (ii) the external environment is assumed to have no shocks, such as financial crises or natural disasters, that will influence the demand and supply of the EV manufacturing industry in Japan over the forecast period.

Due to the data availability, the quantitative analysis covered by Ipsos report is focused on Battery electric vehicles (BEV) and Plug-in hybrid electric vehicles (PHEV) only. It is considered that the quantitative analysis covered by Ipsos report is sufficient enough to reflect the industry overview and competitive landscape that the Target is operating in, given that the car models manufactured by the Target are BEV.

MACROECONOMIC ENVIRONMENT

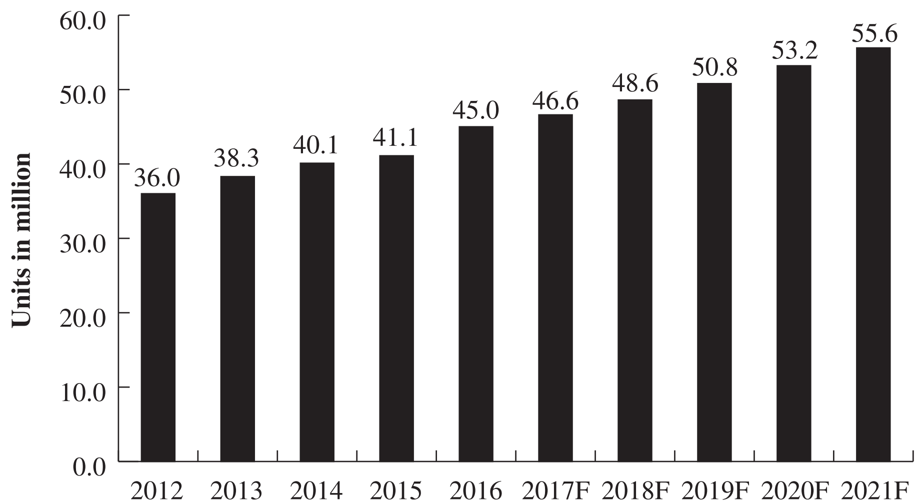
Macroeconomic environment in APAC

Gross domestic product and growth rate

The gross domestic product (GDP) of Asia Pacific (APAC) increased from US$22.6 trillion in 2012 to US$24.7 trillion in 2016, at a compound annual growth rate (CAGR) of 2.2%. According to the International Monetary Funds (IMF), the outlook for the Asia-Pacific region remains the strongest in the world. The increase in GDP from 2012 to 2016 was supported by the strong growth momentum in the largest economies in the region, such as China. During the forecast period, the GDP of APAC is expected to increase from US$25.3 trillion in 2017 to US$31.9 trillion in 2021, at a CAGR of 6.0%. Under rapid urbanization in emerging economies, such as India and Philippines, consumption in these regions are expected to increase in the forecast period, contributing to the robust growth in GDP in the APAC region.

Number of automotive vehicles sold

The graph below sets forth the number of automotive vehicles sold in APAC from 2012 to 2016 and forecast from 2017 to 2021:



Notes:

1. Data refers to automotive vehicles including passenger cars (cover motor vehicles and motor cycles, taxis and hired passenger cars, pickups and micro cars) and commercial vehicles (cover light commercial vehicles, heavy trucks, coaches and buses).

2. The above data cover the following countries: Australia, China, Hong Kong, India, Indonesia, Iran, Japan, South Korea, Malaysia, Mongolia, Myanmar, Nepal, New Zealand, Pakistan, Philippines, Singapore, Sri Lanka, Taiwan, Thailand, Vietnam.

3. "F" denotes forecast.

Sources: International organization of motor vehicle manufacturers, Ipsos research and analysis

The number of automotive vehicles sold in APAC increased from 36.0 million in 2012 to 45.0 million in 2016, representing a CAGR of 5.7%. The automotive vehicle market in APAC experienced a fast-paced development from 2012 to 2016, supported by the improved economic developments in countries within the APAC region. Specifically, China, India and Japan are the top three countries in terms of number of registered vehicles in APAC. Together, they account for over 75% of the total number of registered vehicles in the APAC region between 2012 and 2016.

From 2017 to 2021, the number of automotive vehicles sold in APAC is expected to grow from 46.6 million to 55.6 million, at a CAGR of 4.5%. As the markets in Japan and other developed countries, such as Australia and South Korea, are rather mature, the growth of new automotive vehicle sales may remain at a relatively slow pace. Thus, the growth rate during the forecast period is projected to be lower.

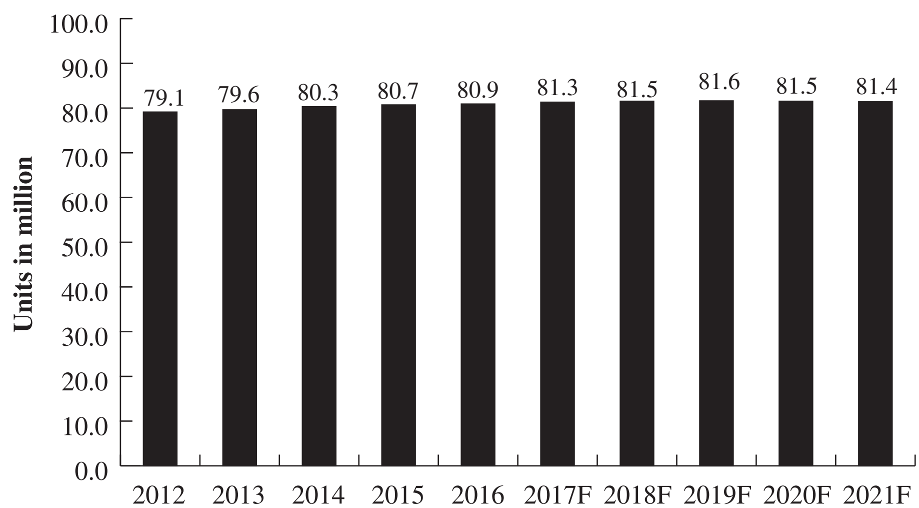
Macroeconomic environment in Japan

Gross domestic product and growth rate

The GDP of Japan increased from JPY495.0 trillion in 2012 to JPY537.3 trillion in 2016 at a CAGR of 2.1%. Despite the increase in Japan's GDP, the GDP growth rate in Japan decreased from 1.5% in 2012 to 1.0% in 2016. The decreased GDP growth rate from 2012 to 2016 can be explained by the weak economic performances in Japan, especially in private consumption and investment. During the forecast period, it is expected that the GDP of Japan will increase from JPY546.2 trillion in 2017 to JPY582.3 trillion in 2021, at a CAGR of 1.6%. The GDP growth rate in Japan is anticipated to remain low during the forecast period due to the expected shrinking labour force and low inflation, curbing long-term growth in Japan's economy.

Number of automotive vehicles

The graph below sets forth the number of automotive vehicles in Japan from 2012 to 2016 and forecast from 2017 to 2021:



Notes:

1. Data refers to numbers of motor vehicles.

2. The number refers to the figures collected by the end of March each year.

3. "F" denotes forecast.

Sources: Automobile Inspection and Registration Information Association in Japan, Ipsos research and analysis

The number of registered automotive vehicles in Japan increased from 79.1 million in 2012 to 80.9 million in 2016, representing a CAGR of 0.6%. The number of registered vehicles in Japan grew steadily since 2012, as the car ownership rate in Japan remained at a high level historically and the GDP per capita increased continually during 2012 to 2016. Given the support of government's subsidies to vehicle owners in the replacement of vehicles that are older than 13 years, together with the government's promotion of eco-driving, there was an increase in car owners who had or planned to replace their cars with environment-conscious automotive vehicles, such as EV.

During the forecast period, the number of automotive vehicles in Japan is expected to grow from 81.3 million in 2017 to 81.4 million in 2021, at a CAGR of 0.03%. Given the fact of the decrease in the national population, the number of passenger vehicles in Japan is projected to grow at a slower pace.

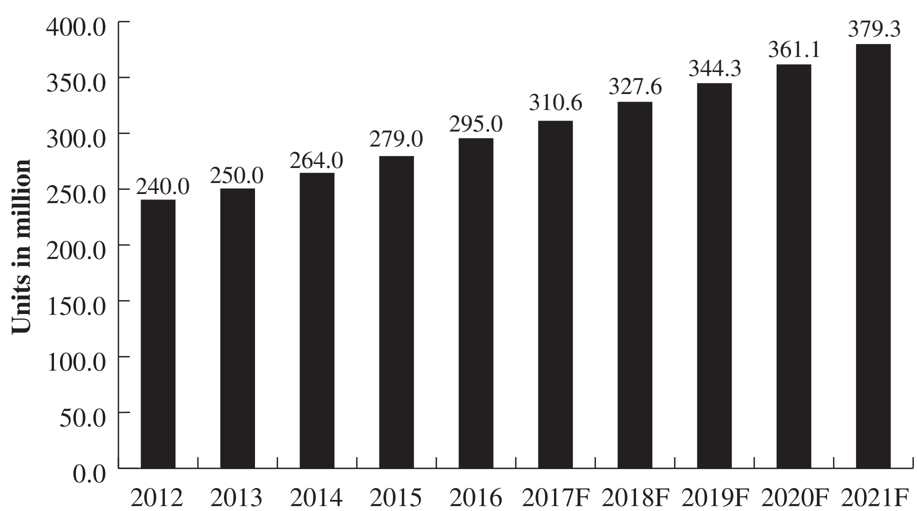
Macroeconomic environment in China

Gross domestic product and growth rate

The GDP of China increased from RMB54,098.9 billion in 2012 to RMB74,539.6 billion in 2016, representing a CAGR of 8.3%. However, due to the decreasing working-age population and level of investment, the real GDP growth rate in China slowed down from 7.9% in 2012 to 6.7% in 2016. In the forecast period, the GDP value of China is predicted to increase from RMB81,267.6 billion in 2017 to RMB111,816.2 billion in 2021, at a CAGR of 8.3%. The Chinese economy is expected to experience structural reformation, in which the Chinese government aims at shifting China's economy from its reliance on investment and industry towards consumption and services will result in a lowering of the GDP growth rate.

Number of automotive vehicles

The graph below sets forth the number of automotive vehicles in China from 2012 to 2016 and forecast from 2017 to 2021:



Notes:

1. Automotive vehicles mentioned above include passenger vehicles, two-wheeled vehicles, commercial vehicles and buses.

2. "F" denotes forecast.

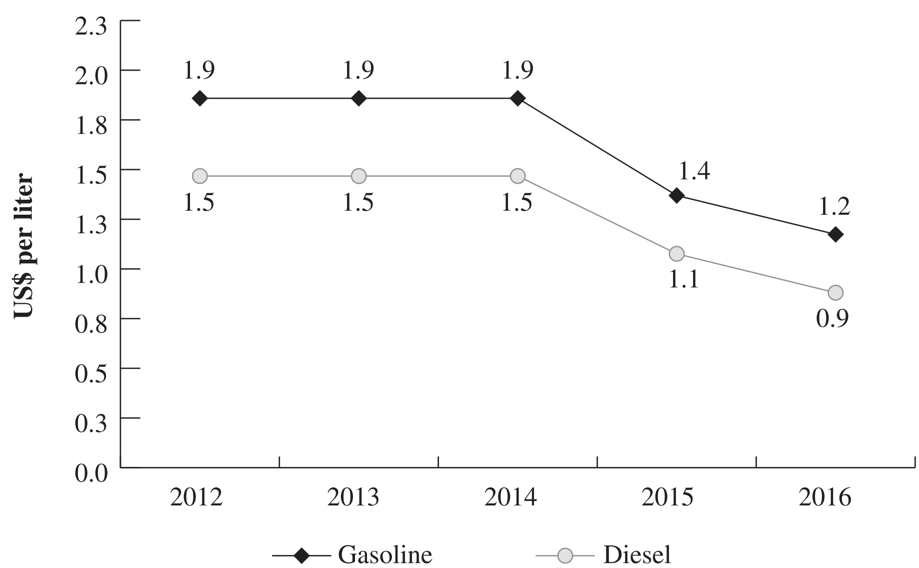
Sources: National Bureau of Statistics of China, Ipsos research and analysis

The number of registered automotive vehicles in China increased from 240.0 million in 2012 to 295.0 million in 2016, representing a CAGR of 5.3%. The growth in the number of registered automotive vehicles was mainly supported by the increased buying power of the consumers for passenger cars, together with the steadily increasing demands for heavy duty vehicles supporting the manufacturing and logistics industry. The Chinese government also offered tax incentive on small engine cars, which further encourages to the purchase of small engine vehicles.

During the forecast period, the number of registered automotive vehicles in China is expected to grow from 310.6 million in 2017 to 379.3 million in 2021, at a CAGR of 5.1%. The increasing environmental consciousness in China and the introductions of environmentally friendly vehicles, such as BEV and PHEV, are expected to be the main drivers of vehicle sales.

Global gasoline and diesel prices

The graph below sets forth the global gasoline and diesel prices from 2012 to 2016:



Notes:

1. Prices refer to the retail price of gasoline and diesel.

2. Gasoline refers to unleaded premium (95 RON).

3. The price above comprises of the annual average price in the following countries: Australia, Austria, Belgium, Canada, Chile, China, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, United Kingdom and United States (the "**US**").

Sources: Ipsos research and analysis

The global gasoline price declined from US$1.9 per litter in 2012 to US$1.2 per litter in 2016, representing a CAGR of –10.9%. Similar to global gasoline prices, global diesel prices declined from US$1.5 per litter in 2012 to US$0.9 per litter in 2016, representing a CAGR of –12.0% during the period. The decline in diesel and gasoline prices can be attributed to the decrease in crude oil prices since 2014. The crude oil price drop was chiefly due to increased supply of crude oil. The increased supply of crude oil can be explained by the mass production and increased investment in shale oil in the US and the stabilizing political situation in crude oil supplying countries such as Iran.

As more governments, such as the British government, are moving to fully adopt EV in by mid-2100s, the demand for gasoline and diesel is expected to decline. The cost advantage in declined diesel and gasoline prices, therefore, is expected to have a smaller impact in consumer's choice in vehicle purchases.

OVERVIEW OF THE ELECTRIC VEHICLE MARKETS GLOBALLY AND IN MAJOR DEMAND MARKETS

EV began to commercialise since the late 1990s. In addition, the growth in EV was driven by the energy crisis in 2000, which induced many automotive vehicles manufacturers to consider EV production. Due to the lack of charging infrastructure and underdevelopment in charging technology, however, EV was not mass produced until recent years.

Since early 2010, the market penetration rate of EV began to rapidly increase as there is an increasing number of EV manufacturers started to mass-produce EVs, causing the price of EV decreased. Apart from the decrease in the price of EV, the rapid expansion of charging stations and intense government support in retail and production of EVs also act as the growth drivers in supporting the global EV market.

Key EV types and technologies

There are four types EV with the use of different propulsion devices and energy sources. These four types of EV are: (i) BEV, (ii) PHEV, (iii) Hybrid electric vehicle (HEV), and (iv) Fuel-cell electric vehicles (FCEV).

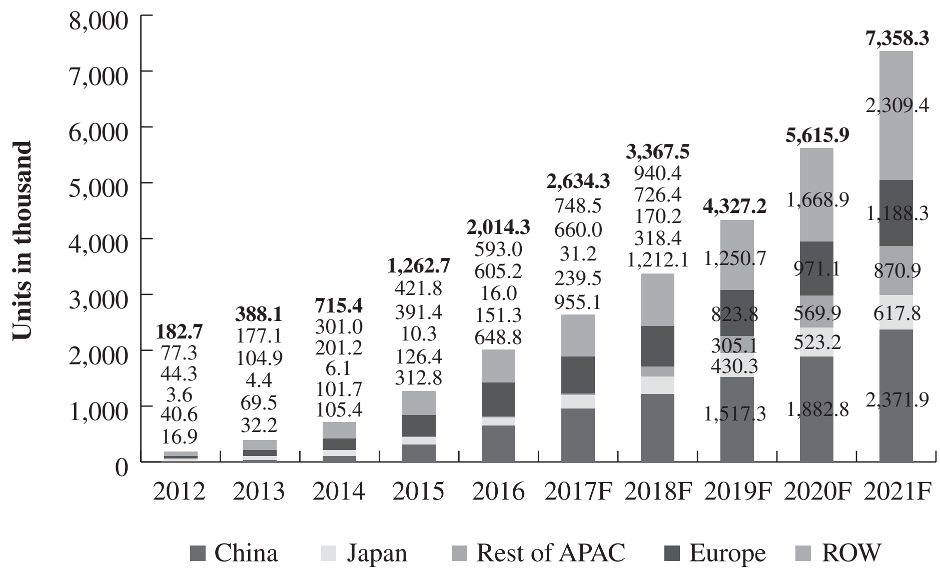
The table below illustrates the differences between four types of EV and traditional internal combustion engine vehicle (ICEV), in terms of its powertrain system, type of battery and the source of charging.

Types of Vehicle	Powertrain system	Battery type	Charging source
ICEV	Internal combustion engine	N/A	N/A
BEV	Electric motor	Rechargeable batteries	Electricity Plug-in and the regenerative braking system
PHEV	Internal combustion engine and electric motor	Rechargeable batteries	Electricity Plug-in, regenerative braking system and the internal combustion engine
HEV	Internal combustion engine and electric motor	Rechargeable batteries	Regenerative braking system and internal combustion engine
FCEV	Electric motor	Fuel-cell/fuel-cell in combination with rechargeable batteries	Compressed hydrogen plug-in and regenerative braking system

Source: Ipsos Research and Analysis

Global EV market

The graph below sets forth the number of global EV stock segmented by region from 2012 to 2016 and forecast from 2017 to 2021:



Note:

1. The figures are estimated based on Electric Vehicles Initiative (EVI) members who are the key leading players in EV market, represented as Canada, Mainland China, France, Germany, India, Japan, Korea, Netherlands, Norway, Sweden, United Kingdom, United States, Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, Greece, Hungary, Iceland, Italy, Ireland, Latvia, Lichtenstein, Lithuania, Luxemburg, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Switzerland and Turkey.

2. "F" denotes forecast.

Sources: International Energy Association, EV-Volumes, Ipsos Research & Analysis

The total number of global EV stock by region recorded an increase at a CAGR of approximately 82.2% from 2012 to 2016. In addition, APAC has held a dominant position in the global EV market, with the increase in number of EV stock from 61.1 thousand in 2012 to 816.0 thousand in 2016 at a CAGR of approximately 91.2%. During the same period, Europe and the rest of the word also recorded a positive growth in terms of EV stock, at a CAGR of 92.3% and 66.4% respectively. Within the APAC, China has taken the lead in the overall growth of the number of EV stock by reaching 648.8 thousand in 2016 at a CAGR of approximately 148.9% from 2012 to 2016. The rapid growth of the number of EV stock in China can be attributed to the continued launch of new EV models to the market. Meanwhile, the number of EV stock in Japan grew at a CAGR of approximately 38.9% during the same period, increasing from 40.6 thousand in 2012 to 151.3 thousand in 2016.

During the forecast period, the total number of global EV stock is expected to grow at a CAGR of 29.3%, increasing from 2,634.4 thousand in 2017 to 7,358.2 thousand in 2021. The APAC market is expected to remain strong in the future, with the strongest growth rate at a CAGR of approximately 33.2% among the regions. While the number of EV stock in Europe is expected to increase at a slower pace at a CAGR of approximately 15.8%, the number of EV stock in rest of the world is expected to grow at a fairly high CAGR of approximately 32.5%. Within the APAC, the numbers of EV stock in China and Japan are expected to increase continuously. The number of EV stock in China is expected to increase at a CAGR of approximately 25.5% from 2017 to 2021, reaching to 2,371.9 thousand in 2021. Meanwhile, the number of EV stock in Japan is expected to increase at a CAGR of approximately 26.7% during the same period, reaching to 617.8 thousand in 2021.

Future trends and development of the global EV market

Rapid development in EV battery density and capacity

Catering to market demand, battery manufacturers have been continuously developing lithium-ion batteries' density. Given one of the key barriers to higher EV penetration in the market is anxiety over the lack of charging facilities, the improved driving range will contribute to mitigating the barriers. EV's driving range can be extended by increasing energy density, which is measured by gravimetric power density, of battery packs. With recent breakthroughs in battery technology from some EV manufacturers, which lead to immense success in the market, it is expected that the EV manufacturers will continue to develop high-density and high capacity batteries.

Vertical integration in upstream value chain

To further reduce cost and better advance EV component technology, EV manufacturers are beginning to vertically integrate their value chains. Many EV manufacturers are establishing subsidiaries or partnerships with component manufacturers, such as power inverter manufacturers, to directly engage in in-house research and development (R&D) and production. The in-house R&D activities allow EV manufacturers to better advance and adopt the technology of components, making them more competitive in the market. Given the success from market players, it is expected that the integration in the value chain will continue in the future.

Electric supercars market

Introduction and definitions

In order to capture the shares on niche markets and fulfil different markets' demand, OEMs have to keep developing and launching different models of passenger vehicles in terms of specifications and functions. In general, passenger vehicles can be segmented into four types in terms of performance, which are normal car, supercar, hypercar and mega-car. Each of these segments is differentiated by the level of horsepower of the car. A lower horsepower indicates lower acceleration, holding the weight of cars and other factors are constant.

Normal passenger cars are defined as the level of horsepower lower than 300 hp. For normal passenger vehicles, horsepower reaching around 300 hp is considered high, since most of the vehicles have the horsepower in the range of 100 to 150 hp.

On the other hand, supercar is a general term referring to a concept of luxury and high-performance passenger vehicles. High-performance sports cars or race cars are also the terms that reflect similar concept. With the technological advancement and continuous research and development in the industry, the level of horsepower of supercar has been increased. For instance, the older generation of electric supercar launched in 2014 reach a level of horsepower higher than 300 hp. In contrast, supercars nowadays often have the horsepower in the range of 500 to 700 hp, having faster acceleration and greater top speed. According to the Ipsos report, supercar is defined as the passenger vehicle that exceeds 300 hp of horsepower (generally reach a level of horsepower at 500 hp) with the price higher than US$90,000.

Hypercar and mega-car are the new terms in the industry, refer to the cars which perform higher than supercars and having horsepower greater than 700 hp. Compared to hypercar, mega car is a type of passenger vehicle that even more scarce and somehow reaches the horsepower at 1500 hp.

Market overview

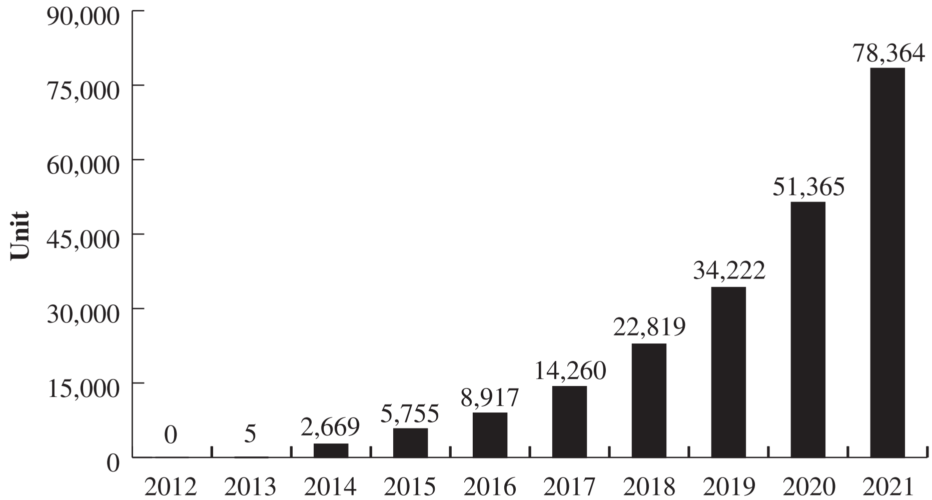
Given the uniqueness of supercars, wealthy people are the specific group of customers that can afford to consume. Supercar is a niche market with the emphasis on luxury and high performance in terms of horsepower. Hence, the demand for supercars has a high correlation with the economic development and reflects the level of prosperity in a specific country or region.

The increase in the demand for supercars can be explained by the increase in the number of the wealthy people in the world. According to Forbes, the number of billionaires in US dollar term in the world increased from 1,226 in 2012 to 2,043 in 2017, at a CAGR of 10.8%. Such growth was partly due to the rising upper class in China, as the number of new billionaires from China accounted for almost 40% of the total number of new billionaires in the world in 2017.

As one of the biggest markets of the luxurious cars, similar growth for the number of millionaires in China was also observed. Back in 2012, China has only 964 thousand US dollar millionaires, according to Credit Suisse, this number dramatically increased to 1,590 thousand in 2016 at a CAGR of 13.3%. The major reasons for the robust growth are the growths in real estate, manufacturing and information technology industries in China. For example, the rapidly surging property price in the said period has led to greater wealth accumulation. With such wealth growth attributed to the thriving economy, the rapidly expanding millionaire group in China may potentially become the target customers for supercars.

Number of electric supercars sold in China

The graph below sets forth the number of electric supercars sold in China from 2012 to 2016 and forecast from 2017 to 2021:

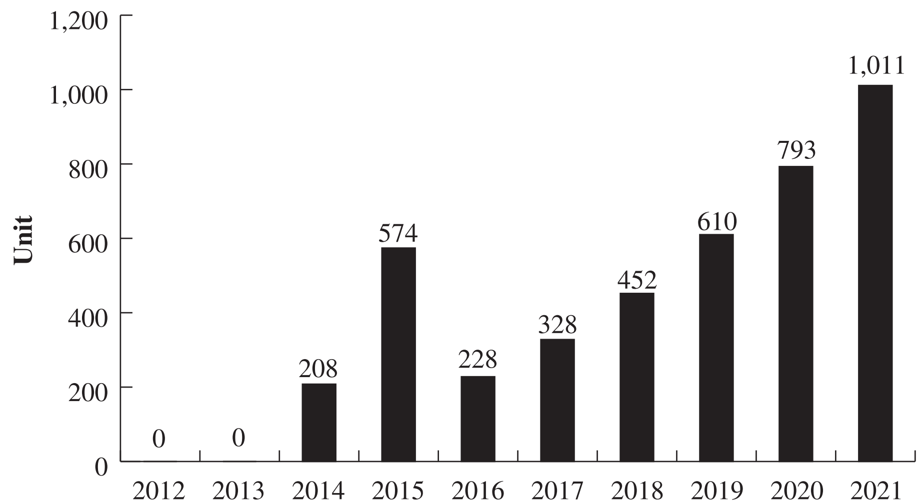


Sources: The Ministry of Public Security of the PRC, Ipsos interview and analysis

The number of electric supercars sold in China recorded a significant growth at a CAGR of approximately 1,112.7% from 2013 to 2016. The increasing popularity of electric supercars in China and the introduction of new electric supercars models supported the substantial growth of the number of electric supercars sold in China. In the future, the growth of the number of electric supercars sold in China is expected to remain strong. The number of electric supercars is expected to increase from 14,260 in 2017 to 78,364 in 2021, at a CAGR of approximately 53.1%. The expected increase in the disposable income per capita in China will further enhance the ability for Chinese citizens to purchase electric supercars during the forecast period.

Number of electric supercars sold in Japan

The graph below sets forth the number of electric supercars sold in Japan from 2012 to 2016 and forecast from 2017 to 2021:

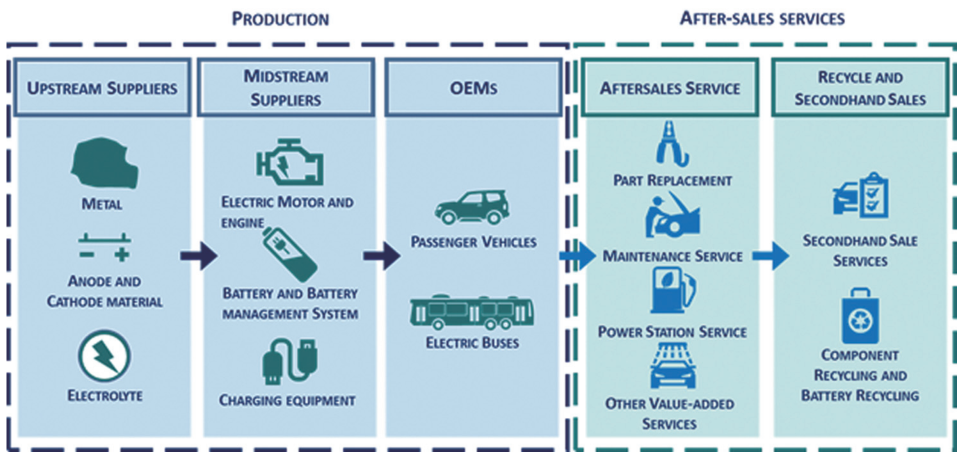


Sources: EV-Volumes, Ipsos interview and analysis

The number of electric supercars sold in Japan increased at a CAGR of approximately 4.7% from 2014 to 2016. In addition, the introduction of new electric supercar model to the Japanese market contributed the significant growth from 2014 to 2015. During the forecast period, the number of electric supercars sold in Japan is predicted to increase from 328 in 2017 to 1,011 in 2021, at a CAGR of approximately 32.5%. The introduction of new electric supercars model to the Japanese market is expected to raise the demand for supercars, supporting the growth of the number of electric supercars sold in Japan.

OVERVIEW OF THE ELECTRIC VEHICLE MANUFACTURING INDUSTRY IN JAPAN

Value chain



Sources: Ipsos research and analysis

Upstream Suppliers of EV powertrain system: refer to suppliers of integrated circuits, anode and cathode materials, electrolyte, separators, steel and other raw materials. These suppliers provide raw materials to component manufacturers, such as battery cell and management systems manufacturers.

Midstream suppliers: include battery and battery management system (BMS) suppliers, electric motor and engine suppliers, and charging equipment suppliers. Most of the suppliers have long-standing relationships with Japanese OEMs, which assist Japanese OEMs in retaining their cost advantages.

OEMs: refer to automotive vehicle manufacturers that produce and sell different types of EV. Most of the Japanese OEMs directly engage in product design, technological development, product development and production themselves. Distributive channels, however, differ between OEMs, whereby some establish retail spaces whilst other rely on a combination of dealerships and own-established retail stores. Due to high tariff costs in key markets, such as the United States and China, many Japanese manufacturers have established manufacturing facilities abroad to alleviate tariffs and taxes.

After-sales service providers: refer to service providers that offer maintenance, frequent services, and part replacement to EV drivers. Given that EVs are recharged using recharging equipment and related services, the power service providers are critical in determining EV drivers' experience. In recent years, the Japanese government cooperated with Japanese OEMs in establishing power service infrastructure, whereby the Japanese government offered subsidies to increase the number of charging stations in Japan.

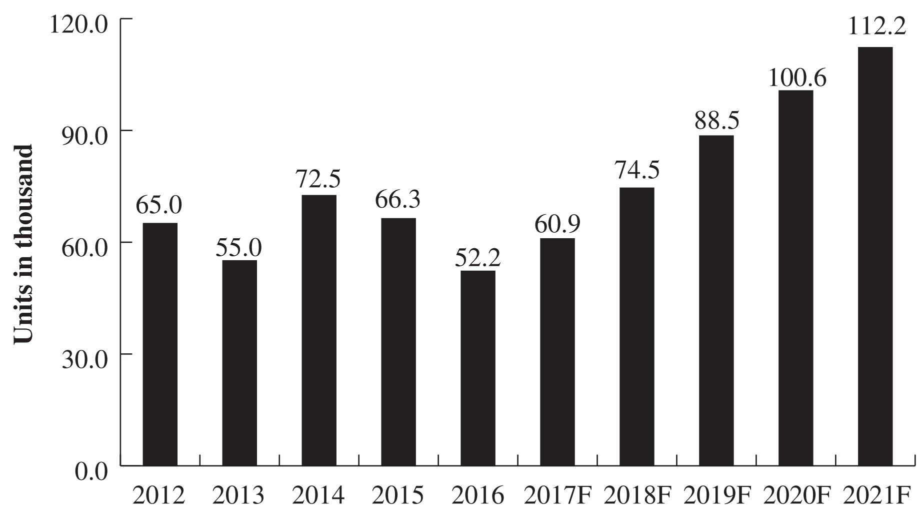
Business model

In the past two decades, automotive vehicle manufacturers gradually adopted the 4s business model, which integrates service, spare-parts and surveys (customer information) within one store. The 4s shops, which are usually established by dealers or OEMs, aim to bring a comprehensive after-sales service to consumers in order to build strong brand recognition and loyalty.

In contrast, the after sales business model adopted by the EV industry is the integrated business model, which annexes the 4s model with power services to provide complete services to the customers. Given EVs are recharged with electric charging stations with related equipment, power service providers are paramount in determining customer experience in driving EV, and thus, customer's decision in purchasing EV.

Estimated number of production volume of EV in Japan

The graph below sets forth the estimated number of production volume of EV in Japan from 2012 to 2016 and forecast from 2017 to 2021:



Note: "F" denotes forecast.

Sources: Automotive Manufacturing Solutions; Ipsos research and analysis

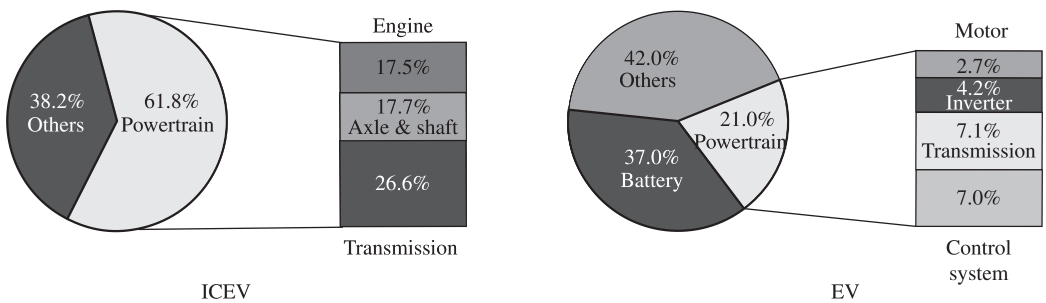
The number of production volume of EV in Japan fluctuated and recorded an overall decrease at a CAGR of approximately -5.3% from 2012 to 2016. The overall decrease in the number of production volume of EV in Japan can be explained by the earthquake and tsunami in 2011, reducing the production capacity in both components and EV manufacturing. Also, the fluctuation of a number of production volume of EV in Japan can be explained by the gap between the number of new EV model introduction each year.

During the forecast period from 2017 to 2021, the number of production volume of EV in Japan is expected to increase given the expected increase in the demand for EV in Japan as well as foreign countries. The number of production volume is expected to increase from 60.9 thousand units in 2017 to 112.2 thousand units in 2021, at a CAGR of approximately 16.5%.

Cost analysis of raw materials

Cost structure comparison on powertrain of ICEV and EV

The graph below sets forth the cost structure comparison on powertrain of ICEV and EV in 2016:



Notes:

1. The total cost is calculated focusing only on the automotive parts cost excluding the cost of R&D and human resources.

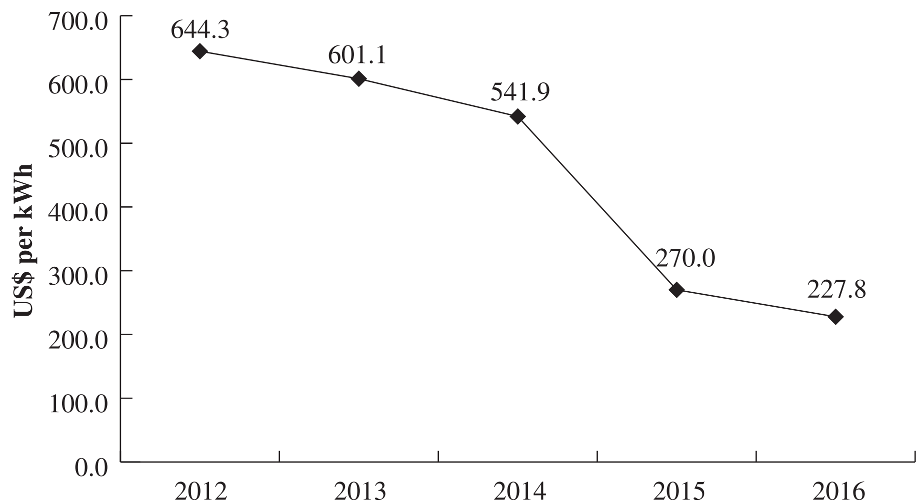
2. In order to have the same level of comparison, the cost structure is estimated based on specific popular automotive models for ICEV and BEV.

Source: Ipsos research and analysis

The powertrain is the main device for delivery power to drive. Regarding ICEV, transmission and, axles and shaft are the main components for composing powertrain, accounting for 61.8% of total components cost. Regarding EV, motor, inverter and transmission are the main components for composing powertrain, accounting for 21.0% of total components cost. The cost ownership by powertrain in EV is relatively small because the cost of the battery takes a huge portion of total cost ownership.

EV battery pack

The graph below sets forth the average price trend of EV battery pack from 2012 to 2016:



Notes:

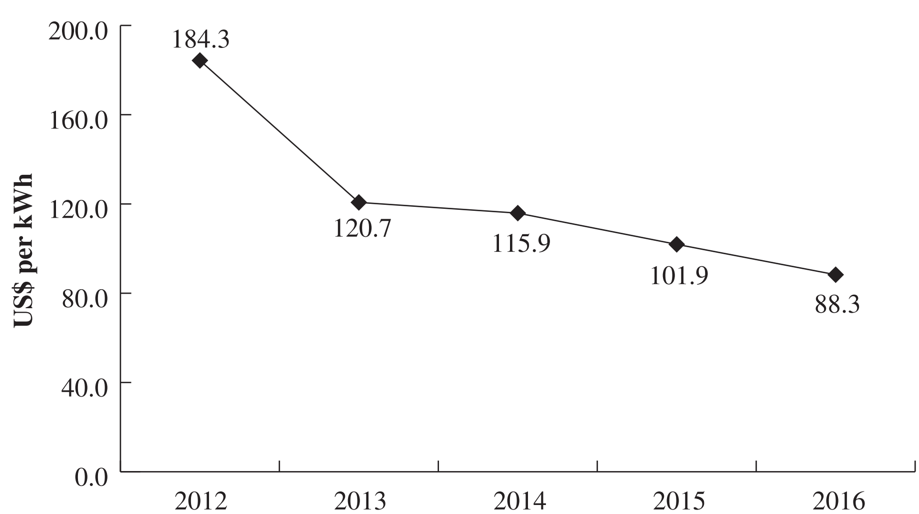
1. The above data refers to the price trend of EV battery pack at a global level.
2. "kWh" means kilowatt hour.

Source: Ipsos research and analysis

The average cost of EV battery pack decreased from US$644.3 per kWh in 2012 to US$227.8 per kWh in 2016, at a CAGR of approximately -22.9%. The increase in the production volume of EV battery pack resulted in economies of scale of manufacturing, reducing the cost of producing and the selling price of EV battery pack.

EV powertrain

The graph below sets forth the average price trend of EV powertrain from 2012 to 2016:



Note: The above data refers to the price trend of EV powertrain at a global level.

Source: Ipsos research and analysis

The average price of EV powertrain recorded a decreasing trend from 2012 to 2016. The average price decreased from US$184.3 per kWh in 2012 to US$88.3 per kWh in 2016, at a CAGR of approximately -16.8%. The decrease in the average price of EV powertrain over the past few years could be explained by the technological advancement in EV powertrain technology, which lowered the production cost, as well as the price of EV powertrain.

COMPETITIVE LANDSCAPE OF THE EV MANUFACTURING INDUSTRY IN JAPAN

In 2016, there were approximately nine EV manufacturers in Japan, in which six of them are traditional automobile manufacturers, and three pioneers manufacturing EVs. The EV manufacturing industry in Japan is considered to be highly consolidated, with the top three players accounted for approximately 93.6% of the total EV production volume in Japan for 2016.

Based on the number of EV produced, the Target is estimated to account for a market share of less than 1% of the total EV production volume in Japan in 2016.

The estimated production volume of EV in Japan is expected to grow at a CAGR of approximately 16.5%, from 60.9 thousand units in 2017 to 112.2 thousand units in 2021. It can be concluded that the EV manufacturing industry in Japan is a growing market. During the forecast period, the production volume of EV in Japan is expected to be driven by the rising demand for EV from the global market. The expected introduction of new EV models announced by several OEMs will subsequently contribute to the increase in production volume of EV in Japan during the forecast period. In addition, the total number of EV manufacturers in Japan is expected to increase to 14 by 2020 as more traditional passenger vehicle OEMs are planning to launch their first EV model. As a result, it is expected the competition will increase for the EV manufacturing industry going forward.

Factors of competition

Good customer experience in charging

EVs with support for advanced technologies which enable highspeed charging and associated charging infrastructure are more attractive to customers. As most of the currently available EVs require 4 to 5 hours charging time to fully recharge, the charging speed is of paramount importance to customers when selecting among available EV models. Moreover, the physical coverage of EV charging stations remain in its nascent stage, it is critical for EV manufacturers to collaborate with power service providers to expand public and commercial charging networks in target markets to alleviate concerns of the limited physical coverage of the charging networks. EV manufacturers that engage in improving the charging network, especially fast-charging networks that cater to their products, will lessen consumers' concerns over driving range of EVs and insufficient coverage of charging stations, making these EV models potentially more attractive to customers.

Improved driving range

As charging networks across different markets have yet to mature, an EV's driving range is an important factor to potential EV owners when selecting among different EV models in the market. EV manufacturers, therefore, can cement their products' competitiveness from other models by improving driving range. Given EV, particularly BEV and PHEV, rely on electricity stored in the battery to fuel the electric motor, the battery performance and associated capacity are key in determining an EV's driving range. As most EV manufacturers purchase EV battery technologies from upstream suppliers, EV manufacturers who also engage in R&D of EV batteries and electric motor efficiency will be able to garner key competitive advantages against other players. Improved driving range, therefore, acts as an indicator to attract customer and distinguish an EV manufacturer's product from other competitors in the industry.

Market drivers

High preference and awareness on EV

The Japanese EV market remained strong since the introduction of the first HEV, reflecting Japanese consumers' preference and awareness for EV. Most Japanese EV consumers prefer to select Japanese EVs over imported EVs. The preference for domestically-made EVs will likely continue to be one of the key factors in maintaining the continual higher growth in the sales of EVs in Japan. This, in turn, will drive the EV manufacturing industry in Japan.

Government subsidies

Under the supportive landscape, as reflected by the increase in the number of EV Stock in Japan, the markets for EV are likely to be robust in the near future. In particular, it is expected that EV will lead the growth in the overall EV market in Japan with the continual government support and subsidies. The positive outlook of the Japanese EV market and the consumers support for Japanese-manufactured vehicles, therefore, is expected to drive the EV manufacturing industry in Japan.

Cost competitiveness improve as collaboration between Japanese OEMs heightened

To reduce the cost of developing new models, Japanese EV manufacturers have been attempting to collaborate or establish partnerships with one another through joint developments, joint procurements, and joint ventures of the development platform. For instance, some of the OEMs have intensified their cooperative relationships as they tried to expand their collaboration for EV development. On the other hand, some OEMs opt to develop a module vehicle platform and is using it to develop both ICEVs and EVs. These efforts from Japanese EV manufacturers contribute to improving cost competitiveness for the Japanese EV manufacturing industry. The enhanced cost competitiveness, therefore, is expected to drive the EV demand in Japan and abroad.

Entry barriers

High initial and continuous R&D investments

The EV manufacturing industry demands considerable capital investments in establishing and/or retrofitting manufacturing plants, purchasing equipment and components, as well as conducting intensive R&D. The required capital investments may deter some companies from entering the EV manufacturing industry in Japan. Moreover, EV manufacturers must continuously invest in the research and development of EV related technologies, such as battery, battery management system, powertrain as well as manufacturing technology, in order to remain competitive in the market. Although the Japanese government offers subsidies to vehicle manufacturers in Japan, the initial capital investment and on-going R&D investments remain as key barriers for prospective entrants. The combination of high initial and continuous R&D capital investment acts as significant deterrents to prospective entrants to the EV manufacturing market in Japan.

Established OEMs in domestic and global market create highly competitive environments

New entrants to EV manufacturing industry in Japan will be competing against established domestic and global OEMs. Many established traditional European ICEV manufacturers, which had traditionally been focused on the global high-end ICEV markets, have been progressively re-focusing their R&D and marketing efforts to the EV market in recent years. The competition in the global EV market has intensified as the number of established OEMs re-focus their efforts to the EV market increased in recent years. In general, established EV OEMs have strong brand recognition and high customer loyalty in the global and domestic markets. New entrants would require significant effort and investments to overcome the lack of brand recognition and to churn customers from existing OEMs in Japan as well as across the globe.

Opportunities

Worldwide attention to air pollution issue

Given the rising awareness of global warming, many countries have tightened regulations on emission standards for industries, homes and vehicles. Due to the tightened emission standards for vehicles in many countries, consumers are beginning to opt to purchase EVs over traditional ICEVs. The tightened regulations, therefore, give rise to favourable environments for purchases of EVs. With the increased awareness for global warming presents an opportunity for Japanese EV manufacturers, whom can expand to satisfy growing demand from the domestic and global markets.

Progressive technology development in charging stations and batteries

Technological development in batteries, especially in charging time and battery capacity, will allow Japanese EV manufacturers to reach a wider range of customers in the future. Technology improvements continue to address key EV shortcomings such as shortened range, long charge time and insufficient coverage of charging stations. These technological improvements will likely to attract a wider range of customers.

Risks and threats

Potential decline in government subsidies

Given retail sales and production of EV, particularly PHEV, BEV and FCEV, are heavily subsidized by the Japanese government, the continued growth of the Japanese EV market may be threatened when the Japanese government gradually withdraws EV subsidies. Currently, EVs remain more expensive than traditional ICEVs in terms of the total cost of ownership (i.e. maintenance fees and vehicle cost). A significant driver of the current uptick in EV sales was the result of continuous and substantial government subsidies. Despite the price of EV has been declining in recent years, the rate of decline in EV price may not match the rate if there is a potential decline in Japanese government subsidies. Any government policies that reduce subsidies may reduce EV's attractiveness for consumers, in turn, may negative impact the EV manufacturing industry in Japan.

Heightened competition from other foreign EV manufacturers

The EV manufacturing industry in Japan is facing with heightened competition from foreign markets. It is observed that some of the foreign renowned vehicle manufacturers have invested heavily in R&D in recent years, it is expected that their technological developments in diving range and charge time will impose a threat to other vehicle manufacturers. On the other hand, Chinese EV manufacturing industry has been benefitted by the rapid development of production and battery technologies and the support from the Chinese government. Hence, given the heightened competition from other foreign EV manufacturers, it poses a threat to the EV manufacturing industry in Japan.

Concerns about EV safety and ease of use may hold back the EV sales

There are different concerns may impose challenges to the EV sales market and therefore impact the EV manufacturing industry in Japan accordingly, such as the safety and usage convenience concerns. The safety of the lithium-ion batteries is one of the paramount factors in guaranteeing vehicles' safety. As the EV technology remains relatively immature, there have been situations in which lithium-ion batteries caught on fire while the battery packs were damaged. The safety concerns in EV battery, therefore, may deter potential EV consumers from purchasing EV, impacting the sales of EV and therefore posing a threat to the EV manufacturing industry in Japan as well.

The Target is a Japanese joint stock corporation established on 1 April 2010 and is engaged in, amongst other things, manufacturing and selling of cars and industrial vehicles. The major Japanese laws and regulations applicable to the Target's businesses are as follows:

COMPANIES ACT (ACT NO. 86 OF 2005, AS AMENDED)

The Companies Act lays down the legal basis for companies incorporated under the Act, including *kabushiki kaisha* (joint stock corporations) such as the Target.

The Companies Act provides for substantive laws and procedural matters which companies must comply with, including those relating to incorporation, conduct of business, decision-making bodies, corporate governance, share capital, the rights and obligations of shareholders and dissolution and liquidation. The profits generated by a company can be distributed to its shareholders to the extent of the amount of its "distributable surplus" as calculated pursuant to the Act. The dividend distribution is subject to withholding taxes, depending on the terms of any applicable tax treaty (if any).

ROAD TRANSPORT VEHICLE ACT (ACT NO. 185 OF 1951, AS AMENDED)

The Road Transport Vehicle Act aims to secure the safety and appropriate use of vehicles and sets forth the registration and inspection system for vehicles and also covers the maintenance of vehicles.

In order to sell a vehicle which can run on public roads, the manufacturer of such vehicle is required to apply for certification of the model with the Ministry of Land, Infrastructure and Transport pursuant to the Act.

PRODUCT LIABILITY ACT (ACT NO. 85 OF 1994)

The main legislation regulating tort claims is the Civil Code of Japan (Act No. 89 of 1896, as amended). Under the Civil Code, a person who has incurred damage due to another person's negligence or wilful misconduct can claim compensation for such damage which has a reasonable nexus to the cause.

The Product Liability Act sets forth a special rule for tort claims in respect of the liability of manufacturers for damage caused by defects in products. Such liability is strict liability and can be imposed even if there is no negligence on the part of the manufacturer.

LABOUR LAWS

There are various pieces of labour-related legislation in Japan, including the Labour Standards Act (Act No. 49 of 1947, as amended), the Labour Contract Act (Act No. 128 of 2007, as amended) and the Industrial Health and Safety Act (Act No. 57 of 1972, as amended).

The Labour Standards Act sets forth, amongst other things, the minimum standards for working conditions such as working hours, annual leave and wages. The Labour Contract Act sets forth, amongst other things, the criteria for imposing disciplinary actions and changing the terms and conditions of employment in a manner unfavourable to employees. The Industrial Health and Safety Act sets forth, amongst other things, measures, which need to be implemented by employers to protect employees from workplace accidents.

CONSUMPTION TAX ACT (ACT NO. 108 OF 1988, AS AMENDED)

The Consumption Tax Act applies to most transactions of goods and services in Japan. Consumption tax is assessed at each of the manufacturing, importing, wholesale and retail processes. The current consumption tax rate is 8%.

CORPORATION TAX ACT (ACT NO. 34 OF 1965, AS AMENDED)

The Corporation Tax Act applies to income generated by the activities of corporations in Japan. The corporation tax rate has been decreased by the Japanese government and is currently at 23.4% for most corporations (and will be further reduced to 23.2% from the fiscal year starting as of 1 April 2018). Foreign-owned companies are subject to the same corporation tax rates as domestically-owned companies in Japan.

PATENT ACT (ACT NO. 121 OF 1959, AS AMENDED) AND UTILITY MODEL ACT (ACT NO. 123 OF 1959, AS AMENDED)

The Patent Act provides for an exclusive right for a certain period of time (generally, twenty years) to prevent any third party from exploiting an invention that is new and capable of industrial application. A valid patent confers on its proprietor the exclusive right to exploit, or to authorise another person to exploit, the patented invention. The Utility Model Act provides for the same exclusive right for a shorter period of time (ten years) in respect of an eligible invention relating to the shape or structure of an article or combination of articles, which cannot be protected under the Patent Act.

TRADEMARK ACT (ACT NO. 127 OF 1959, AS AMENDED)

The Trademark Act provides for the protection of registered trademarks. A holder of a registered trademark right has a right to prevent a third party from using a trademark similar to the registered trademark for products or services similar to its designated products or services.

DESIGN ACT (ACT NO. 125 OF 1959, AS AMENDED)

The Design Act provides for an exclusive right for a certain period of time (twenty years) to prevent any third party from exploiting an industrial design that is new and capable of industrial application. A validly registered design confers on its proprietor the exclusive right to exploit, or to authorise another person to exploit, the registered design.

COPYRIGHT ACT (ACT NO. 48 OF 1970, AS AMENDED)

The Copyright Act provides for protection of the rights of authors of certain work, including drawings, charts, models, database and computer program works, regardless of whether such work is registered or not. The copyright for works created by an employee during the course of the business of the employer belongs to the employer.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three financial years ended 30 September 2014, 2015 and 2016 and the six months ended 31 March 2017 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.oluxe.com.hk):

- annual report of the Company for the year ended 30 September 2014 published on 29 January 2015 (pages 27 to 88);
- annual report of the Company for the year ended 30 September 2015 published on 28 January 2016 (pages 30 to 98);
- annual report of the Company for the year ended 30 September 2016 published on 26 January 2017 (pages 34 to 108); and
- interim report of the Company for the six months ended 31 March 2017 published on 22 June 2017 (pages 1 to 27).

2. INDEBTEDNESS STATEMENT

At the close of business on 31 July 2017, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the indebtedness of the Enlarged Group was as follows:

Bank borrowings

The Group had aggregate bank borrowings of approximately HK$81,284,000 comprising (i) unguaranteed bank borrowing of HK$75,478,000, which was secured by the trade receivables of the Group with carrying amount of approximately HK$17,319,000 as at 31 July 2017. (ii) guaranteed bank borrowing of HK$5,806,000, which was secured by certain of the Group's investment properties with a carrying amount of approximately HK$18,928,000 as at 31 July 2017.

The Target had secured bank borrowing of approximately HK$21,010,000 and unsecured bank borrowing of approximately HK$14,007,000 as at 31 July 2017. The secured bank borrowing was secured by certain of the Target's land and buildings, with a net carrying amount of approximately HK$10,860,000 and HK$24,599,000, respectively.

Contingent liabilities and commitment

The Enlarged Group had no material contingent liabilities and commitment as at 31 July 2017.

Except as disclosed above and apart from intra-group liabilities, the Enlarged Group did not have, as at 31 July 2017, any other debt securities issued and outstanding, and authorized or otherwise created but unissued, terms loans, other borrowings and indebtedness, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchases commitments, finance lease obligation, mortgages, charges, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

In assessing the sufficiency of working capital of the Enlarged Group for its requirements for at least the coming twelve months, the Directors have reviewed the cashflow forecast of the Enlarged Group. In preparing such forecast, the Directors have taken into account the future events of the Enlarged Group (including but not limited to the Disposal) and assessed the likelihood of such events materialising during the coming twelve months, irrespective of whether such events are inter-conditional with the Acquisition and the Subscription. As a legally binding agreement in respect of the Disposal has been entered into by the Company and the Directors are of the view the Disposal is likely to be completed within the next twelve months, the Directors consider that it is appropriate to include the effect of the Disposal (including the receipt of the consideration and the exclusion of outflows attributable to the assets subject to the Disposal) in the cashflow forecast.

The Directors, after due and careful consideration, are of the opinion that, taking into account (i) completion of the Disposal, the Acquisition and the Subscription; (ii) the internal resources and the existing credit facilities available to the Enlarged Group and the net proceeds from the Disposal and the Subscription, the Enlarged Group has sufficient working capital for its requirements for at least twelve months from the date of publication of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is principally engaged in the businesses of distribution of watches, wholesale trading of jewellery products, money lending, securities investments and property investment. The Group also holds an investment in the Chi Feng gold mine in Inner Mongolia. Upon Acquisition Completion, the Enlarged Group will add to its existing business portfolio a new business segment of manufacturing and sale of EVs and provision of EV engineering solutions.

Regarding the business of distribution of watches and jewellery products of the Group, the Director expect that the market environment will remain challenging in light of the lackluster consumer appetite for luxury goods in the PRC, Hong Kong, Macau and Taiwan. The Group will continue to adopt stringent control measures and negotiate better terms of distribution with the brand owners to sustain the return for this segment.

Since the commencement of money lending and securities investment business in 2015, the loan portfolio and investment of the Group have been gradually built up and diversified the income stream of the Group. In view of the moderate economic growth in the PRC and Hong Kong and the launch of the Shenzhen-Hong Kong Stock Connect Scheme, the Group is optimistic about the prospects of the money lending and securities investment business and will employ appropriate strategies to capture development opportunities. The Company plans to develop the money lending business of the Group after completion of the Disposal by expanding its loan portfolio, focusing on the provision of corporate loans in response to the respective business development opportunities and corresponding funding needs of corporate customers shaped by the economic climate in Hong Kong and the PRC. Such expansion shall be financed by the net proceeds from the Disposal.

On 12 October 2016, the Company completed the acquisition of the entire interest in Rich Cypress Limited, which indirectly holds interests in undeveloped parcels of land for industrial and tourism uses and developed villas and warehouses located in Shenyang, Liaoning, the PRC (details of which are disclosed in the announcements of the Company dated 29 September 2016 and 12 October 2016). The properties held by Rich Cypress Limited strengthened the asset base of the Group, provides capital appreciation potential to the Group and will continue to generate stable rental income to the Group.

As disclosed in the interim report of the Company for the six months ended 31 March 2017, the production schedule of the Chi Feng gold mine has been delayed due to extensive time spent on reviewing and negotiating the construction cost of the infrastructure of the mining facilities with the PRC mining institution, and revision of the production plan in compliance with the latest PRC safety regulations. It was further mentioned in the interim report that the Group will adjust the development pace as and when appropriate. While there has not been significant development on the rescheduling of the production plan of the Chi Feng gold mine since the interim report, the Directors will review and formulate the strategy of the Group in relation to its investment in the Chi Feng gold mine, taking into account the new business direction of the Group with the Acquisition. However, as the Acquisition Completion is subject to a number of conditions, it may or may not proceed. The Directors do not have any plan on the Chi Feng gold mine yet except those disclosed in the interim report.

Upon the Acquisition Completion, the Enlarged Group will diversify its business into EV industry. In view of the global trend of development and usage of EV supported by the efforts of governments of various countries in enhancing environmental protection measures, the Directors believe that the worldwide demand for EV will continue to increase. Having considered the plan of the Target to manufacture and launch GLM-G4 in 2019 and to develop its own electric passenger vehicle and electric commercial vehicle, the prospects of the EV market and the potentials of the Target leveraging upon its technical capabilities as mentioned in the section headed ''Reasons for and benefits of the Acquisition, the Subscription and use of proceeds from the Subscription'' in the letter from the Board contained in this circular, the Directors are of the view that the Acquisition represents an opportunity for the Group to tap into the fast growing EV industry to capture the prospective return on investment.

1. ACCOUNTANTS' REPORT

The following is the text of a report received from the Target's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular.

22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

8 September 2017

The Directors
O Luxe Holdings Limited

Dear Sirs,

We report on the historical financial information of GLM Co., Ltd. (the "Target") set out on pages II-3 to II-37, which comprises the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target for each of the three years ended 31 March 2015, 2016 and 2017 (the "Relevant Periods"), and the statements of financial position of the Target as at 31 March 2015, 2016 and 2017, and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-3 to II-37 forms an integral part of this report, which has been prepared for inclusion in the circular of O Luxe Holdings Limited (the "Company") dated 8 September 2017 (the "Circular") in connection with the proposed acquisition of the entire issued share capital and outstanding share options in the Target by the Company (the "Acquisition").

DIRECTORS OF THE TARGET'S RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Target (the "Target's Directors") are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2.1 to the Historical Financial Information and for such internal control as the Target's Directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Target's Directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the financial position of the Target as at 31 March 2015, 2016 and 2017 and of the financial performance and cash flows of the Target for each of the Relevant Periods in accordance with the basis of preparation and presentation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

ADJUSTMENTS

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-3 have been made.

DIVIDENDS

We refer to note 10 to the Historical Financial Information which states that no dividends have been paid by the Target in respect of the Relevant Periods.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

For the purpose of this report, the Target's Directors have prepared the financial statements of the Target (the "Underlying Financial Statements") for the Relevant Periods in accordance with the IFRS issued by the International Accounting Standards Board ("IASB"). The Underlying Financial Statements for each of the years ended 31 March 2015, 2016 and 2017 were audited by Ernst & Young in accordance with International Standards on Auditing issued by the International Federation of Accountants.

The Historical Financial Information is presented in Japanese Yen ("JPY") and all values are rounded to the nearest thousand (JPY'000) except when otherwise indicated.

(A) STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March		
		2015	**2016**	**2017**
	Notes	*JPY'000*	*JPY'000*	*JPY'000*
REVENUE	*5*	149,860	88,320	203,950
Cost of sales		(133,667)	(138,293)	(223,704)
Gross profit/(loss)		16,193	(49,973)	(19,754)
Other income and gains, net	*5*	26,420	16,585	27,660
Selling and distribution expenses		(28,659)	(16,893)	(153,408)
Administrative expenses		(100,969)	(147,982)	(707,985)
Research and development costs		(144,718)	(543,324)	(563,431)
Finance costs	*7*	(799)	(802)	(1,847)
LOSS BEFORE TAX	*6*	(232,532)	(742,389)	(1,418,765)
Income tax expense	*9*	—	—	—
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(232,532)	(742,389)	(1,418,765)

(B) STATEMENTS OF FINANCIAL POSITION

		As at 31 March		
		2015	2016	2017
	Notes	*JPY'000*	*JPY'000*	*JPY'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*12*	18,085	69,574	633,298
Deposits	*15*	6,000	1,500	4,896
Total non-current assets		24,085	71,074	638,194
CURRENT ASSETS				
Inventories	*13*	1,000	79,217	110,945
Trade receivable	*14*	16,106	—	—
Prepayments, deposits and other receivables	*15*	55,212	112,504	233,397
Cash and cash equivalents	*16*	758,245	1,223,001	500,821
Total current assets		830,563	1,414,722	845,163
CURRENT LIABILITIES				
Trade payables	*17*	28,154	45,680	12,504
Other payables and accruals	*18*	27,963	99,327	104,505
Total current liabilities		56,117	145,007	117,009
NET CURRENT ASSETS		774,446	1,269,715	728,154
TOTAL ASSETS LESS CURRENT LIABILITIES		798,531	1,340,789	1,366,348
NON-CURRENT LIABILITY				
Interest-bearing bank borrowings	*19*	200,000	200,000	500,000
Total non-current liability		200,000	200,000	500,000
Net assets		598,531	1,140,789	866,348
EQUITY				
Equity attributable to owners of the Target				
Share capital	*20*	580,330	1,246,690	1,519,570
Reserves	*22*	18,201	(105,901)	(653,222)
Total equity		598,531	1,140,789	866,348

(C) STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Target				
	Share capital	Share premium	Share option reserve	Accumulated losses	Total equity
	JPY'000	*JPY'000*	*JPY'000*	*JPY'000*	*JPY'000*
At 1 April 2014	310,150	300,150	23,149	(355,659)	277,790
Loss and total comprehensive loss for the year	—	—	—	(232,532)	(232,532)
Issue of shares	270,180	270,180	—	—	540,360
Equity-settled share option arrangement	—	—	12,913	—	12,913
At 31 March 2015 and 1 April 2015	580,330	570,330*	36,062*	(588,191)*	598,531
Loss and total comprehensive loss for the year	—	—	—	(742,389)	(742,389)
Issue of shares	666,360	612,769	—	—	1,279,129
Equity-settled share option arrangement	—	—	5,518	—	5,518
At 31 March 2016 and 1 April 2016	1,246,690	1,183,099*	41,580*	(1,330,580)	1,140,789
Loss and total comprehensive loss for the year	—	—	—	(1,418,765)	(1,418,765)
Issue of shares	272,880	277,880	—	—	550,760
Transfer of share option reserves upon the forfeiture of share option	—	—	(499)	499	—
Equity-settled share option arrangement	—	—	593,564	—	593,564
At 31 March 2017	1,519,570	1,460,979*	634,645*	(2,748,846)*	866,348

* These reserve accounts comprise the reserves of JPY18,201,000, deficit of JPY105,901,000 and deficit of JPY653,222,000 in the statements of financial position as at 31 March 2015, 2016 and 2017, respectively.

(D) STATEMENTS OF CASH FLOWS

		Year ended 31 March		
		2015	2016	2017
	Notes	*JPY'000*	*JPY'000*	*JPY'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax		(232,532)	(742,389)	(1,418,765)
Adjustments for:				
Finance costs	*7*	799	802	1,847
Interest income	*5*	(78)	(225)	(11)
Depreciation	*6*	1,023	6,623	21,118
Write-down of inventories to net realisable value	*6*	—	34,479	65,683
Equity-settled share option expense	*6*	12,913	5,518	593,564
		(217,875)	(695,192)	(736,564)
Increase in inventories		(1,000)	(112,696)	(97,411)
Decrease/(increase) in trade receivables		(15,518)	16,106	—
Increase in prepayments, deposits and other receivables		(42,039)	(52,792)	(124,289)
Increase/(decrease) in trade payables		15,448	17,526	(33,176)
Increase in other payables and accruals		2,415	71,364	5,178
Cash used in operations		(258,569)	(755,684)	(986,262)
Interest paid		(799)	(802)	(1,847)
Net cash flows used in operating activities		(259,368)	(756,486)	(988,109)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		78	225	11
Purchases of items of property, plant and equipment	*12*	(17,207)	(58,112)	(584,842)
Net cash flows used in investing activities		(17,129)	(57,887)	(584,831)

		Year ended 31 March		
		2015	**2016**	**2017**
	Notes	*JPY'000*	*JPY'000*	*JPY'000*
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank borrowings		—	—	300,000
Proceeds from issue of shares		540,360	1,279,129	550,760
Net cash flows from financing activities		540,360	1,279,129	850,760
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		263,863	464,756	(722,180)
Cash and cash equivalents at beginning of year		494,382	758,245	1,223,001
CASH AND CASH EQUIVALENTS AT END OF YEAR		758,245	1,223,001	500,821
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	*16*	758,245	1,223,001	500,821

II. NOTES TO HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Target is a limited liability company incorporated in Japan on 1 April 2010. The registered office of the Target is located at VBL Kyoto University, Yoshida Honmachi, Sakyo-ku, Kyoto, 600–8813, Japan.

The Target is principally engaged in the development, engineering, manufacturing and sales of electric vehicles and related components.

No audited statutory financial statement has been prepared for the Target for the year ended 31 March 2015 as the Target was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

The statutory financial statements of the Target for the years ended 31 March 2016 and 2017 prepared under Japanese Generally Accepted Accounting Principles were audited by Deloitte Touche Tohmatsu LLC, certified public accountants registered in Japan.

2.1 BASIS OF PREPARATION AND PRESENTATION

The Historical Financial Information has been prepared in accordance with IFRSs as issued by IASB. All IFRSs effective for the accounting period commencing from 1 April 2016, together with the relevant transitional provisions, have been early adopted by the Target in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention.

For the years ended 31 March 2015, 2016 and 2017, the Target incurred loss for the year of JPY232,532,000, JPY742,389,000 and JPY1,418,765,000, respectively. The Target finances its operations principally by obtaining funding from its shareholders and interest-bearing bank borrowings.

The Historical Financial Information has been prepared by the Target's Directors under the going concern concept because in the opinion of the Target's Directors, the target will have adequate fund for its current operations in the foreseeable future and the Company also agreed to provide continual financial support and adequate funds to the Target for its operations as and when they fall due upon the Company becomes the controlling shareholder of the Target.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Target has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to IAS 40	*Transfer of Investment Property*[2]
Annual Improvements 2014–2016 Cycle	Amendments to the following three Standards • *IFRS 12 Disclosure of Interests in Other Entities*[1] • *IFRS 1 First-time Adoption of International Financial Reporting Standard*[2] • *IAS 28 Investments in Associates and Joint Venture*[2]
IFRIC-Int 22	*Foreign Currency Transactions and Advance Consideration*[2]

1 Effective for annual periods beginning on or after 1 April 2017
2 Effective for annual periods beginning on or after 1 April 2018
3 Effective for annual periods beginning on or after 1 April 2019
4 No mandatory effective date is determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Target is as follows:

The IASB issued amendments to IFRS 2 in June 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Target expects to adopt the amendments from 1 April 2018. The amendments are not expected to have any significant impact on the Target's Historical Financial Information.

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Target expects to adopt IFRS 9 from 1 April 2018. The Target is currently assessing the impact of the standard.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively.

The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Target expects to adopt IFRS 15 on 1 April 2018 and is currently assessing the impact of IFRS 15 upon adoption.

IFRS 16 replaces IAS 17 *Leases*, IFRIC-Int 4 *Determining whether an Arrangement contains a Lease*, SIC-Int 15 *Operating Leases — Incentives* and SIC-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Target expects to adopt IFRS 16 on 1 April 2019 and is currently assessing the impact of IFRS 16 upon adoption.

Amendments to IAS 7 require an entity to provide disclosures that enable users of Historical Financial Information to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the Historical Financial Information. The Target is currently assessing the impact of the standard.

Amendments to IAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Target is currently assessing the impact of the standard.

For Amendments to IAS40 and *Annual Improvements 2014–2016 Cycle* (including Amendments to IFRS 12, IFRS 1 and IAS 28), the Target is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application but is not yet in a position to state whether these new and revised IFRSs would have a significant impact on its results of operations and financial position.

The IFRIC-Int 22 was issued in June 2017 with the purpose of clarifying that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The Target expects to adopt the amendments from 1 April 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	—	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Target determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target;

(ii) has significant influence over the Target; or

(iii) is a member of the key management personnel of the Target or of a parent of the Target;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target or an entity related to the Target;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target or to the parent of the Target.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Buildings	Over the shorter of the remaining lease of the land lease and 38 years
Leasehold improvements	Over the shorter of the lease terms or 5 years
Machinery and equipment	3 years to 5 years
Furniture, fixtures and office equipment	3 years to 5 years
Motor vehicles	2 years to 6 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a motor vehicle in the process of renovation and machineries in the process of installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Target can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Target, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. The Target determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target's statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Target has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ''pass-through'' arrangement; and either (a) the Target has transferred substantially all the risks and rewards of the asset, or (b) the Target has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target continues to recognise the transferred asset to the extent of the Target's continuing involvement. In that case, the Target also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target could be required to repay.

Impairment of financial assets

The Target assesses at the end of each of the reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as loans and borrowings. The Target determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target's financial liabilities include trade payables, other payables, accruals, interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the reporting period, taking into consideration interpretations and practices prevailing in the jurisdiction in which the Target operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Target maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

(a) Retirement benefit costs

The Target is required to contribute certain percentages of its payroll costs to the local pension scheme. The only obligation of the Target with respect to the pension scheme is to pay the ongoing contributions under the pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the local requirements.

(b) Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

(c) Share-based compensation

The Target provides equity-settled, share-based compensation to certain employees (including directors) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Target's operation.

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period, with a corresponding increase in equity. At the end of each reporting period, the Target revises its estimates of the number of options that are expected to become vested. The impact of the revision of original estimates is recognised in profit or loss and a corresponding adjustment is made to the contribution from the Target over the remaining vesting period.

(d) Paid leave carried forward

The Target provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of each reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Borrowing costs

Borrowing costs are expensed in profit or loss in the year in which they are incurred, except to the extent that they are capitalised as the costs directly attributable to the financing of the construction of a qualifying asset. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives and residual values of property, plant and equipment

The Target determines the estimated useful lives and related depreciation for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. Management will increase the depreciation charges where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expenses in future periods.

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the estimated net realisable value of the inventories. The assessment of the write-down involves management's judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, the differences will have impact on the carrying amounts of inventories and the write-down/write-back of inventories in the period in which the estimate has been changed.

Impairment of non-financial assets

The Target assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents of the net invoiced value of goods sold, after allowances for returns and trade discounts for the Relevant Periods.

An analysis of the Target's revenue, other income and gains, net, is as follows:

	Year ended 31 March		
	2015	**2016**	**2017**
	JPY'000	*JPY'000*	*JPY'000*
Revenue			
Sales of electric vehicles	123,189	56,830	51,950
Sales of components	26,671	31,490	152,000
	149,860	88,320	203,950
Other income and gains, net			
Interest income	78	225	11
Government subsidies	25,852	10,990	26,658
Foreign exchange gains, net	—	750	351
Sundry income	490	4,620	640
	26,420	16,585	27,660

6. LOSS BEFORE TAX

The Target's loss before tax is arrived at after charging/(crediting):

		Year ended 31 March		
		2015	**2016**	**2017**
	Notes	*JPY'000*	*JPY'000*	*JPY'000*
Cost of inventories sold		133,667	103,814	158,021
Write-down of inventories to net realisable value		—	34,479	65,683
Depreciation	*12*	1,023	6,623	21,118
Auditor's remuneration		—	8,611	11,220
Research and development costs				
— current year expenditure		144,718	543,324	563,431
Employee benefit expense (excluding directors' remuneration *(note 8)*)*:				
Wages and salaries		41,885	42,703	73,843
Equity-settled share option expense		1,878	—	128,327
Pension scheme contributions (defined contribution scheme)		5,536	2,799	10,796
Foreign exchange losses/(gains), net	*5*	175	(750)	(351)
Minimum lease payments under operating leases		3,974	6,351	12,293

* For the years ended 31 March 2015, 2016 and 2017, employee benefit expense of JPY19,605,000, JPY22,770,000 and JPY180,846,000 respectively, are included in research and development costs above.

7. FINANCE COSTS

	Year ended 31 March		
	2015	**2016**	**2017**
	JPY'000	*JPY'000*	*JPY'000*
Interests on interest-bearing bank borrowings	799	802	1,847

8. TARGET'S DIRECTORS AND CHIEF EXECUTIVE'S REMUNERATION

	Year ended 31 March		
	2015	**2016**	**2017**
	JPY'000	*JPY'000*	*JPY'000*
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	12,000	26,273	43,578
Equity-settled share option expense	11,035	5,518	465,237
Pension scheme contributions (defined contribution scheme)	1,242	3,695	4,287
	24,277	35,486	513,102

During the Relevant Periods, certain directors were granted share options in respect of their services to the Target, further details of which are set out in note 21 to the Historical Financial Information. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as the date of grant and the amounts included in the Historical Financial Information for the Relevant Periods are included in the above Target's Directors and chief executive's remuneration disclosures.

9. INCOME TAX EXPENSE

The Target was subject to corporate income tax rate, of 33.8%, 33.0% and 30.8% for the years end 31 March 2015, 2016 and 2017, respectively, on the estimated assessable profits arising in Kyoto, Japan. No provision for corporate income tax has been made during the Relevant Periods as the Target did not generate any assessable profits arising in Kyoto, Japan during the Relevant Periods.

	Year ended 31 March		
	2015	**2016**	**2017**
	JPY'000	*JPY'000*	*JPY'000*
Total tax charge for the year	—	—	—

A reconciliation of the tax expense applicable to loss before tax at the statutory rate to the tax expense at the effective tax rates is as follows:

	Year ended 31 March		
	2015	**2016**	**2017**
	JPY'000	*JPY'000*	*JPY'000*
Loss before tax	232,532	742,389	1,418,765
Tax at the statutory tax rate	(78,480)	(244,706)	(436,554)
Expenses not deductible for tax	623	1,259	4,322
Tax losses not recognised	77,857	243,447	432,232
Tax charge at the Target's effective tax rate	—	—	—

10. DIVIDENDS

No dividend has been paid or declared by the Target during the Relevant Periods.

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE TARGET

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings *JPY'000*	Leasehold improvement *JPY'000*	Machinery and equipment *JPY'000*	Furniture, fixtures and office equipment *JPY'000*	Motor vehicles *JPY'000*	Construction in progress *JPY'000*	Total *JPY'000*
31 March 2015							
At 1 April 2014:							
Cost	—	567	—	1,864	—	—	2,431
Accumulated depreciation	—	(66)	—	(464)	—	—	(530)
Net carrying amount	—	501	—	1,400	—	—	1,901
At 1 April 2014, net of accumulated depreciation	—	501	—	1,400	—	—	1,901
Additions	—	—	6,340	10,867	—	—	17,207
Depreciation provided for the year	—	(113)	(337)	(573)	—	—	(1,023)
At 31 March 2015, net of accumulated depreciation	—	388	6,003	11,694	—	—	18,085
At 31 March 2015:							
Cost	—	567	6,340	12,731	—	—	19,638
Accumulated depreciation	—	(179)	(337)	(1,037)	—	—	(1,553)
Net carrying amount	—	388	6,003	11,694	—	—	18,085

	Land and buildings *JPY'000*	Leasehold improvement *JPY'000*	Machinery and equipment *JPY'000*	Furniture, fixtures and office equipment *JPY'000*	Motor vehicles *JPY'000*	Construction in progress *JPY'000*	Total *JPY'000*
31 March 2016							
At 1 April 2015:							
Cost	—	567	6,340	12,731	—	—	19,638
Accumulated depreciation	—	(179)	(337)	(1,037)	—	—	(1,553)
Net carrying amount	—	388	6,003	11,694	—	—	18,085
At 1 April 2015, net of accumulated depreciation	—	388	6,003	11,694	—	—	18,085
Additions	—	—	—	4,166	5,546	48,400	58,112
Depreciation provided for the year	—	(113)	(1,268)	(2,935)	(2,307)	—	(6,623)
At 31 March 2016, net of accumulated depreciation	—	275	4,735	12,925	3,239	48,400	69,574
At 31 March 2016:							
Cost	—	567	6,340	16,897	5,546	48,400	77,750
Accumulated depreciation	—	(292)	(1,605)	(3,972)	(2,307)	—	(8,176)
Net carrying amount	—	275	4,735	12,925	3,239	48,400	69,574

	Land and buildings *JPY'000*	Leasehold improvement *JPY'000*	Machinery and equipment *JPY'000*	Furniture, fixtures and office equipment *JPY'000*	Motor vehicles *JPY'000*	Construction in progress *JPY'000*	Total *JPY'000*
31 March 2017							
At 1 April 2016:							
Cost	—	567	6,340	16,897	5,546	48,400	77,750
Accumulated depreciation	—	(292)	(1,605)	(3,972)	(2,307)	—	(8,176)
Net carrying amount	—	275	4,735	12,925	3,239	48,400	69,574
At 1 April 2016, net of accumulated depreciation	—	275	4,735	12,925	3,239	48,400	69,574
Additions	523,404	—	—	47,829	11,209	2,400	584,842
Depreciation provided for the year	(5,362)	(113)	(1,268)	(4,450)	(9,925)	—	(21,118)
Transfers	—	—	—	—	48,400	(48,400)	—
At 31 March 2017, net of accumulated depreciation	518,042	162	3,467	56,304	52,923	2,400	633,298
At 31 March 2017:							
Cost	523,404	567	6,340	64,726	65,155	2,400	662,592
Accumulated depreciation	(5,362)	(405)	(2,873)	(8,422)	(12,232)	—	(29,294)
Net carrying amount	518,042	162	3,467	56,304	52,923	2,400	633,298

At 31 March 2017, all of the Target's land and buildings with an aggregate net carrying amount of JPY518,042,000 were pledged to secure a bank loan with a principal amount of JPY300,000,000 (note 19).

13. INVENTORIES

	As at 31 March		
	2015 *JPY'000*	**2016** *JPY'000*	**2017** *JPY'000*
Raw materials	1,000	62,600	42,345
Work in progress	—	8,985	3,835
Finished goods	—	7,632	64,765
	1,000	79,217	110,945

14. TRADE RECEIVABLE

The payment terms are mainly on credit and the credit period is generally three months. The carrying amount of trade receivable approximates to its fair value.

	As at 31 March		
	2015	**2016**	**2017**
	JPY'000	*JPY'000*	*JPY'000*
Trade receivable	16,106	—	—

The trade receivable is aged within 30 days and is not past due.

The trade receivable relates to a major customer for whom there was no recent history of default.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 March		
	2015	**2016**	**2017**
	JPY'000	*JPY'000*	*JPY'000*
Prepayments	25,971	62,967	147,186
Deposits and other receivables	35,241	51,037	91,107
	61,212	114,004	238,293
Less: Deposits classified as non-current assets	(6,000)	(1,500)	(4,896)
	55,212	112,504	233,397

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default. The carrying amounts of other receivables and deposits approximate to their fair values.

16. CASH AND CASH EQUIVALENTS

	As at 31 March		
	2015	**2016**	**2017**
	JPY'000	*JPY'000*	*JPY'000*
Cash and bank balances	758,245	1,223,001	500,821

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Target, and earn interest at the respective short term time deposit rates. The cash and cash equivalents are deposited with banks with high credit ratings and no recent history of default.

17. TRADE PAYABLES

All trade payables as at the end of the Relevant Periods, based on the invoice date, aged with 30 days.

Trade payables are non-interest-bearing and are normally settled on 30-day terms. The payment terms are stipulated in the relevant contracts. The carrying amounts of trade payables approximate to their fair values.

18. OTHER PAYABLES AND ACCRUALS

	As at 31 March		
	2015	**2016**	**2017**
	JPY'000	*JPY'000*	*JPY'000*
Other payables	15,582	83,620	83,240
Accruals	12,381	15,707	21,265
	27,963	99,327	104,505

Other payables are non-interest-bearing and are expected to be settled within one year. The carrying amounts of other payables and accruals approximate to their fair values.

Included in the Target's other payables and accruals as at 31 March 2015, 2016 and 2017 are amounts due to the Target's related parties of JPY1,930,000, JPY600,000 and JPY17,100,000, respectively, which are unsecured, interest-free and have no fixed terms of repayment.

19. INTEREST-BEARING BANK BORROWINGS

Interest-bearing bank borrowings of the Target are analysed as follows:

	As at 31 March					
	2015		**2016**		**2017**	
	Contractual interest rate		**Contractual interest rate**		**Contractual interest rate**	
	(%)	*JPY'000*	*(%)*	*JPY'000*	*(%)*	*JPY'000*
Non-current						
Bank loan — unsecured	0.4	200,000	0.4	200,000	0.4	200,000
Bank loan — secured	—	—	—	—	0.7	300,000
		200,000		200,000		500,000

Based on the maturity terms of the bank borrowings, the amounts repayable in respect of the loans are:

	As at 31 March		
	2015	**2016**	**2017**
	JPY'000	*JPY'000*	*JPY'000*
Bank loans repayable:			
In the second year	—	—	—
In the third to fifth years, inclusive	—	200,000	200,000
Beyond five years	200,000	—	300,000
	200,000	200,000	500,000

Notes:

(a) As at 31 March 2015, 2016 and 2017, the unsecured bank loan of JPY200,000,000 bears interest ranging from 0.40% to 5.65% per annum (varies with level of earnings before interest, taxes, depreciation and amortisation) and is repayable in 2020.

(b) As at 31 March 2017, the secured bank loan of JPY300,000,000 is secured by all of the Target's land and buildings with an aggregate net carrying amount of JPY518,042,000, bears interest of 2.1% below Japan prime rate per annum and is repayable in 2036.

(c) The carrying amounts of the bank loans of the Target approximate to their fair values.

(d) The Target's bank loans are all denominated in Japanese Yen.

20. SHARE CAPITAL

Shares

	As at 31 March		
	2015	**2016**	**2017**
	JPY'000	*JPY'000*	*JPY'000*
Issued and fully paid:			
Ordinary shares of JPY6,000 each	52,500	52,500	52,500
Preferred A shares of JPY40,000 each	205,000	205,000	205,000
Preferred B shares of JPY15,500 each	52,650	52,650	52,650
Preferred C shares of JPY60,000 each	270,180	846,540	846,540
Preferred D shares of JPY180,000 each	—	90,000	362,880
	580,330	1,246,690	1,519,570

Ordinary share capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per ordinary share at shareholders' meeting. All ordinary shares rank equally with regard to the Target's residual assets.

Preferred shares

All preferred shares are non-redeemable and convertible into ordinary shares of the Target. Holders of preferred shares are entitled to one vote per share which is the same as ordinary shares. Holders of Preferred A shares are entitled to elect two directors at their class shareholders' meeting. Four directors shall be elected at a jointly held class shareholders' meeting, which consists of ordinary shares, Preferred A shares, Preferred B shares and Preferred C shares.

The preferred shares, except for Preferred B shares, are convertible at the option of the holders into fully-paid ordinary shares of the Target at the conversion ratio of 1 ordinary share for each Preferred A, C, and D share, subject to adjustments such as share consolidation and subdivision.

In the event the Target makes an application for the listing of its ordinary shares on a stock exchange, the Target shall issue ordinary shares to the holders of all preferred shares in exchange for all preferred shares, on a ratio of 1 ordinary share for each preferred share, subject to adjustments such as share consolidation and subdivision.

Holders of preferred shares, except for Preferred B shares, rank in priority over the ordinary shares in respect of payment of the preference dividend (when, as and if declared), which is non-cumulative. Holders of all preferred shares rank in priority over the ordinary shares in respect of residual assets.

A summary of movements in the Target's share capital during the Relevant Periods is as follows:

	Notes	**Number of shares in issue**	**Share capital** *JPY'000*	**Share premium** *JPY'000*	**Total** *JPY'000*
Ordinary shares					
At 1 April 2014, 31 March 2015, 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017	*(i)*	8,750	52,500	42,500	95,000
Preferred A shares					
At 1 April 2014, 31 March 2015, 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017	*(i)*	5,125	205,000	205,000	410,000
Preferred B shares					
At 1 April 2014, 31 March 2015, 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017	*(i)*	3,405	52,650	52,650	105,300
Preferred C shares					
At 1 April 2014		—	—	—	—
Issue of shares	*(ii)*	4,503	270,180	270,180	540,360
At 31 March 2015 and 1 April 2015		4,503	270,180	270,180	540,360
Issue of shares	*(iii)*	9,606	576,360	576,360	1,152,720
At 31 March 2016, 1 April 2016 and 31 March 2017		14,109	846,540	846,540	1,693,080
Preferred D shares					
At 1 April 2014, 31 March 2015 and 1 April 2015		—	—	—	—
Issue of shares	*(iv)*	500	90,000	90,000	180,000
At 31 March 2016 and 1 April 2016		500	90,000	90,000	180,000
Issue of shares	*(v)*	1,516	272,880	272,880	545,760
At 31 March 2017		2,016	362,880	362,880	725,760

Notes:

(i) There were no movements in the ordinary shares, preferred A shares and preferred B shares of the Target during the Relevant Periods.

(ii) During the year ended 31 March 2015, 4,503 preferred C shares were issued to certain investors at JPY120,000 each, raising a total capital of JPY540,360,000.

(iii) During the year ended 31 March 2016, 9,606 preferred C shares were issued to certain investors at JPY120,000 each, raising a total capital of JPY1,152,720,000.

(iv) During the year ended 31 March 2016, 500 preferred D shares were issued to certain investors at JPY360,000 each, raising a total capital of JPY180,000,000.

(v) During the year ended 31 March 2017, 1,516 preferred D shares were issued to certain investors at JPY360,000 each, raising a total capital of JPY545,760,000.

(vi) Subsequent to 31 March 2017, on 17 April 2017, the subscription rights attaching to 2,075 and 500 share options were exercised at the subscription price of JPY40,000 and JPY10,000, respectively, resulting in the issue of 2,575 shares for a total consideration of JPY88,000,000.

Share options

Details of the Target's share option schemes are set out in note 21 to the Historical Financial Information.

21. SHARE OPTION SCHEME

The Target granted share options to its employees (including directors) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Target's operations.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding during the Relevant Periods:

	As at 31 March					
	2015		2016		2017	
	Weighted average exercise price *JPY'000 per share*	Number of options	Weighted average exercise price *JPY'000 per share*	Number of options	Weighted average exercise price *JPY'000 per share*	Number of options
At 1 April	34.2	2,600	34.2	2,600	34.2	2,600
Granted during the year	—	—	—	—	100.0	6,100
Forfeited during the year	—	—	—	—	34.2	(135)
At 31 March	34.2	2,600	34.2	2,600	80.2	8,565

No share options were exercised during the Relevant Periods.

The exercise prices and exercise periods of the share options outstanding as at the end of each of the Relevant Periods are as follows:

31 March 2015

Number of options	Shares to be converted	Exercise price* *JPY'000 per share*	Exercise period
500	Preferred B shares	10	01/04/2014–31/03/2021
275	Preferred B shares	40	01/04/2015–31/03/2022
1,825	Ordinary shares	40	01/10/2015–30/09/2022
2,600			

31 March 2016

Number of options	Shares to be converted	Exercise price* *JPY'000 per share*	Exercise period
500	Preferred B shares	10	01/04/2014–31/03/2021
275	Preferred B shares	40	01/04/2015–31/03/2022
1,825	Ordinary shares	40	01/10/2015–30/09/2022
2,600			

31 March 2017

Number of options	Shares to be converted	Exercise price* *JPY'000 per share*	Exercise period
500	Preferred B shares	10	01/04/2014–31/03/2021
250	Preferred B shares	40	01/04/2015–31/03/2022
1,825	Ordinary shares	40	01/10/2015–30/09/2022
5,500	Ordinary shares	100	15/05/2016–14/03/2026
490	Ordinary shares	100	01/04/2018–31/03/2025
8,565			

The vesting period of the share options is from the date of grant until the commencement of the exercise period.

* The exercise price of the share options is subject to adjustment in the case of share consolidation or subdivision or other similar changes in the Target's share capital.

The fair value of the share options granted during the year ended 31 March 2017 was JPY637,122,000, of which the Target recognised a share option expense of JPY593,564,000 for the year ended 31 March 2017.

The fair value of equity-settled share options granted during the Relevant Periods was estimated as at the date of grant using a binomial tree option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2017
Risk-free interest rate (%)	-0.17 to 1.34
Dividend yield (%)	Nil
Historical volatility (%)	35.25 to 67.87
Pre-vesting forfeiture ratio (%)	Nil–11.20
Post-vesting forfeiture ratio (%)	Nil–1.30
Suboptimal factor (times)	2.0
Weighted average share price (JPY per share)	100

The historical volatility of the options is based on the volatilities of a comparable company during the corresponding historical period.

The suboptimal factor is based on the historical exercise behaviour of the grantees and the relevant share price of the Target on the dates nearest to the exercise dates.

No other feature of the options granted was incorporated into the measurement of fair value.

At 31 March 2017, the Target had 8,565 share options outstanding. The exercise in full of the outstanding share options would, under the present capital structure of the Target, result in the issue of 750 additional Preferred B shares of the Target and 7,815 additional ordinary shares of the Target, respectively, and additional share capital of JPY343,500,000 and share premium of JPY343,500,000 (before issue expenses), respectively.

At the date of this report, the Target had 5,990 share options outstanding, which represented approximately 16.6% of the Target's shares in issue as at that date.

22. RESERVES

The amounts of the Target's reserves and the movements therein for the Relevant Periods are presented in the statements of changes in equity.

Share option reserve

It represents the fair value of share options vested which are yet to be exercised, as further explained in the accounting policy of share-based payments in note 3 to the Historical Financial Information. The amount will either be transferred to the share premium account when the related share options are exercised, or transferred to retained profits should the related share options lapse or be forfeited.

23. OPERATING LEASE ARRANGEMENT

As lessee

The Target leases certain of its office premises, warehouse and carpark under operating lease arrangements. Leases for properties are negotiated for terms from ten months to seven years.

At the end of each of the Relevant Periods, the Target had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 March		
	2015	**2016**	**2017**
	JPY'000	*JPY'000*	*JPY'000*
Within one year	2,964	2,994	3,107
In the second to fifth years, inclusive	8,080	5,656	3,232
	11,044	8,650	6,339

24. CONTINGENT LIABILITIES

As at 31 March 2015, 2016 and 2017, the Target did not have any contingent liabilities.

25. RELATED PARTY TRANSACTIONS

(a) The Target had the following transactions with related parties during the Relevant Periods:

	Year ended 31 March		
	2015	**2016**	**2017**
	JPY'000	*JPY'000*	*JPY'000*
Yoshikazu Tomita*			
Licence fee for trademark incurred	555	555	555
Kabushikigaisha Koma Enterprise**			
Outsourced labour cost incurred	15,557	3,379	—
Commission fee incurred	6,801	865	—
Rental fee incurred	367	243	—

* Yoshikazu Tomita is a director of the Target and he owns a trademark related to the development of electric vehicles.

** Kabushikigaisha Koma Enterprise is a human resource and administrative services company which Hiroyasu Koma, a director of the Target and his family own over 50% of its equity interests.

The transactions were conducted at terms and conditions mutually agreed between the relevant parties. The Target's Directors are of the opinion that those related party transactions were conducted in the ordinary course of business of the Target.

(b) Outstanding balances with related parties:

Details of the Target's balances with related parties are disclosed in note 18 to the Historical Financial Information.

26. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets and liabilities of the Target as at 31 March 2015, 2016 and 2017 are loans and receivables and financial liabilities stated at amortised cost, respectively.

27. FAIR VALUE MEASUREMENT

Management has assessed that the fair values of cash and bank, trade receivable, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a focus or liquidation sale.

The fair values of the non-current portion of deposits and interest-bearing bank borrowings have been calculated by discounting the expected future cash flow using rates currently available for instruments with similar terms, credit risk and remaining maturities and approximate to their carrying amounts.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target's principal financial instruments include trade receivable, other receivables, prepayments and deposits, trade payables, other payables and cash and bank balances. Details of these financial instruments are disclosed in the respective notes to the Historical Financial Information.

The Target's ordinary activities expose it to various financial risks, including interest rate risk, credit risk and liquidity risk. The risks associated with financial instruments and the policies on how to mitigate these risks are described below. Management monitors closely the Target's exposures to financial risks to ensure appropriate measures are implemented in a timely and effective manner.

Interest rate risk

The Target's exposure to changes in market interest rates relates primarily to the Target's interest-bearing borrowings with floating interest rates. As the interest rates were low and the interest payments were not significant, no sensitivity is prepared.

The Target's exposure to cash flow interest risk mainly arises from the fluctuation of the prevailing market interest rate on the bank balances. However, the management consider the Target's exposure to such interest rate risk is not significant as bank balances are all short-term in nature. No sensitivity analysis is prepared as the fluctuation and impact is considered immaterial.

Credit risk

The Target's credit risk is primarily attributable to cash and cash equivalent, trade receivable and other receivables. The Target's maximum credit risk exposure at the end of the reporting period in the event of other parties failing to perform their obligations is represented by the carrying amount of each financial asset as stated in the statements of financial position.

Management monitors the creditworthiness and payment patterns of each debtor closely and on an ongoing basis. It is the Target's policy that all customers who wish to trade on credit terms and subject to credit certification procedures.

Further quantitative data in respect of the Target's exposure to credit risk arising from trade receivable and other receivables are disclosed in notes 14 and 15 to the Historical Financial Information.

Liquidity risk

The Target aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Target finances its working capital requirements through a combination of funds from shareholders and bank borrowings.

The following table details the remaining contractual maturities at the end of each Relevant Period of the Target's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of the reporting period) and the earliest date that the Target could be required to repay:

	Within 1 year or on demand	**Between 1 to 5 years**	**Beyond 5 years**	**Total**
	JPY'000	*JPY'000*	*JPY'000*	*JPY'000*
As at 31 March 2015				
Trade payables *(note 17)*	28,154	—	—	28,154
Other payables *(note 18)*	15,582	—	—	15,582
Interest-bearing bank borrowings *(note 19)*	800	3,200	200,267	204,267
	44,536	3,200	200,267	248,003
As at 31 March 2016				
Trade payables *(note 17)*	45,680	—	—	45,680
Other payables *(note 18)*	83,620	—	—	83,620
Interest-bearing bank borrowings *(note 19)*	800	202,667	—	203,467
	130,100	202,667	—	332,767
As at 31 March 2017				
Trade payables *(note 17)*	12,504	—	—	12,504
Other payables *(note 18)*	83,240	—	—	83,240
Interest-bearing bank borrowings *(note 19)*	2,900	210,267	330,450	543,617
	98,644	210,267	330,450	639,361

Capital management

The primary objective of the Target's capital management policy is to ensure that the Target will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Target manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target may adjust the dividend payment to shareholders, return capital to shareholder or issue new shares. The Target is not subject to any externally imposed capital requirements.

No changes were made in the objective, policies or processes for managing capital during the Relevant Periods.

During the Relevant Periods, the Target's gearing ratio was 0% since the Target's cash and cash equivalents of approximately JPY758,245,000, JPY1,223,001,000 and JPY500,821,000 as at 31 March 2015, 2016 and 2017 exceeded its total interest-bearing bank borrowings of approximately JPY200,000,000, JPY200,000,000 and JPY500,000,000, respectively.

III. EVENT AFTER THE RELEVANT PERIODS

Subsequent to the end of the Relevant Periods, the Target entered into two sale and purchase agreements and their details are as follows:

(a) On 7 July 2017, the Company entered into a sale and purchase agreement (the "Management Sellers SPA") with three employees, including the chief executive officer, the chief operating officer and the chief financial officer (collectively the "Management Sellers"), and the Target for the acquisition of 10,585 shares of the Target (representing 29.4% of the issued share capital of the Target) and 4,500 share options of the Target held by the Management Sellers, for an aggregate consideration of JPY5,051,472,515 (equivalent to HK$353,777,000).

(b) On 7 July 2017, the Company also entered into a sale and purchase agreement (the "Investor Sellers SPA") with two directors and eight employees of the Target, six individual investors and 25 corporate investors (collectively the "Investor Sellers"), and the Target for the acquisition of 20,186 shares of the Target (representing 56.1% of the issued share capital of the Target) and 1,490 share options of the Target held by the Investor Sellers, for an aggregate consideration of JPY7,756,185,731 (equivalent to HK$543,200,000).

Completion of the Management Sellers SPA and the Investor Sellers SPA are subject to, inter alia, approval by shareholders of the Company in an extraordinary general meeting.

IV. SUBSEQUENT HISTORICAL FINANCIAL INFORMATION

No audited financial statements have been prepared by the Target in respect of any period subsequent to 31 March 2017.

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET

Set out below is the management discussion and analysis of the Target for each of the years ended 31 March 2015, 2016 and 2017 (the "**Relevant Periods**").

Business review

GLM is a joint stock company incorporated in Kyoto, Japan in April 2010. It is principally engaged in the manufacturing and sale of EVs and the provision of EV engineering solutions, including chassis, power systems, and vehicle control units.

Results

Revenue

During the Relevant Periods, the Target generated revenue from the sale of EVs through distributors and the provision of EV engineering solutions to downstream EV manufacturers. For the years ended 31 March 2015, 2016 and 2017, the revenue of the Target amounted to approximately JPY149,860,000, JPY88,320,000 and JPY203,950,000 respectively.

Since the commencement of the production and sale of the first EV model of the Target, "Tommykaira ZZ", in 2015, the revenue generated from the sale of EVs amounted to approximately JPY123,189,000, JPY56,830,000 and JPY51,950,000 for the years ended 31 March 2015, 2016 and 2017 respectively. The decline in the sales of EVs for the year ended 31 March 2016 as compared with that for the year ended 31 March 2015 was caused by the decrease in number of Tommykaira ZZ sold in the market. The revenue generated from the provision of EV engineering solutions during the years ended 31 March 2015, 2016 and 2017 amounted to approximately JPY26,671,000, JPY31,490,000 and JPY152,000,000 respectively, the increment of which throughout the Relevant Periods was mainly attributable to the increase in the value of the orders placed by customers for packaged solutions provided by the Target.

Cost of sales

For the years ended 31 March 2015, 2016 and 2017, the Target recorded cost of sales of approximately JPY133,667,000, JPY138,293,000 and JPY223,704,000 respectively. Cost of sales mainly comprised (i) costs of materials used in production of EVs and the platform chassis in respect of the engineering solutions provided by the Target; and (ii) costs incurred for the assembly services of EVs provided by the OEM sub-contractors, including manufacturing overheads and labour costs.

The slight increase of cost of sales by approximately JPY4,626,000 for the year ended 31 March 2016 as compared with that for the year ended 31 March 2015 was mainly attributable to the write-down of certain inventories to net realisable value.

The increase of costs of sales by approximately JPY85,411,000 for the year ended 31 March 2017 as compared with that for the year ended 31 March 2016 principally corresponded to the increase in revenue from provision of EV engineering solutions during the year.

Gross profit/(loss)

The Target recorded a gross profit of approximately JPY16,193,000 for the year ended 31 March 2015 and a gross loss of approximately JPY49,973,000 and JPY19,754,000 for the years ended 31 March 2016 and 2017 respectively. The deterioration in gross profit of the Target for the year ended 31 March 2016, as compared to that for the year ended 31 March 2015, was mainly due to the write-down of certain inventories to net realisable value. Due to the increase in revenue in EV engineering solutions and less amount of inventories being written down to net realisable value during the year ended 31 March 2017, the gross loss of the Target has been narrowed for the year ended 31 March 2017, as compared to the prior corresponding year.

Other income and gains, net

Other income and gains were approximately JPY26,420,000, JPY16,585,000 and JPY27,660,000 for the years ended 31 March 2015, 2016 and 2017 respectively. Such other income and gains mainly represented government subsidies granted to the business of the Target.

Administrative expenses

Administrative expenses of approximately JPY100,969,000, JPY147,982,000 and JPY707,985,000 for the years ended 31 March 2015, 2016 and 2017 respectively, were mainly consisted of staff costs and directors' remuneration, professional and consultancy fees, and expenses for share-based payment in respect of the Target Share Options.

The slight increase of administrative expenses by approximately JPY47,013,000 for the year ended 31 March 2016 as compared with that for the year ended 31 March 2015 was mainly attributable to the increase in directors' remuneration due to increased number of director and payments of professional and consultancy fees for business valuation, issue of share options and obtaining technologies for research and development purposes.

The substantial increase of administrative expenses by approximately JPY560,003,000 for the year ended 31 March 2017 as compared with that for the year ended 31 March 2016 was mainly attributable to the recognition of expenses for share-based payment resulting from the grant of a significant number of Target Share Options to management and operating staff.

Research and development costs

The Target incurred research and development costs of approximately JPY144,718,000, JPY543,324,000 and JPY563,431,000 for the years ended 31 March 2015, 2016 and 2017 respectively, which mainly represented the research and development expenditures incurred on the development of the EV products during the Relevant Periods. The increase in research and development costs was mainly due to the increase in expenditures incurred for the development of GLM-G4 during the Relevant Periods and the recognition of expenses for share-based payment resulting from the grant of a significant number of Target Share Options to employees of the Target from the research and development team.

Loss and total comprehensive loss for the year

The Target recorded a net loss of approximately JPY232,532,000, JPY742,389,000 and JPY1,418,765,000 for the year ended 31 March 2015, 2016 and 2017 respectively as a result of the aforementioned factors.

Liquidity and financial resources

The Target manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Target manages its capital structure and makes adjustments to it in light of changes in economic conditions. During the Relevant Periods, the Target mainly financed its operation by obtaining funding from its shareholders and interest-bearing bank borrowings.

The net assets of the Target amounted to approximately JPY598,531,000, JPY1,140,789,000 and JPY866,348,000 as at 31 March 2015, 2016 and 2017 respectively. Out of which, the Target had cash and cash equivalents of approximately JPY758,245,000, JPY1,223,001,000 and JPY500,821,000 as at 31 March 2015, 2016 and 2017, which were denominated in JPY. During the years ended 31 March 2015, 2016 and 2017, the Target received proceeds from the issue of shares in the total amount of approximately JPY540,360,000, JPY1,279,129,000 and JPY550,760,000 respectively.

The Target had outstanding borrowings with principal amount of JPY200,000,000, JPY200,000,000 and JPY500,000,000 as at 31 March 2015, 2016 and 2017 respectively, which were denominated in JPY and not repayable within 12 months. As at 31 March 2015, 2016 and 2017, the bank loan with principal amount of JPY200,000,000 was unsecured, bearing variable interest ranging from 0.40% to 5.65% per annum (varies with level of earnings before interest, taxes, depreciation and amortisation) and is repayable in 2020. The remaining outstanding principal of bank loan of JPY300,000,000 as at 31 March 2017 was secured by all of the Target's land and buildings with a net carrying amount of JPY518,042,000, bears interest at 2.1% below Japan prime rate per annum and is repayable in 2036.

The gearing ratio of the Target, which is defined as net debt (i.e. the total of interest-bearing bank borrowings) divided by total equity, was approximately 0.33, 0.18 and 0.58 as at 31 March 2015, 2016 and 2017 respectively.

Exchange rate exposure

The business transactions of the Target were mainly conducted in JPY during the Relevant Periods. The Target reviews its foreign currency exposures on a regular basis and does not consider its foreign currency risk to be significant. The Target did not use any financial instruments for hedging purpose.

Significant investments, material acquisitions and disposals

Save for the acquisition of a parcel of land and buildings in September 2016 for future expansion of production capacity and business, the Target did not have any significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures during the Relevant Periods.

Contingent liabilities

As at 31 March 2015, 2016 and 2017, the Target did not have any material contingent liabilities.

Charge of assets

As at 31 March 2015 and 2016, the Target did not pledge any of its assets. As at 31 March 2017, the bank borrowings of the Target in the principal amount of JPY300,000,000 were secured by the pledges of all of its land and buildings with a net carrying amount of JPY518,042,000.

Employees and remuneration

As at 31 March 2015, 2016 and 2017, the Target had 11, 11 and 23 employees. The employee benefit expense of the Target amounted to approximately JPY49,299,000, JPY45,502,000 and JPY212,966,000 for the years ended 31 March 2015, 2016 and 2017 respectively. The remuneration of the employees of the Target, including wages and salaries, equity-settled share option expenses and pension scheme contributions, if any, were determined by reference to individual performance and prevailing market conditions.

The Target granted share options to its directors and employees for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Target's operations. For the details of the share option scheme of the Target, please refer to note 21 of the accountants' report contained in this appendix.

Future plans for material investments and acquisition of capital assets

Save for the business plan set out in the letter from the Board contained in this circular, the Target has no future plans for material investments and acquisition of material capital assets as at 31 March 2015, 2016 and 2017.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

This unaudited pro forma consolidated statement of financial position (the "**Unaudited Pro Forma Financial Information**") below has been prepared for the purpose of providing Shareholders with information about the impact of the Acquisition and the Subscription by illustrating how the Acquisition and the Subscription might have affected the financial position of the Group as at 31 March 2017, had completion of the Acquisition and the Subscription taken place on 31 March 2017.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition and the Subscription been completed on 31 March 2017. Neither does the Unaudited Pro Forma Financial Information purports to predict the future financial position of the Enlarged Group.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group following the completion of the Acquisition and the Subscription.

	The Group as at 31 March 2017	**The Target as at 31 March 2017**	**Pro forma adjustments**	*Notes*	**Pro forma Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	5,804	44,353			50,157
Investment properties	397,712	—			397,712
Goodwill	106,651	—	979,285	*3(a)*	1,085,936
Intangible assets	123,447	—			123,447
Contingent consideration receivables	26,652	—			26,652
Deposits paid	1,068	343			1,411
Loans and interest receivables	287,375	—			287,375
Total non-current assets	948,709	44,696			1,972,690

	The Group as at 31 March 2017	The Target as at 31 March 2017	Pro forma adjustments	Notes	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
CURRENT ASSETS					
Inventories	357,796	7,770			365,566
Trade and other receivables	171,872	16,346			188,218
Loans and interest receivables	303,983	—			303,983
Held-for-trading investments	6,173	—			6,173
Cash and cash equivalents	155,067	35,075	(346,825)	*3(a)*	158,790
			(133,046)	*3(b)*	
			468,000	*3(c)*	
			(19,481)	*3(e)*	
Total-current assets	994,891	59,191			1,022,730
CURRENT LIABILITIES					
Trade payables	52,700	876			53,576
Other payables and accruals	90,529	7,319			97,848
Interest-bearing bank borrowings	79,023	—			79,023
Tax payables	10,327	—			10,327
Total current liabilities	232,579	8,195			240,774
NET CURRENT ASSETS	762,312	50,996			781,956
TOTAL ASSETS LESS CURRENT LIABILITIES	1,711,021	95,692			2,754,646
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	—	35,017			35,017
Deferred tax liabilities	104,592	—			104,592
Total non-current liabilities	104,592	35,017			139,609
Net assets	1,606,429	60,675			2,615,037

	The Group as at 31 March 2017	The Target as at 31 March 2017	Pro forma adjustments	*Notes*	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
EQUITY					
Equity attributable to owners of the parent					
Share capital	245,177	106,422	67,092	*3(a)*	369,342
			57,073	*3(c)*	
			(106,422)	*3(d)*	
Reserves	1,207,773	(45,747)	617,245	*3(a)*	2,092,216
			(124,248)	*3(b)*	
			410,927	*3(c)*	
			45,747	*3(d)*	
			(19,481)	*3(e)*	
	1,452,950	60,675			2,461,558
Non-controlling interests	153,479	—	8,798	*3(a)*	153,479
			(8,798)	*3(b)*	
Total equity	1,606,429	60,675			2,615,037

Notes:

1. Basis of preparation

   This Unaudited Pro Forma Financial Information has been prepared in accordance with Rule 4.29 of the Listing Rules and based upon: (i) the unaudited consolidated statement of financial position of the Group as of 31 March 2017, which has been extracted from the interim report of the Company for the six months ended 31 March 2017 dated 19 May 2017; and (ii) the audited consolidated statement of financial position of the Target as of 31 March 2017, which has been extracted from the accountants' report on the Target included in Appendix II to this circular; and adjusted in accordance with the pro forma adjustments described in note 3 below, as if the Acquisition and the Subscription had been completed on 31 March 2017.

   This Unaudited Pro Forma Financial Information has been prepared in a manner consistent with both the format and accounting policies adopted by the Company in its unaudited interim financial statements for the six months ended 31 March 2017.

2. The audited statement of financial position of the Target denominated in JPY are translated into HK$ at the approximate exchange rate of HK$1 to JPY14.2787 for illustration purpose only, and such translation does not constitute a representation that any amount has been, could have been, or may otherwise be exchanged or converted at the above rate.

3. Notes to the pro forma adjustments

(a) Under Hong Kong Financial Reporting Standard 3 (Revised) *Business Combinations* ("HKFRS 3") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), the Group will apply the acquisition method to account for the Acquisition in its consolidated financial statements.

In accordance with the Acquisition Agreements, the Total Consideration for the Acquisition amounted to JPY12,807,658,245 (equivalent to approximately HK$896,976,000) is to be satisfied as to:

1. JPY4,952,208,110 (equivalent to approximately HK$346,825,000) by cash payable by the Company to the Management Sellers and the Investor Sellers; and

2. JPY7,855,450,135 (equivalent to approximately HK$550,152,000) by way of allotment and issue of 670,918,575 Consideration Shares at the Issue Price of JPY11.7085 (equivalent to approximately HK$0.82) per Consideration Share.

For the purpose of this Unaudited Pro Forma Financial Information, the Directors have assumed that the Consideration Shares are issued at HK$1.02 per Share, being the closing price as quoted on the Stock Exchange on 7 July 2017 (the date of the Acquisition Agreements). The Directors have also performed an assessment of the fair value of each of the identified assets and liabilities of the Target as at 31 March 2017 for purchase price allocation purpose as required under HKFRS 3.

The fair values of the identifiable assets and liabilities of the Target, as assessed by the Directors, the fair value of the Total Consideration and the goodwill so arising from the Acquisition Completion are as follows:

	Notes	Carrying value HK$'000	Fair value HK$'000
Property, plant and equipment	*(i)*	44,353	44,353
Deposits		343	343
Inventories	*(ii)*	7,770	7,770
Prepayments, deposits and other receivables		16,346	16,346
Cash and cash equivalents		35,075	35,075
Trade payables		(876)	(876)
Other payables and accruals		(7,319)	(7,319)
Interest-bearing bank borrowings		(35,017)	(35,017)
Less: Non-controlling interests		(8,798)	(8,798)
		51,877	51,877
Goodwill			979,285
Total Consideration			1,031,162

To be satisfied by:

		Face value *HK$'000*	Fair value *HK$'000*
Cash consideration		346,825	346,825
Consideration Shares	*(iii)*	550,152	684,337
		896,977	1,031,162

Note:

(i) Property, plant and equipment included land and buildings, leasehold improvement, machinery and equipment, furniture, fixtures and office equipment, motor vehicles and construction in progress with book values of HK$36,281,000, HK$11,000, HK$243,000, HK$3,944,000, HK$3,706,000 and HK$168,000, respectively. In the opinion of the Directors, the fair values of the Target's property, plant and equipment approximate to their book values as at 31 March 2017.

(ii) Inventories included raw materials, work in progress and finished goods in the amounts of HK$2,966,000, HK$269,000 and HK$4,535,000, respectively. Raw materials and work in progress are assembly parts for EVs, and in the opinion of the Directors, their fair values are approximate to their book values. Finished goods are EVs held for trading. Based on the recent transactions of the EVs of similar model, the transaction prices approximate to their manufacturing costs. Therefore, in the opinion of the Directors, no fair value adjustment is required for the purpose of this Unaudited Pro Forma Financial Information.

(iii) The fair value of the Consideration Shares is calculated based on the closing price of HK$1.02 per Share as quoted on the Stock Exchange on 7 July 2017 (the date of the Acquisition Agreements) and 670,918,575 Consideration Shares, which increases the equity of the Company as follows:

	HK$'000
Issued capital	67,092
Reserves — Share premium	617,245
	684,337

Since the fair values of the identifiable net assets of the Target and the Total Consideration as at the date of the Acquisition Completion may be materially different from their respective values used in the preparation of the Unaudited Pro Forma Financial Information, the final amounts of the assets, liabilities and goodwill to be recognised in connection with the Acquisition Completion may be materially different from the estimated amounts as shown above.

(b) As the Company will hold 85.5% of the issued share capital of the Target upon the Acquisition Completion, the Company intends to implement the Target Share Consolidation to acquire the remaining 14.5% non-controlling interests of the Target. The total cash consideration payable for the Target Share Consolidation is JPY1,899,722,300 (equivalent to HK$133,046,000), representing JPY364,700 (equivalent to HK$26,000) per existing Target Share. Upon completion of the Target Share Consolidation, the Target will become a wholly-owned subsidiary of the Company.

For the purpose of this Unaudited Pro Forma Financial Information, the Directors have assumed that the Target Share Consolidation was completed on 31 March 2017 and all the consideration is fully paid in cash.

Under Hong Kong Financial Reporting Standard 10 *Consolidated Financial Statements* issued by the HKICPA, when the proportion of the equity held by non-controlling interests change, the Group shall adjust the carrying amounts of the controlling interests to reflect the changes in their relative interests in the subsidiary.

This adjustment represents the effect of the acquisition of non-controlling interests, including the recognition of the difference between the aggregate carrying amount of the non-controlling interests (i.e. HK$8,798,000) and the fair value of the cash consideration paid (i.e. HK$133,046,000) directly in equity.

(c) This adjustment represents the effect of the Subscription, assuming that a total of 570,731,706 Shares are subscribed by the Subscribers at HK$0.82 per Shares at an aggregate consideration HK$468,000,000 which results in the increase of share capital and share premium by HK$57,073,000 and HK$410,927,000, respectively.

(d) This adjustment represents the elimination of the share capital and pre-acquisition reserves of the Target.

(e) This adjustment represents the estimated direct legal and professional costs related to the Acquisition and the Subscription which amounts to approximately HK$19,481,000.

(f) In the preparation of the Unaudited Pro Forma Financial Information, the Company has performed an impairment assessment of the goodwill in accordance with Hong Kong Accounting Standard 36 *Impairment of Assets* (''HKAS 36'') and the Group's accounting policy. Based on the impairment test, the recoverable amount of the cash-generating unit in which the Target is assigned (the ''EV CGU'') is HK$1,167,000,000, which is determined based on the valuation conducted by Consulting Group, an independent professional valuer, whose valuation report is included in Appendix IV to this circular. This recoverable amount exceeds the carrying amount of the EV CGU of HK$1,039,960,000, which comprises goodwill of HK$979,285,000 and the net asset value of the Target of HK$60,675,000. Therefore, no pro forma adjustment in respect of goodwill impairment is considered necessary by the Directors in the preparation of the Unaudited Pro Forma Financial Information. The principal assumptions of the assessment of impairment of goodwill include: (i) no material adverse changes in the fair values of the assets and liabilities and the operations of the Target; (ii) the identifiable assets and liabilities of the Target can be realised at their book values; and (iii) the fair value of the Consideration Shares approximates to the closing price of the Shares on 7 July 2017.

In assessing the fair value of the Target, Consulting Group has adopted the market approach — company transactions method, which is based on the recent transactions involving shares of the Target. The Directors have reviewed the valuation report and discussed the basis of the valuation with Consulting Group and consider that this valuation approach is fair and reasonable.

As mentioned in note 3(a)(iii) above, for the purpose of this Unaudited Pro Forma Financial Information, the fair value of the Consideration Shares is calculated based on the closing price of the Shares as quoted on the Stock Exchange on the date of the Acquisition Agreements. In accordance with HKFRS 3, the fair value of the Consideration Shares should be measured at their fair value on the completion date of the acquisition. As such, the fair value of the Consideration Shares is subject to change and shall be measured at the fair value of the Shares on the date of the Acquisition Completion and accordingly, the goodwill so calculated may be materially different from that used in the impairment test above and potential impairment adjustment may be required when the carrying amount of the EV CGU (including the goodwill) exceeds its recoverable amount.

The Directors will apply consistently, and the auditors of the Company will take into account, the accounting policies and applicable principal assumptions to assess the impairment of goodwill for the coming financial years, in accordance with the requirement of HKAS 36.

(g) No other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group and the Target entered into subsequent to 31 March 2017.

2. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report from Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Enlarged Group as set out in this appendix and prepared for the purpose of incorporation in this circular.

22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

8 September 2017

The Directors
O Luxe Holdings Limited

Dear Sirs,

O LUXE HOLDINGS LIMITED (THE "COMPANY") AND ITS SUBSIDIARIES (COLLECTIVELY THE "GROUP") INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of the Group by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Group as at 31 March 2017 and related notes set out in Appendix III of the circular dated 8 September 2017 (the "Circular") issued by the Company (the "Unaudited Pro Forma Financial Information") in connection with the proposed acquisition of 100% equity interests in GLM Co., Ltd. (the "Target") and the allotment and issue of 570,731,706 new shares of the Company (the "Major Transaction"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix III to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Major Transaction on the Group's financial position as at 31 March 2017 as if the Major Transaction had taken place on 31 March 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited interim financial statements for the six months ended 31 March 2017 as set out in the interim report of the Company dated 19 May 2017. Information about the Target's financial position has been extracted by the Directors from financial information of the Target as at 31 March 2017, on which an accountants' report has been published in Appendix II to the Circular.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ''Listing Rules'') and with reference to Accounting Guideline (''AG'') 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA'').

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Major Transaction on unadjusted financial information of the Group as if the Major Transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Major Transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Major Transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Major Transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of the valuation report prepared for the purpose of incorporation in this circular received from Consulting Group Limited, an independent valuer, in connection with its valuation of the 100% equity interests in the Target as at 28 June 2017.

Consulting Group Limited
Certified Valuation Services

GLM

Valuation of 100% Equity Interest in

GLM Co., Ltd.

Prepared for: O Luxe Holdings Limited (Stock code: 860)
Purpose: Acquisition
As of 28 June, 2017

Prepared by: Consulting Group Limited

8 September 2017

The Board of Directors
O Luxe Holdings Limited
Tower 6, The Gateway
9 Canton Road, TST
Hong Kong

Re: Valuation of 100% Equity Interest in GLM Co., Ltd.

Dear Sirs/Madams,

In accordance with the engagement agreement from O Luxe Holdings Limited (the "**Company**"), we are engaged to estimate the fair value of a 100% controlling and non-marketable equity interest in GLM Co., Ltd. (referred to as "**GLM**" or the "**Target**") as of 28 June 2017 (the "**Valuation Date**"). Our analysis and conclusions, which are to be used only in their entirety, are for the use of the management of the Company (the "**Management**") for the proposed acquisition of 100% equity interest in the Target and form part of the Company's circular dated 8 September 2017 only.

This valuation engagement was conducted in accordance with the International Valuation Standards 2017 Edition, IACVA Professional Standards and IACVA Reporting Standards (Detailed Reports). The estimate of value that results from a valuation engagement is expressed as a conclusion of value.

Based on our analysis, as described in this valuation report, the estimate of the fair value of 100% equity interest in the Target as of the Valuation Date was reasonably stated as HK$1,167,000,000. This conclusion is subject to the assumptions and the Limiting Conditions described in this report. We are under no obligations to update this report or our conclusions of the value of information that comes to our attention after the date of this report.

Yours faithfully,
For and on behalf of
Consulting Group Limited

Samuel Y.C. Chan
Managing Director
International Certified Valuation Specialist

1 EXECUTIVE SUMMARY

Client Name:	O Luxe Holdings Limited (Stock code: 860)
Subject Being Valued:	GLM Co., Ltd.
Type of Entity:	Joint stock company incorporated in Japan
Business Interest Valued:	100%
Purpose:	Acquisition
Governing Standard:	International Valuation Standards 2017 Edition
Professional Standards:	IACVA Professional Standards
Reporting Standards:	IACVA Professional Standards (Detailed Reports)
Standard of Value:	Fair value
Premise of Value:	Value as a going concern
Methodology:	Market Approach — Company Transactions Method
Valuation Date:	28 June 2017
Report Date:	8 September 2017
Conclusion of Value:	HK$1,167,000,000

2 INTRODUCTION

2.1 Purpose

In accordance with the engagement agreement from O Luxe Holdings Limited (the "**Company**"), we are engaged to estimate the fair value of a 100% controlling and non-marketable equity interest in GLM Co., Ltd. (referred to as "**GLM**" or the "**Target**") as of 28 June 2017 (the "**Valuation Date**"). Our analysis and conclusions, which are to be used only in their entirety, are for the use of the management of the Company (the "**Management**") for the proposed acquisition of 100% equity interest in the Target and form part of the Company's circular dated 8 September 2017 only.

2.2 Unique Facts and Circumstances

Every valuation contains unique aspects that have an impact on the valuation approach and methodologies considered and applied. In this valuation, the *unique facts and circumstances* of the Target are specifically identified in order to apprise the reader of their application.

2.3 Scope of Services

We were engaged by the Management to perform an independent assessment on the fair value of the Target as of the Valuation Date. We have no responsibility to update this report for events and circumstances occurring subsequent to the date of this report.

We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by others. We assume that the financial and other information provided to us is accurate and complete, and we have relied upon this information in performing our assessment.

2.4 Standard of Value

The opinion of value of the Target will be on the basis of fair value, which is defined as "*the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties.*"

2.5 Premise of Value

Premise of value means an assumption regarding the most likely set of transactional circumstances that may be applicable to the subject valuation. In general, there are two types of premises: (1) going concern and (2) liquidation.

1. Going concern: a business is expected to continue operating without intention or threat of liquidation; and

2. Liquidation: a business is clearly going to cease operation in the near future. It can be further classified into orderly liquidation or forced liquidation.

For this valuation, the premise of value is going concern. Going concern value is defined as "The value of a business enterprise that is expected to operate into the future. The intangible elements of going concern value result from factors such as having a trained workforce, an operational plant, and the necessary licenses, systems, and procedures in place".

2.6 Levels of Value

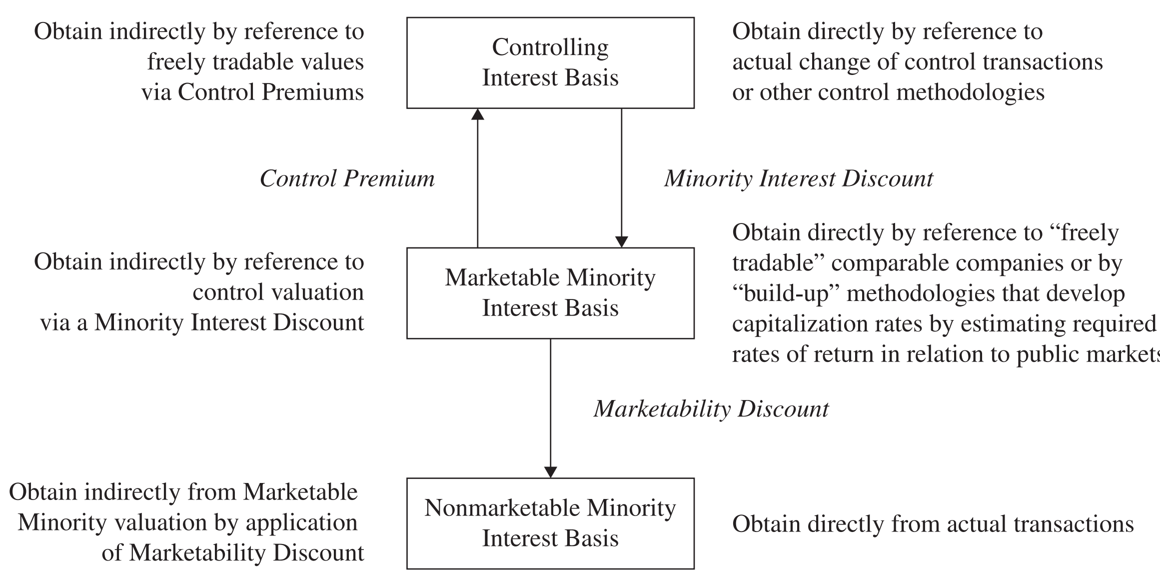
Although valuation is a range concept, current valuation theory suggests that there are three basic "levels" of value applicable to a business or business interest. The control characteristics and marketability characteristics will significantly impact the value of the equity interest in a business entity. The combinations of these characteristics commonly refer to the level of value and described as below:

Controlling interest: the value of the enterprise as a whole with or without market liquidity

As if freely tradable minority interest: the value of a minority interest, lacking control, but enjoying the benefit of market liquidity

Non-marketable minority interest: the value of a minority interest, lacking both control and market liquidity

For this valuation, the level of value is controlling and non-marketable value (i.e. 100% controlling interest of a private company).



2.7 Source of Information

Sources of data utilized in our analysis include, but are not limited to, the following:

- unaudited financial information of Target for the years ended 31 March 2016 and 31 March 2017 provided by the Target;
- Target's share registrar and share transaction information;
- Company brochure, marketing materials and presentation of the Target;
- Information, photos and videos from below web sites including www.glm.jp, www.tommykairazz.com, and www.glm-g4.com.
- Technical due diligence report on the Target issued by Cenex dated 29 May 2017;
- Financial due diligence report on the Target issued by Grant Thornton dated 7 July 2017;
- Prospectus of Tesla Motors Inc.;
- Various market research reports related to EV and supercars; and
- Bloomberg database for financial data, search for comparable companies and control premium.

We also relied upon publicly available information from sources on capital markets, including industry reports, various databases of publicly traded companies, and news.

We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by others. We assume that the financial information and other data provided to us is accurate and complete, and we have relied upon this information in performing our assessment.

3 OVERVIEW OF THE TARGET

3.1 History

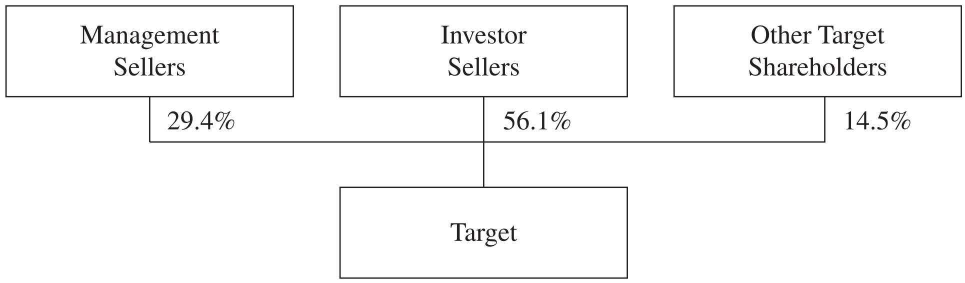
GLM is principally engaged in design, development and manufacturing of high performance electric vehicles (EVs) and provision of electric vehicle platform solutions to corporate customers. Founded in April 2010 in Koyoto Japan, GLM is a joint stock company and a spin-out from Kyoto University. History and key milestones of GLM as below:

04/2010	GLM was established by representative director and CEO Mr. Hiroyasu Koma
12/2010	A workshop was set up in Kyoto for the R&D of EV
04/2011	Acquired an exclusive license on the trademark relating to Tommykaira ZZ from Tommykaira, a Japanese race car manufacturer
08/2012	GLM established its factory in Uji including a R&D centre
10/2012	The first venture company obtained a domestic license to make electric sports cars
04/2013	Unveiled the first design of Tommykaira ZZ and opened exhibition booth at Grand Front Osaka, a commercial complex near JR Osaka Station
06/2014	Obtained the government safety certification for Tommykaira ZZ
08/2014	Began delivering the first release of Tommykaira ZZ
06/2015	Exhibited Tommykaira ZZ at the Goodwood Festival of Speed 2015
09/2015	GLM partnered with Savage Rivale, a Dutch super race car manufacturer, to develop the model GLM-G4, an EV version of Savage Rivale Roadyacht GTS
09/2016	Unveiled the model GLM-G4 in the Paris Auto Show
11/2016	Exhibited the model GLM-G4 and Tommykaira ZZ in Hong Kong

3.2 Form and Ownership

GLM is a start-up EV company founded by the CEO Hiroyasu Koma and has completed several series of fund raising rounds since the inception of the company in 2010. As at the Valuation Date, the Target has (i) a total of 35,980 Target Shares in issue, comprising 10,575 ordinary shares, 5,125 Class A preferred shares, 4,155 Class B preferred shares, 14,109 Class C preferred shares and 2,016 Class D preferred shares; and (ii) a total of 5,990 outstanding Target Options entitling the holders thereof to subscribe for a total of 5,990 ordinary shares of the Target at an exercise price of JPY100,000 per Target Option.

3.2.1 Shareholders



3.2.2 Share option holders

Since all the Target Options are in-the-money (i.e. exercise price of JPY100,000 vs. issue price of JPY360,000 of Class D preferred shares) and conversion of Target Options will have significant equity dilution effect on the shareholders (i.e. the decrease in existing shareholders' ownership of the Target as a result of the company issuing new shares to option holders upon conversion of Target Options), we have made valuation adjustment accordingly in our valuation of Target in the sub-section headed "Valuation of the Target" under the section headed "Method Applied" of this valuation report.

3.3 Management

We performed a site visit to the office of GLM on 13 July 2017 and interviewed with the management of GLM including Mr. Hiroyasu Koma, Mr. Tomohisa Tanaka and Mr. Sota Nagano to better understand the qualitative aspect of GLM and electrical vehicles industry in general. Mr. Hiroyasu Koma showed us the prototype of GLM-G4 and we also performed a test drive of a black Tommykaira ZZ near the office.

Mr. Hiroyasu Koma, a director and the chief executive officer of GLM, is responsible for overseeing the overall business and making strategic decision for the operations and development of GLM. He founded GLM and has taken up his current role since April 2010. Mr. Koma has substantial experience in business ventures in addition to establishing GLM, including identifying a business process outsourcing company for domestic and foreign electronic manufacturers in 2000.

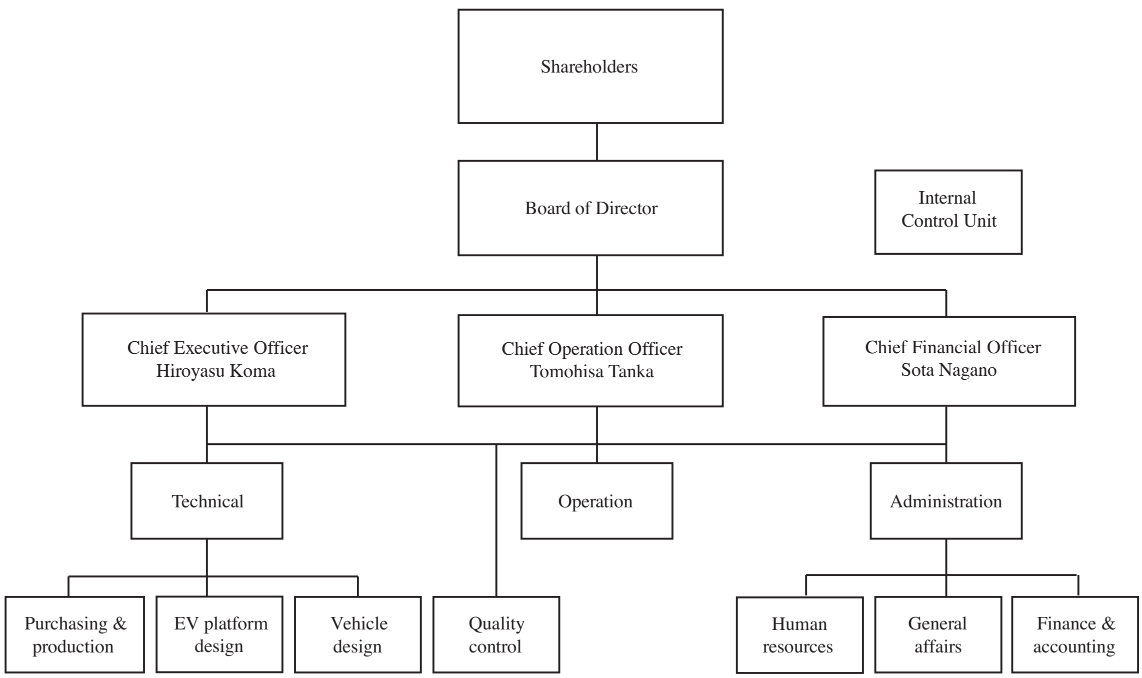
Mr. Tomohisa Tanaka, a director and the chief operating officer of GLM, is responsible for overseeing the business performance and operation of GLM. He joined GLM in 2013 and has taken up his current role since June 2015. Before joining GLM, Mr. Tanaka was employed by Nestle Japan Limited and specialised in sales strategy and business development.

Mr. Sota Nagano, a director and the chief financial officer of GLM, is responsible for overseeing the financial performance and preparing financial planning for GLM. He joined GLM in 2013. Prior to his involvement in GLM, Mr. Nagano was the vice president of a Japanese private equity fund where he was engaged in various acquisitions and financing transactions.

Mr. Yuji Fujitsuka, the chief technical officer of GLM, is responsible for the development and quality control of EV products of GLM. He joined GLM and has taken up his current role since April 2011. Mr. Fujitsuka has over 10 years of experience in design engineering for vehicle body, chassis frame and platform during his service for Japanese automobile companies such as Nissan Motor Co., Ltd. and Toyota Motor Corporation.

3.4 Staff

GLM is a lean start-up with 30 staff at as the Valuation Date and organization chart as below:



3.5 Physical Facilities and Equipment

GLM is located in 74-3, Takedamukaidaicho, Fushimi-ku, Kyoto-shi, Kyoto, an office and workshop buildings acquired by GLM in September 2016. The office and workshop are pending for renovations to better fit the use of GLM. It established its R&D centre in Uji City, Kyoto in 2012 and has been outsourcing all the production and assembly functions to OEMs. Below are the photos we have taken during site visit to GLM's office:

Photo: Office and workshop buildings

Photo: Parking complex in the back of the office and workshop buildings

Photo: Inside the workshop area

Machinery, equipment and tools were mainly used for R&D project work and GLM recorded machinery and equipment with net book value of JPY3.47 million as of 31 March 2017.

3.6 Business

GLM is principally engaged in design, development and manufacturing of high performance EVs and provision of electric vehicle platform solutions to corporate customers. Information about the product roadmap and solutions of GLM in this section is provided by the senior management of the GLM.

3.6.1 Electric vehicles

Model	**Tommykaira ZZ**	**GLM-G4**	**—**	**—**
Type	Sports car	Supercar	Passenger vehicle	Commercial vehicle
Seats	2	4	7	13–28
Exterior	Tommykaira ZZ	Savage Rivale	GLM	GLM
Interior	Minimalist	Luxurious	Standard	Standard
Range	120km	400km	400km	280km
Charging	Rapid charge enabled	Rapid charge enabled	Rapid charge enabled	Rapid charge enabled
Status	Developed	Under development	Feasibility study	Feasibility study
Price	US$70,000	US$263,000	—	—

3.6.1.1 ***Tommykaira ZZ***

The first generation of Tommykaira ZZ was a mid-engined sports car designed by a Japanese tuning manufacturer Tommykaira in the 1990s, which ceased production in the 2000s. In 2011, the Target acquired a perpetual exclusive licence, without restrictions as to geographical areas, of the trademark of Tommykaira and the right to development, manufacturing, design and use of the "Tommykaira ZZ" brandname and design drawings thereof. The Target has through its own research, design and development capability developed Tommykaira ZZ as its first electrically powered vehicle. Tommykaira ZZ was first launched by the Target in 2014 and was exhibited in "Goodwood Festival of Speed" event for motor racing vehicles in the United Kingdom in 2015. A total of 29 Tommykaira ZZ has been sold and we considered that GLM has successfully launched an initial product to the market.

2014 Tommykaira ZZ

Source: www.tommykairazz.com/gallery/

3.6.1.2 GLM-G4

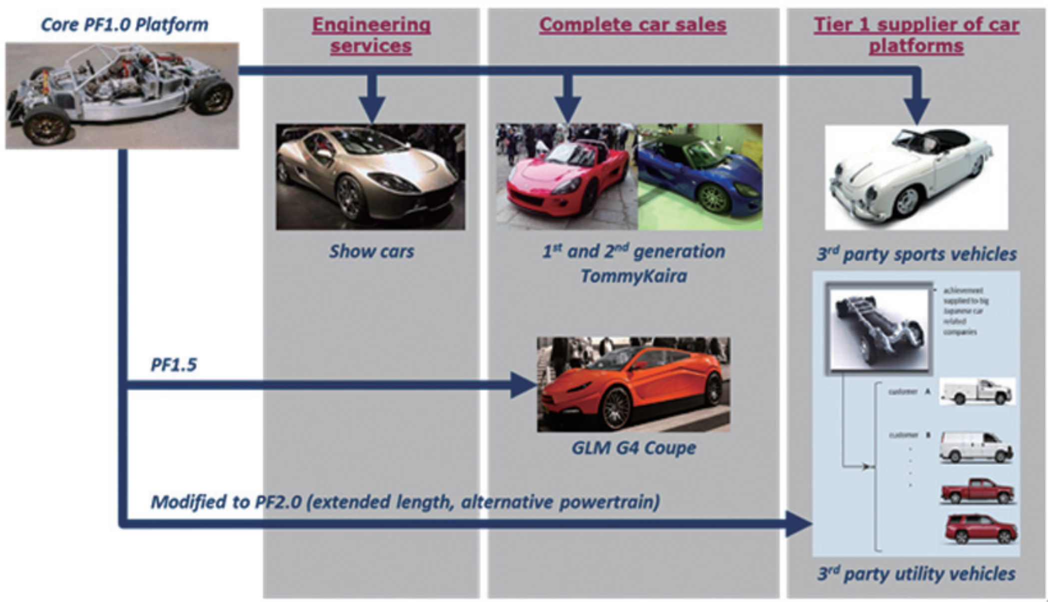
Following the launch of Tommykaira ZZ, the Target had designed a model of supercar named GLM-G4 which is 4-seat supercar having a stronger battery pack with an enhanced range. The concept of GLM-G4 was released in Salon Mondial de l'Automobile show in Paris in 2016. GLM-G4 is currently at the design and development stage and is expected to commence pilot testing by the end of 2018 and be put into production in the second half of 2019. The Target intends to market GLM-G4 for sale in areas including Japan and China.

GLM-G4 (prototype) planned for 2019

Source: www.glm-g4.com/gallery/

3.6.2 Platform

Apart from the manufacturing and sale of sports EVs, the Target also provides engineering solutions including platform chassis, power systems and vehicle control units to customers according to their needs. These engineering solutions enable the application of the Target's EV expertise in a wide range of contexts.



4 INDUSTRY OVERVIEW

In conjunction with the preparation of this valuation opinion, we have reviewed and analyzed current economic conditions and how the Target and the industries in which it competes might be impacted. The Target is based in Japan and targets the major EV markets including Japan and China. The Company commissioned Ipsos, an independent professional market research company, to conduct an analysis of the electric vehicles manufacturing in Japan and selected global regions which sets out in the section headed "Industry Overview" in this circular.

5 METHODOLOGIES CONSIDERED BUT REJECTED

While there are many methods that can be used to determine the fair value of a company, the fact pattern in the specific case of the subject company dictates that certain methodologies are appropriate or inappropriate. The following lists those methods and the reasons why they are not used.

5.1 Asset Approach

The asset approach is used because of the nature of the underlying assets as well as the significant increase in value over their cost basis as of the valuation date is a better measure of value than other methods. The enterprise is a holding or investment company with little or nominal earnings and its assets are significantly undervalued.

5.1.1 Book value method

The book value method is an accounting based value that is calculated by subtracting the book value of total liabilities from the book value of total assets. This method takes as fact that the underlying assets are the driving factor in the valuation of the company and that the fair market value is approximated by the book value.

The book value methodology was rejected for determining the value of the Target because our review indicates that the value of the Target is principally driven by the ability of its committed management team and the use of its technology knowhow to successfully developed and launched its initial product namely Tommykaira ZZ in 2014 (i.e. minimum viable product in place) and other future products and platform solutions that is more important in terms of valuation than the value in the underlying assets themselves. This method is not applicable to the Target and therefore rejected in this valuation.

5.1.2 Adjusted book value method

The adjusted book value going concern method develops a value by adjusting the reported book values of a subject company's assets to their actual or estimated fair market values and subtracting its liabilities (adjusted to their actual or estimated fair market values).

The adjusted book value methodology was rejected similar to the reason stated in the book value method.

5.1.3 Liquidation value method

Liquidation value was developed by estimating the net realizable value of the assets, estimating the value of tangible and intangible assets, transaction costs for the actual liquidation of the assets, the reduction of the proceeds for debt repayment and calculated the remaining funds available to the equity holders. For this valuation, the premise of value is going concern. Going concern value is defined as ''The value of a business enterprise that is expected to operate into the future''. This method was rejected in the valuation of the Target because my review indicates that the Target is an ongoing business and this method is not applicable to the Target.

5.2 Market Approach

The market approach develops a value using the principle of substitution. This simply means that if one thing is similar to another and could be used (our case invested in) for the other, then they must be equal. Furthermore, the price of two like and similar items should approximate one another. For the market approach to be used, there must be a sufficient number of *comparable private company transactions* or *comparable guideline public companies* to make comparisons.

The following criteria are used to select our comparable companies:

1. Companies engaged in design and manufacturing of 100% electric, high performance vehicles (i.e. we excluded all traditional automakers or automakers engaged in production of both traditional internal combustion engine vehicles and electric vehicles);

2. Electric vehicle companies in the same development stage of the Target (i.e. has only an initial product launched); and

3. Similar company size in terms of staff and/or revenue.

Since EV is a new industry, where market information of these companies is fragmented and limited, we used the following search procedures to find a list of comparable companies:

1. Using Bloomberg terminal to search for comparable companies based on the above criteria;

2. Using the RV function of Bloomberg terminal to search for comparable companies of Tesla Inc. (the market leader of electric vehicle industry) and other electric vehicle companies;

3. Using search engines including Google and Yahoo to search for electric vehicle companies worldwide;

4. The electric vehicle manufacturers index page on wikipedia.org;

5. List of EV companies in the market from articles below:

   a. The best electric cars of 2017

   b. 13 Electric Cars For Sale In 2017 — USA Electric Cars List

   c. 10 Car Companies That Sell the Most Electric Vehicles dated 2015

   d. 13 Electric Vehicles Coming To Market In 2014

   e. Top 10 electric and hybrid cars dated August 2013

   f. Ten Electric Cars Coming in 2012

   g. 10 Electric Cars you can buy in 2011

   h. 13 Electric Car Stocks dated March 2010

   i. 23 Electric Cars Driving the Revolution dated January 2009

   j. 30 electric cars companies ready to take over the road dated January 2008

6. Crowdfunding web sites including FundedByMe.com; and

7. Other articles and search reports on electric vehicle.

5.2.1 Completed Transaction Method

We have reviewed the following companies which are principally engaged in electric vehicle business for the Completed Transaction Method. The fact that some of the companies below are start-ups and invested by private equity funds, details of the transactions and valuations are usually not publicly disclosed.

Company	Information	Valuation
Tesla Inc	Tesla, Inc. (referred to "**Tesla**", formerly named Tesla Motors) is an American automaker, energy storage company, and solar panel manufacturer based in Palo Alto, California. Since the Target currently has only one initial product (i.e. Tommykaira ZZ), we have selected the US$218 million[4] valuation of Tesla as of May 2007 in its Series D fund raising when it had just launched its initial product Tesla Roadster to match with value and the development stage of the Target. Tesla, Inc had 230 employees in March 2007 and 27 Tesla Roadsters had been delivered by September 2008 as compared to 30 employees and 29 Tommykaira ZZ has been sold by the Target.	US$218 million/ HK$1.7 billion as of May 2007
Rimac Automobili d.o.o	Rimac Automobili d.o.o ("**Rimac**") is a Croatian car manufacturer that develops and produces high-performance electric cars, drivetrain and battery systems, headquartered in Sveta Nedelja, Croatia. Rimac Automobili's first model, the Concept_One was unveiled in Frankfurt Motor Show 2011, is known as the world's fastest production electric vehicle and only eight cars have been manufactured and sold. While Rimac sells high-performance vehicles under their own brand, the company develops and produces drivetrain systems and full vehicles for other companies and currently has a team size of 30 in 2015. China Dynamics (Holdings) Limited (stock code 476) invested approximately HK$72,700,000 for 10% interest in the company in 2014. This company in 2014 was similar in development stage, product and size of the Target.	HK$727 million as of November 2014

4 http://ir.tesla.com/secfiling.cfm?filingid=1193125-10-149105&cik=#D424B4_HTM_FIN51863_4

Company	Information	Valuation
Uniti Sweden	Uniti Sweden is a Swedish automotive start-up founded in January 2016 principally engaged in design and manufacturing of a high tech electric city car in Lund, Sweden. The prototype development is funded through an equity-crowdfunding campaign on the Swedish platform FundedByMe.com, which was supported by 570 investors who invested €1,227,990 for 11.68% of the company's shares or a valuation of €10.43 million in this seed round fund raising. This company is in its early start up stage and initial product has not yet been developed and therefore we were unable to compare this company with the Target.	HK$92.6 million as of November 2016
Fisker Inc.	Fisker Inc. is an American electric vehicle automaker founded by Henrik Fisker, launched in 2016 and based in California. Fisker Inc. is a relaunch of the Fisker brand, which previously made the Fisker Karma (now the Karma Revero) under Fisker Automotive.	Not publicly disclosed
NIO (formerly known as NextEV)	NIO, a start-up EV company founded in 2014, has raised equity funding exceeding US$1.1 billion (equivalent to HK$8.6 billion), with the latest round of funding raised in March 2017 for US$600 million (equivalent to HK$4,680 million). It was reported that its investors include Temasek, Baidu and Tencent Holdings Limited (a company listed on the main board of the Stock Exchange, with stock code: 700).	Not publicly disclosed
Singulato Motors	Singulato Motors, a relatively new EV company, has raised US$600 million (equivalent to HK$4,680 million) in a second round of fund raising in November 2016.	Not publicly disclosed
Weltmeister (WM Motor)	Weltmeister, an EV company founded in 2015, has raised US$1 billion (equivalent to HK$7.8 billion) in funding to develop its electric cars recently.	Not publicly disclosed
Lucid Motors	Lucid Motors (formerly known as Atieva) is an electric car company founded in 2007 and based in Menlo Park, California. Some of Lucid's 300 employees previously worked at Mazda, Tesla and other car companies. The company is financed by Tsing Capital, Sumitomo, Venrock, LeEco, JAFCO, and others, total of $131 million from 2009 to 2014.	Not publicly disclosed

We have found and reviewed the above eight comparable companies in the electric vehicle industry and established a peer group based on the above selection criteria. However, since the valuation of Fisker Inc., NIO, Singulato Motors, Weltmeister and Lucid Motors are not publicly available due to undisclosed share subscription or shareholding information of these companies to the public and Uniti Sweden is an early stage EV company with no initial product having been developed as compared with the Target, we only have Tesla and Rimac left in the peer group. As a result, we were not unable to find sufficient comparable completed transactions for meaningful comparison and we rejected the use of completed transaction method. Nevertheless, Tesla and Rimac are two best proxies in the market to our Target and their valuations on a controlling basis (i.e. 25% control premium) range from HK$908.75 million (HK$727 million*1.25) to HK$2.14 billion (HK$1.7 billion*1.25) will further analysed to support the conclusion of our opinion of value. No further adjustments (i.e. time value from 2007 or 2014 to the Valuation Date) on these values have been made because these two companies are similar to the Target and our analysis indicated that the key determinants of the valuation of these start-ups companies are the market forces of the EV industry and the product of the company (i.e. prospect of the EV industry, successful launch of initial product to the market and valuation of other similar EV companies in the market).

5.2.1.1 ***Discounts and Premiums***

The interest in the Target that is being valued is a 100% interest. This is considered a controlling interest as the holder of such an interest generally has the unilateral ability to influence the decision-making process of the company. The holder of a controlling interest generally enjoys the prerogatives of control (that is, the ability to enter into contracts on behalf of the company; make operating decisions; liquidate the company and distribute any remaining assets; and similar activities). As all the company transactions in above analysis were also non-marketable minority interests, lack of marketability discount was not needed and we only applied premium for control in estimating the value of 100% controlling interest of the Target.

We generated below market control premium data of the auto industry in general from the period of 2015 to the Valuation Date from Bloomberg terminal. We were unable to find any control premium data of the electric vehicle industry because it is still a relatively new industry and we therefore using data of the auto industry in general as the best proxy.

	Bloomberg
Sample	7
Max	62%
Min	2%
Median	24%
Mean	24%

Details of the 7 transactions and control premium data generated by Bloomberg and adopted in this valuation are listed as below:

Announcement date	Completion date	Acquirer	Target company	Target code	Target business	Premium
7/10/2014	5/15/2015	ZF Friedrichshafen AG	ZF TRW Automotive Holdings Corp	TRW US	TRW Automotive Holdings Corp. supplies automotive systems, modules, and components to global automotive vehicle manufacturers and related aftermarkets. The Company's products include active and passive safety related products. TRW's products are primarily used in the manufacture of light vehicles.	19%
2/4/2015	2/27/2015	Kyungchang Industrial Co., Ltd	Kyung Chang Wiper Corp	068060 KS	Kyung Chang Wiper Corp. (KCW) manufactures wiper related products for automobiles. The Company's products include wiper blades, wiper arms, and wiper linkages. Kyung Chang Wiper provides its products mainly to Hyundai Motor Co. and Ssanyong Motor Co.	2%
3/22/2015	11/6/2015	Multiple acquirers	Pirelli & C. SpA	PC IM	Pirelli & C. SpA manufactures tires. The Company produces consumer tires for automobiles, sports utility vehicles, and motorcycles, as well as offers industrial tires for buses, heavy trucks, and agricultural machinery. Pirelli serves customers worldwide.	7%
11/12/2015	12/29/2015	Grupo Industrial Saltillo SAB	Automotive Components Europe SA	ACE PW	Automotive Components Europe SA manufactures brake components for automobiles. The Company produces iron anchors and aluminum calipers.	26%

Announcement date	Completion date	Acquirer	Target company	Target code	Target business	Premium
8/3/2016	9/20/2016	Private Investors	Daesung Fine Tech Co Ltd	104040 KS	Daesung Fine Tech Co., Ltd. manufactures and markets automobile accessories and parts. The Company's products include door locks, seat recliners, and transmission parts.	24%
9/2/2016	11/18/2016	Crestview Partners LP/NY	Accuride Corp	ACW US	Accuride Corp. manufactures and supplies commercial vehicle components in North America. The Company's products include commercial vehicle wheels, wheel-end components and assemblies, truck body and chassis parts, seating assemblies and other commercial vehicle components.	62%
11/22/2016	1/12/2017	Valeo SA	Ichikoh Industries Ltd	7244 JP	ICHIKOH INDUSTRIES. LTD. manufactures lighting equipment and rear view mirrors for automobiles. The Company's products include HID(High Intensity Discharge) headlight system, windshield wiper blades, camera monitor system for rear viewing, and supersonic wave knives.	28%

The median control premium of the selected 7 transactions from the market was 24%. We also noticed that one of the transactions reported a 28% control premium in the acquisition of Ichikoh Industries Limited (stock code 7244.JP), a Japanese manufacturer of lighting equipment and rear view mirrors by Valeo SA (stock code FR.FR), a multinational automotive supplier based in France, completed in January 2017 was the most recent transaction in the auto industry, which also reflects the control premium in the general auto market where the Target operates and resembles to the *unique facts and circumstances* in this valuation (i.e. acquisition of the controlling interest of a Japanese company by the Company which is a foreign company). The range of control premiums is relatively close (i.e. between the median control premium of 24% of the selected 7 transactions and control premium of 28% in the acquisition of Ichikoh Industries Limited) and therefore leads us to conclude and apply a benchmark control premium of 25% in the valuation of the Target. The application of control premium and its impact to the fair value of the Target are analysed in the sub section headed "Sensitivity Analysis" under the section headed "Method Applied" in this valuation report.

5.2.2 Guideline Company Method

We have found and reviewed the below comparable public companies which are principally engaged in electric vehicle business.

Company	Stock code	Information	Market capitalization as of the Valuation Date
Kandi Technologies Group Inc	KNDI.US	Kandi Technologies Group, Inc. engages in the development, manufacture, and trade of vehicles. It operates through the overseas and China geographical segments. Its products include electric cars, tricycles, and tractors. The company was founded on 31 March 2004 and is headquartered in Jinhua, China. The company currently selling 4 EV models and 4 electric tricycle models and reported US$129 million revenue in 2016 and currently has 497 employees. This company was rejected in our comparison since it is a more developed EV company with more products, higher revenue and more employees. We did not include this company in our completed transaction method because we have found that the company had been principally making go-karts (approximately 15% of China's global export) and other special purpose vehicles rather than electric cars since its incorporation 2002 to 2007 as private company. The company was acquired by Stone Mountain Resources, Inc., an over-the-counter traded U.S. company (OTCBB: SMOU) in July 2007 and the company has been listed on the NASDAQ Capital Market since March 2008.	US$214 million/ HK$1.67 billion
Tesla	TSLA.US	To consistently apply this valuation method and review the development and valuation of Tesla subsequent to May 2007 since the application of completed transaction method, we list here the valuation of Tesla on the closing date of its IPO on 28 June 2010. Tesla had 646 employees as of May 31, 2010 and had generated $147 revenue since inception through March 31, 2010. Tesla was rejected in this method because it is a more advanced EV company.	US$1.7 billion/ HK$13.2 billion

However, since Kandi Technologies Group Inc and Tesla are more advanced in development stage and different in size in terms of both revenue and number of employees, we excluded both companies in this method. As a result, we were not able to find any comparable public companies for meaningful comparison or analysis and we rejected the use of the guideline company method.

5.3 Income Approach

5.3.1 Discounted Future Cash Flow Method (DCF Method)

The income approach is the most generally accepted way of determining a value indication of a business/project, business ownership interest, security, or intangible asset using one or more methods that convert anticipated economic benefits into a present single amount. While this method is commonly taught in academic finance and accounting courses and widely used in valuation of matured and stable traditional business, the actual application of the income approach to value a pre-profit business such as a start-up EV company in a development stage similar to the Target is rather impractical because this approach requires an explicit forecast of 1) the future benefit streams over a reasonably foreseeable short term (i.e. 5 years) and 2) an estimate of a long-term benefit stream that is stable and sustainable (i.e. terminal growth beyond year 5 and terminal value). For this reason, we rejected the application of the income approach.

6 METHOD APPLIED

As mentioned above, the valuation of any asset can be broadly classified into one of three approaches, namely the cost approach, the market approach and the income approach. In any valuation analysis, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the fair value analysis of that asset. For this particular case, after our research and analysis, we have decided the market approach using company transactions method is the most suitable valuation methodology.

6.1 Market Approach — Company Transactions Method

The company transactions method uses recent transactions involving the company's stock. The principle of substitution is used to determine the value. This simply means that if one arm's length market transaction occurred at a given price then if nothing has substantially changed another arm's length fair value transaction would occur at the same price. This method was accepted since the Target has been very active in fund raising since 2011 and we found sufficient arm's length transactions of the shares of the Target.

The Target has raised funds principally from 41 investors to fund its operation since the inception of the business in 2010 and the share price of the Target Share had been increasing from JPY10,000 to JPY360,000 from 2012 to 2016 with the development of the Target. We consider that the Target has a diverse shareholder base and the subscription price of the Target Shares represent the fair value of the Target Shares at the material time. The following table summarizes the subscription prices of the Target Shares by the investors and the development of the Target since 2012:

Year	Subscription price	Number of investors	Total numbers of shares subscribed	Development
2012–2013	JPY10,000 JPY40,000	8	1,620	(1) First investment from investor, opened R&D center at Uji, Kyoto and obtained domestic licensing to manufacturer electric sports car. (2) Unveiled the first design of Tommykaira ZZ and opened exhibition booth at Grand Front Osaka
2014	JPY80,000	5	3,333	Began delivering first release of Tommykaira ZZ
2015	JPY120,000	23	13,275	Exhibited Tommykaira ZZ at the Goodwood Festival of Speed 2015
2016	JPY360,000	6	2,016	Unveiled the model G4 in the Paris Auto Show

As listed on the above, the subscription prices of the Target Shares had been gradually increased with the development of the Target from 2012 to 2016. In particular, the considerable increase in subscription price from JYP120,000 in 2015 to JPY 360,000 in 2016 was mainly driven by the significant milestone of unveiling the GLM-G4 supercar to the market achieved in 2016.

We then reviewed the most recent company transactions in the series D class fund raising of the Target in 2016. The subscription price of the Target Shares was determined among the Target and the six independent investors after arm's length negotiations and represented a fair indication of the value of the Target Shares. The information of the six investors who are Independent Third Parties and their respective investments in 2016 are as below:

			As at the Valuation Date			
Investor	Type	Number of Shares	% of the Target Shares	Share price JPY	Investment amount HK$	Principal business activities
A private Hong Kong limited company	Financial investor	950	2.64	360,000	23,769,000	Engages in development of online and mobile games. A subsidiary of a listed company on the Shenzhen Stock Exchange
A holding company	Financial investor	316	0.88	360,000	7,906,320	Investment holding
A private company	Financial investor	278	0.77	360,000	6,955,560	Manufacturer of office automation related products
A listed company in Tokyo Stock Exchange	Financial investor	84	0.23	360,000	2,101,680	Software testing services

Investor	Type	Number of Shares	As at the Valuation Date % of the Target Shares	Share price JPY	Investment amount HK$	Principal business activities
A listed company in Tokyo Stock Exchange	Financial investor	138	0.38	360,000	3,452,760	Online advertising services
A listed company in Tokyo Stock Exchange	Strategic investor	250	0.69	360,000	6,255,000	Manufacturing of servos, motion controllers, AC motor drives, switches and industrial robots in Japan. It is also the supplier to the Target in relation to development of motor.
Total		2,016	5.60		50,440,320	

Based on the above six recent completed transactions, investments from five different independent investors on 15 March 2016 and a follow up investment from a strategic investor on 19 August 2016, the latest share price of the Target Shares was JPY360,000.

As the share price of Target Shares could materially change from the last round of funding (i.e. 19 August 2016) to the Valuation Date, we also listed below the major events or changes of the Target in the aforementioned period. Since there had been no significant changes of Target's business from 19 August 2016 to the Valuation Date, we assume the share price of JPY360,000 per Target Share is fair and reasonable as of the Valuation Date.

Date	
09/2016	Purchase of office and buildings, which is financed by a long term loan of JPY300 million from bank.
09/2016	Unveiled the model G4 in the Paris Auto Show
11/2016	Exhibited GLM-G4 and GLM-ZZ in Hong Kong
07/2017	Entered into the Acquisition Agreement with the Company

6.1.1 Valuation of the Target

The valuation of Target is based on below parameters and calculated as below:

(1) share price of JPY360,000;

(2) a total of 35,980 Target Shares;

(3) a control premium of 25%;

(4) proceeds of JPY599,000,000 from the exercise of all Target Options (i.e. 5,990 x JPY100,000, we assume conversion of all Target Options to factor the dilution effect of the Target Options); and

(5) JPY/HK$ exchange rate of 0.0695 as of the Valuation Date

Reference share price		JPY360,000
Total number of shares		35,980
Valuation		JPY12,952,800,000
Valuation of the Target		
Indicated value of equity: 100% and minority level		JPY12,952,800,000
Control premium (25%)	x	1.25
Indicated value of equity: 100% and controlling level		JPY16,191,000,000
+/– Adjustment: proceeds from exercising share options as if all converted	+	JPY599,000,000
Total		JPY16,790,000,000
JPY/HK$ exchange rate	x	0.0695
Conclusion of value (rounded)		HK$1,167,000,000

6.1.2 Discounts and Premiums

The interest in the Target that is being valued is a 100% interest. This is considered a controlling interest as the holder of such an interest generally has the unilateral ability to influence the decision-making process of the company. The holder of a controlling interest generally enjoys the prerogatives of control (that is, the ability to enter into contracts on behalf of the company; make operating decisions; liquidate the company and distribute any remaining assets; and similar activities). As all the company transactions in above analysis were also non-marketable minority interests, lack of marketability discount was not needed and we only applied premium for control in estimate the value of 100% controlling interest of the Target. We applied 25% control premium based on our empirical findings on the previous section of this valuation report.

Valuation is a range concept and control premium has significant impact on the fair value of the Target. While we have selected 25% control premium based on market data and our analysis, we performed below a sensitivity analysis on the fair values of the Target under different control premiums for analysis purpose.

Sensitivity Analysis

	HK$
0%	942,000,000
15%	1,077,000,000
25%	1,167,000,000
35%	1,257,000,000
45%	1,347,000,000

6.1.3 Sanity check

While we have sufficient company transactions and accepted the company transactions method, we need to test for the reasonableness of the value estimated under this method as part of our professional practice and valuation procedure. As a sanity check, we list below company information, product information and valuation of the Target and two comparable companies (i.e. Rimac in 2014 and Tesla in 2007) under the comparable transaction method for comparison. We have found similarities in business, development stage, product and size of the company and are in the opinion that Rimac (in 2014) and Tesla (in 2007) are the best proxies in the market to the Target as of the Valuation Date. The fair value of HK$1.17 billion estimated under the company transactions method is in the lower range of values of Rimac (HK$908.75 million in 2014) and Tesla (HK$2.14 billion in 2007) and these two values substantiate our acceptance of the company transactions method. Therefore, we concluded the value of HK$1.17 billion in this valuation and formed our opinion of value.

	Rimac	**GLM**	**Tesla**
Founded	2009	2010	2003
Head quarters	Croatia	Japan	U.S.A
Number of employees	30 (in 2015)	30 (as of the Valuation Date)	230 (3/2007)
Model (initial product)	Concept_One	Tommykaira ZZ	Tesla Roadster
Type	Supercar	Sports car	Sports car
Seats	2	2	2
Retail price	US$980,000	US$70,000	US$112,000
EV sold	8 (1/2013–10/2014)	29 (2015–2017)	27 (had been delivered by 9/2008)
Body	Carbon fiber	Glass-fiber reinforced plastic	Carbon fiber
Exterior	Rimac	Tommykaira ZZ	Lotus Elise
Interior	Luxurious	Minimalist	Standard
Top speed	280 km/h	180 km/h	201 km/h
Acceleration 0–100km/h	2.8 seconds	3.9 seconds	3.7 seconds
Range	600km	120km	393km
Valuation	HK$908.75 million (in 2014)	HK$1.17 billion (as of the Valuation Date)	HK$2.14 billion (in 2007)

7 SYNTHESOS AND RECONCILIATION

Because valuations cannot be made on the basis of a prescribed formula, there is no means whereby the various applicable factors in a particular case can be assigned mathematical weights in deriving the fair value. For this reason, no useful purpose is served by taking an average of several factors (for example, book value, capitalized earnings and capitalized dividends) and basing the valuation on the result. Such a process excludes active consideration of other pertinent factors, and the end result cannot be supported by a realistic application of the significant facts in the case except by mere chance.

The following comparative data summarizes various methods that we have accepted or considered and rejected, along with their respective final values. Each method is rated relative to the applicability of the method relative to the Target's *facts and circumstances*, and strengths/weaknesses are discussed.

Asset Approach

Book Value Method .... Not Applicable
Application .... Rejected

Adjusted Book Value Method .... Not Applicable
Application .... Rejected

Liquidation Value Method .... Not Applicable
Application .... Rejected

Market Approach

Guideline Public Company Method .... Considered
Application .... Rejected

Guideline Transaction Method. .... Considered
Application .... Rejected

Company Transactions Method .... HK$1,167,000,000
Application .... Accepted

Income Approach

Discounted Future Cash Flow Method (DCF) .... Considered
Application .... Rejected

Since the company transactions method under the market approach was the only method accepted in our valuation process, we concluded that the fair value of 100% equity interest in the Target was HK$1,167,000,000 as at the Valuation Date. This valuation conclusion is substantiated by the values of other comparable EV companies in the market including Rimac Automobili d.o.o (HK$908.75 million in 2014) and Tesla Inc. (HK$2.14 billion in 2007).

8 CONCLUSION OF VALUE

In conclusion, based on the analysis stated above and the valuation method employed, it is our opinion that the fair value of 100% equity interest in Target as of 28 June 2017 was reasonably stated as HK$1,167,000,000.

The opinion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the subject under valuation. Moreover, we have neither personal interests nor bias with respect to the parties involved.

Yours faithfully,
For and on behalf of
CONSULTING GROUP LIMITED

Samuel Y.C. Chan
International Certified Valuation Specialist
Managing Director

9 REPORT APPENDICES

I. Appendix A: Limiting Conditions

This report is made subject to the following contingent and limiting conditions:

- Consulting Group Limited does not purport to be a guarantor of value. Valuation of closely held companies is an imprecise science, with value being a question of fact, and reasonable people can differ in their estimates of value. Consulting Group Limited, however, performed conceptually sound and commonly accepted methods and procedures of valuation in determining the estimate of value included in this report. Consulting Group Limited is not liable for any use, reliance, financial applications, report distribution or other utilization of any kind, by any party not having written authorization from Consulting Group Limited.

- This report has been prepared solely for the use of the party or parties named and specifically for the purposes set out therein. In accordance with normal practice, we hereby disclaim liability to any other person. Any other person should not rely upon the information and conclusions reached nor should any statement in this report be used for any other purpose without written consent from Consulting Group Limited.

- None of the partners or employees of Consulting Group Limited have any present or contemplated future interest in the property being valued, any personal interest with respect to the parties involved, or any other interest that might prevent us from performing an unbiased valuation. Our compensation is a fixed fee of HK$800,000 and is not contingent on an action or event resulting from the analysis, opinions, or conclusions in, or the use of, this report. Save for the valuation service provided in this valuation included in this circular and valuations of the properties and Target Options for accounting purpose, neither Consulting Group Limited nor Mr. Samuel Y.C. Chan has conducted valuation for the Target, the Company and its connected persons.

- The fair value estimated in this report is based on the definition and assumptions applied throughout such report. An actual transaction in the shares may be completed at a value higher, lower or equal to the value rendered herein. We make no guarantee of any kind with regard to the likely or ultimate amount that may result in any future transaction.

- The value premise(s) cited in this report are fundamental to the value opinions rendered herein, and we reserve the right to reconsider such premise(s) should subsequent or additional information be discovered, although no such obligation exists.

- This valuation reflects facts and conditions existing at the date of this valuation. Subsequent events have not been considered and we have no obligation to update our report for such events and conditions.

- The opinion(s) offered in this valuation report do not constitute an offer to buy or sell the shares.

- The estimate of value included in this report assumes that subject will maintain the character and integrity of the company through any sale, reorganization or reduction of any owner's/manager's participation in the existing activities of the company.

- Public information, purchased private information and industry statistical information are from sources we deem reliable; however, we make no representation as to the accuracy or completeness of such information, and have accepted the information without further verification.

- Since neither the Target nor the Company have advised us otherwise, we assume that there is full compliance with all applicable federal, state, and local laws and regulations unless the lack of compliance is stated, defined, and considered in the valuation report.

- Unless otherwise stated in this report, we did not observe, and have no knowledge of, the existence of hazardous materials with regard to the subject assets, properties, or business interests. However, we are not qualified to detect such substances. we assume no responsibility for such conditions or for any expertise required to discover them.

- We reserve the right to include the Target and the Company names and their product photos in our valuation report, client list and marketing materials but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.

II. Appendix B: Qualifications of the Professional Valuer

Profile:

Mr. Samuel Y.C. Chan is the Managing Director of Consulting Group Limited. Before Mr. Chan founded Consulting Group Limited in 2012, he worked for GreaterChina Professional Services Limited (stock code: 8193) and Greater China Appraisal Limited for approximately 6 years. He has more than 10 years of experience in valuation of business, intangible asset, financial instrument and mineral assets, mainly for financial reporting, mergers and acquisitions and initial public offerings purposes. His experience covers a wide range of industry including automobile, mining, health care, financial services, information technology, manufacturing, entertainment and transportation. He has experience in 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 supercar and electric supercar company.

Mr. Chan is an International Certified Valuation Specialist (ICVS), a professional license in business valuation issued by the International Association of Consultants, Valuators and Analysts (IACVA). He is the Vice President of Education for the IACVA China charter providing business valuation training courses in universities, accounting firms, government authorities and accounting associations in Hong Kong and China. He is also a Certified Minerals Appraiser (CMA — No.2011–2), a professional license in mining valuation issued by the International Institute of Minerals Appraisers. He was the member of the Working Group of Extractive Industries of the International Valuation Standard Council (IVSC) in 2014. Mr. Chan earned a bachelor degree from the University of Toledo with a major in corporate finance and a master of business administration degree from Cleveland State University.

Mr. Chan is dedicated to promote high quality, understandable and enforceable international valuation standard in Hong Kong. He is one of the contributory authors of the book Guide to Fair Value Under IFRS published in 2010 and was invited to present paper "Building Confidence and Public Trust in Mineral Valuation" in 2012 S ME annual in Seattle, U.S.A. held by Society for Mining, Metallurgy & Exploration.

Business Valuation Certification Courses Taken:

Business Valuations: Fundamentals, Techniques & Theory

BV: Applications and Calculations of the Income and Asset Approaches

BV: Case Analysis — The Market Approach

Application of Discounts and Premiums

Corporate Valuation — Theory and Application

Contact information:

Consulting Group Limited

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Phone:	(852) 2598 6777
Web site:	www.consulting-group.com
E-mail:	samuel@consulting-group.com

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular 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 circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date are, and immediately after the allotment and issuance of (i) 670,918,575 Consideration Shares upon Acquisition Completion; and (ii) 570,731,706 Subscription Shares upon Subscription Completion (assuming that there is no other change in the issue share capital of the Company since the Latest Practicable Date) will be, as follows:

Authorised:		*HK$*
10,000,000,000	Shares	1,000,000,000.00
Issued and fully paid or to be credited as fully paid:		*HK$*
4,420,291,105	Shares in issue as at the Latest Practicable Date	442,029,110.50
230,791,106	Consideration Shares to be allotted and issued under the Management Sellers SPA	23,079,110.60
440,127,469	Consideration Shares to be allotted and issued under the Investors Sellers SPA	44,012,746.90
570,731,706	Subscription Shares to be allotted and issued under the Subscription Agreement	57,073,170.60
5,661,941,386	Shares	566,194,138.60

3. DISCLOSURE OF INTERESTS

(i) Directors' and chief executive's interests or short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they had taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock

Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as contained in Appendix 10 to the Listing Rules, were as follows:

Long position in the Shares and underlying Shares

Name of Director	Capacity	Number of Shares held/ interested	Number of underlying Shares held in respect of the share options of the Company granted to each of them	Total interest	Approximate percentage of issued Shares (%)
Mr. Zhang	Interest of a controlled corporation and beneficial owner	2,234,102,316 *(Note)*	1,968,000	2,236,070,316	50.59
Mr. Ho	Beneficial owner	—	20,000,000	20,000,000	0.45
Dr. Li Yifei	Beneficial owner	6,192,000	1,968,000	8,160,000	0.18
Mr. Wong Chi Ming, Jeffry	Beneficial owner	—	1,968,000	1,968,000	0.04
Mr. Yu Fei, Philip	Beneficial owner	—	1,968,000	1,968,000	0.04
Mr. Xiao Gang	Beneficial owner	240,000	1,968,000	2,208,000	0.05
Mr. Tam Ping Kuen, Daniel	Beneficial owner	480,000	1,968,000	2,448,000	0.06
Dr. Zhu Zhengfu	Beneficial owner	60,000	1,968,000	2,028,000	0.05

Note: As at the Latest Practicable Date, 2,633,622,316 Shares were held by Prestige Rich, which is in turn wholly owned by Mr. Zhang. Together with his direct interest as beneficial owner of 480,000 Shares, Mr. Zhang was thus deemed to be interested in 2,634,102,316 Shares. Prestige Rich entered into a conditional sale and purchase agreement dated 7 July 2017 with Ruby Charm Investment Limited in relation to the Proposed Share Disposal, upon completion of which Prestige Rich will cease to be interested in 400,000,000 Shares. As at the Latest Practicable Date, the Proposed Share Disposal has not been completed.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or the chief executive of the Company, no other person had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they had taken or were deemed to have taken under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(ii) Substantial Shareholders' and other person's interests and short positions in the Shares and underlying Shares of the Company

As at the Latest Practicable Date, substantial Shareholders' interests or short positions in the Shares and underlying Shares, which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO, were as follows:

Long positions in the Shares and underlying Shares

Name of Shareholders	Capacity	Number of Shares held/ interested	Number of underlying Shares held in respect of share options of the Company granted to him/it	Total Interest	Approximate percentage of issued Shares (%)
Mr. Zhang	Interest of a controlled corporation and beneficial owner	2,234,102,316 *(Note 1)*	1,968,000	2,236,070,316	50.59
Prestige Rich	Beneficial owner	2,233,622,316 *(Note 1)*	—	2,233,622,316	50.53
Ho King Man Justin	Interest of a controlled corporation	400,000,000 *(Note 2)*	—	400,000,000	9.05
Ruby Charm Investment Limited	Beneficial owner	400,000,000 *(Note 2)*	—	400,000,000	9.05
Alpha Key Investments Limited	Beneficial owner	300,000,000 *(Note 3)*	—	300,000,000	6.79
Hengdeli Holdings Limited	Interest of a controlled corporation	300,000,000 *(Note 3)*	—	300,000,000	6.79
TCL Corporation	Interest of a controlled corporation	285,365,853 *(Note 4)*	—	285,365,853	6.46

Notes:

1. As at the Latest Practicable Date, 2,633,622,316 Shares were held by Prestige Rich, which is in turn wholly owned by Mr. Zhang, who is also the sole director of Prestige Rich. Together with his direct interest as beneficial owner of 480,000 Shares, Mr. Zhang was thus deemed to be interested in 2,634,102,316 Shares. Prestige Rich entered into a sale and purchase agreement dated 7 July 2017 with Ruby Charm Investment Limited in relation to the Proposed Share Disposal, upon completion of which Prestige Rich will cease to be interested in 400,000,000 Shares. As at the Latest Practicable Date, the Proposed Share Disposal has not been completed.

2. Ruby Charm Investment Limited is wholly owned by Mr. Ho King Man Justin and is interested in 400,000,000 Shares pursuant to a sale and purchase agreement dated 7 July 2017 entered into between Prestige Rich and Ruby Charm Investment Limited in relation to the Proposed Share Disposal. As at the Latest Practicable Date, the Proposed Share Disposal has not been completed.

3. Alpha Key Investments Limited is a wholly-owned subsidiary of Hengdeli Holdings Limited.

4. TCL Corporation is deemed to be interested in 285,365,853 Shares conditionally agreed to be subscribed by T.C.L. Industries Holdings (H.K.) Limited (a wholly-owned subsidiary of TCL Corporation) pursuant to the Subscription Agreement (the "**TCL Subscription**"). As at the Latest Practicable Date, the TCL Subscription has not been completed.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors and chief executive of the Company) in the shares and underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

4. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND ARRANGEMENTS

On 11 May 2017, the Company completed the acquisition of a 60% equity interest in Power Boom from Golden Mega Holdings Limited ("**Golden Mega**", which is wholly owned by Mr. Zhang) at a consideration of HK$588 million which was satisfied by the issue and allotment of 1,960,000,000 new Shares at the issue price of HK$0.3 per Share (details of which are set out in the announcements of the Company dated 25 May 2016, 27 July 2016, 19 December 2016, 31 March 2017 and 11 May 2017 and the circular of the Company dated 11 July 2016).

Save as disclosed above, none of the Directors had any direct or indirect interests in any assets which had been, since 30 September 2016 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group as at the Latest Practicable Date.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which has been entered into by the Company or any member of the Enlarged Group that is subsisting at the Latest Practicable Date and is significant in relation to the business of the Enlarged Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any member of the Enlarged Group which does not expire or is not determinable by such member of the Enlarged Group within one year without payment of compensation (other than statutory compensation).

6. COMPETING INTERESTS

As at the Latest Practicable Date, as far as the Directors were aware of, none of the Directors and their respective close associates (as defined under the Listing Rules) was interested in any business which competes or was likely to compete, either directly or indirectly, with the business of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 September 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following material contracts (not being contracts entered into in the ordinary course of business) had been entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular:

The Group

(i) the acquisition agreement dated 16 May 2016 (supplemented by the supplemental agreements dated 25 May 2016, 19 December 2016 and 31 March 2017) entered into among Golden Mega as vendor, the Company as purchaser and Mr. Zhang as guarantor of Golden Mega in relation to the acquisition of a 60% equity interest in Power Boom at a consideration of HK$588 million (details of which are set out in the announcements of the Company dated 25 May 2016, 27 July 2016, 19 December 2016, 31 March 2017 and 11 May 2017 and the circular of the Company dated 11 July 2016);

(ii) a sale and purchase agreement dated 29 September 2016 entered into among Marvel Bloom Limited (a wholly-owned subsidiary of the Company) as purchaser, Baohua Enterprises Limited (寶華企業有限公司) ("**Baohua Enterprises**") as vendor and Mr. Huang Youzi (黃優資) as guarantor of Baohua Enterprises in relation to the acquisition of the entire issued share capital of Rich Cypress Limited at a consideration of RMB219,000,000 (details of which are set out in the announcements of the Company dated 29 September 2016 and 12 October 2016);

(iii) a memorandum of understanding dated 5 April 2017 entered into between the Company and the Target in relation to the possible acquisition by the Company of all the issued and outstanding shares and share options, if any, of the Target at a consideration to be negotiated and agreed by the parties (details of which are set out in the announcement of the Company dated 5 April 2017);

(iv) a sale and purchase agreement dated 29 June 2017 entered into between the Company as vendor and Clever Trade Investment Limited as purchaser in relation to the Disposal at a consideration of HK$610 million (details of which are set out in the announcement of the Company dated 29 June 2017 and the circular of the Company dated 21 August 2017);

(v) the Management Sellers SPA;

(vi) the Investor Sellers SPA;

(vii) the Subscription Agreement; and

The Target

(viii) an investment agreement dated 28 September 2015 and an amendment agreement dated 31 August 2016 entered into between the Target and Savage Rivale B.V. ("**SR**"), pursuant to which (a) SR agreed to issue and the Target agreed to purchase new shares of SR and (b) SR agreed to grant to the Target an exclusive and irrevocable license to use certain intellectual property, for a total consideration of two million Euros.

9. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

10. EXPERTS AND CONSENTS

Set out below is the qualifications of the experts who have given their opinion or advice which are contained in this circular:

Name	Qualification
Consulting Group	Independent valuer
Ernst & Young	Certified Public Accountants
Ipsos	Industry consultant

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, advice, and/or report (as the case may be) and/or reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts did not have any direct or indirect interests in any assets which had been, since 30 September 2016 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

As at the Latest Practicable Date, each of the above experts was not interested in any securities in any members of the Enlarged Group or had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

11. MISCELLANEOUS

(i) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(ii) The head office and principal place of business of the Company is situated at Room 302, 3rd Floor, Lippo Sun Plaza, 28 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

(iii) The principal share registrar and transfer office of the Company is Royal Bank of Canada Trust company (Cayman) Limited, 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Islands.

(iv) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(v) The secretary of the Company is Mr. Lau Chun Pong, who is an associate member of the Hong Kong Institute of Certified Public Accountants.

(vi) In the event of inconsistency, the English text of this circular shall prevail over their respective Chinese texts.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. on any day (except Saturdays, Sundays and public holidays) at the head office and principal place of business of the Company in Hong Kong from the date of this circular up to and including the date of EGM:

(i) the memorandum and articles of association of the Company;

(ii) the annual reports of the Company for the two years ended 30 September 2015 and 2016;

(iii) the interim report of the Company for the six months ended 31 March 2017;

(iv) the accountants' report on the Target issued by Ernst & Young as set out in Appendix II to this circular;

(v) the report on the unaudited pro forma financial information of the Enlarged Group issued by Ernst & Young as set out in Appendix III to this circular;

(vi) the valuation report of the Target issued by Consulting Group, the text of which is set out in Appendix IV to this circular;

(vii) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(viii) the written consents referred to under the paragraph headed "Experts and consents" in this appendix;

(ix) the circular of the Company dated 8 December 2016 in relation to, among other things, the continuing connected transactions of the Company;

(x) the circular of the Company dated 21 August 2017 in relation to the Disposal; and

(xi) this circular.

O Luxe Holdings Limited
奧立仕控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 860)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of O Luxe Holdings Limited (the "**Company**") will be held at 9:00 a.m. on Thursday, 28 September 2017 at Bamboos Education-School for Talents at 4/F, Star House, 3 Salisbury Road, Tsim Sha Tsui, Hong Kong for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions of the Company (unless otherwise indicated, capitalised terms used herein shall have the same meaning as those defined in the circular of the Company dated 8 September 2017):

ORDINARY RESOLUTIONS

1. "**THAT** subject to the passing of ordinary resolutions numbered 2 and 3 herein:

   (a) the Management Sellers SPA dated 7 July 2017 (as amended and supplemented by an amendment agreement dated 31 August 2017) entered into among the Company, the Target, the Management Sellers and the Sellers' Representative (a copy of which is tabled at the meeting and marked "A" and signed by the chairman of the meeting for identification purpose), pursuant to which the Company has conditionally agreed to acquire and the Management Sellers have conditionally agreed to sell, at Acquisition Completion, the Management Sale Interests (comprising 29.4% of the Target Shares in issue and 75.1% of the outstanding Target Options), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

   (b) the Investor Sellers SPA dated 7 July 2017 (as amended and supplemented by an amendment agreement dated 31 August 2017) entered into among the Company, the Target, the Investor Sellers and the Sellers' Representative (a copy of which is tabled at the meeting and marked "B" and signed by the chairman of the meeting for identification purpose), pursuant to which the Company has conditionally agreed to acquire and the Investor Sellers have conditionally agreed to sell, at Acquisition Completion, the Investors Sale Interests (comprising 56.1% of the Target Shares in issue and 24.9% of the outstanding Target Options), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

   (c) subject to the Acquisition Completion, the proposed Target Share Consolidation (involving, among other things, (i) consolidation of all of the existing Target Shares in issue, as a result of which the minority Target Shareholders will hold fractional shares in the Target, and (ii) the Company subsequently acquiring such fractional shares in cash in compliance with applicable rules and laws in Japan) be and is hereby approved, confirmed and ratified; and

(d) any one Director be and is hereby authorised to, on behalf of the Company, do all such acts and sign, seal, execute and deliver all such documents and take all such actions as he may consider necessary or desirable for the purpose of or in connection with or to give effect to the Acquisition Agreements, the Target Share Consolidation and the transactions contemplated thereunder.

2. **THAT** subject to the passing of ordinary resolutions numbered 1 and 3 herein:

(a) the Subscription Agreement dated 7 July 2017 entered into by the Company and the Subscribers (a copy of which is tabled at the meeting and marked "C" and signed by the chairman of the meeting for identification purpose), pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 570,731,706 Subscription Shares at the Subscription Price of HK$0.82 per Subscription Share, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one Director be and is hereby authorised to, on behalf of the Company, do all such acts and sign, seal, execute and deliver all such documents and take all such actions as he may consider necessary or desirable for the purpose of or in connection with or to give effect to the Subscription Agreement and the transactions contemplated thereunder.

3. **THAT** subject to the passing of ordinary resolutions numbered 1 and 2 herein and subject to the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in the Consideration Shares and the Subscription Shares, the Directors be and are hereby granted the Specific Mandate which shall entitle the Directors to exercise all the powers of the Company to (i) allot and issue the Consideration Shares at the Issue Price of HK$0.82 per Consideration Share to the Management Sellers and Investor Sellers (and/or their respective nominee(s) as they may direct) subject to the terms and conditions of the Acquisition Agreements; (ii) allot and issue the Subscription Shares at the Subscription Price of HK$0.82 per Subscription Share to the Subscribers (and/or their respective nominee(s) as they may direct) subject to the terms and conditions of the Subscription Agreement; and (iii) credit the Consideration Shares and the Subscription Shares as fully paid and register the Consideration Shares and the Subscription Shares in the names of the allottees on the Hong Kong branch register of members of the Company, on and subject to the respective terms and conditions of the Acquisition Agreements and the Subscription Agreement, provided that the Specific Mandate shall be in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of these resolutions."

By order of the board
O Luxe Holdings Limited
Zhang Jinbing
Chairman

Hong Kong, 8 September 2017

Registered Office:
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

Head office and principal place of business:
Room 302, 3rd Floor
Lippo Sun Plaza
28 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

As at the date of this notice, the Board comprises Messrs. Zhang Jinbing (Chairman), Ho King Fung, Eric (Co-Chairman), Wong Chi Ming, Jeffry (Chief Executive Officer) and Yu Fei, Philip, being executive directors; Mr. Xiao Gang, being non-executive director; and Messrs. Tam Ping Kuen, Daniel, Li Yifei and Zhu Zhengfu, being independent non-executive directors.

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the Memorandum of Association and Articles of Association of the Company, to vote on his/her behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number of the shares of the Company (the "**Share**") in respect of which each such proxy is so appointed.

2. Where there are joint holders of any Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

3. A proxy form for use at the Meeting is enclosed. Whether or not you intend to attend the Meeting in person, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon.

4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hands of any officer or attorney duly authorised.

5. In order to be valid, the proxy form, together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority must be deposited at the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting.

6. Completion and return of a proxy form shall not preclude a member from attending and voting in person at the Meeting or any adjournment thereof (as the case may be) and, in such event, the proxy form appointing a proxy shall be deemed to be revoked.

7. For determining the entitlement to attend and vote at the Meeting, the register of members of the Company will be closed from Monday, 25 September 2017 to Thursday, 28 September 2017 (both dates inclusive) during which period no transfer of shares will be registered. To be qualified for attending and voting at the EGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration on or before 4:30 p.m. on Friday, 22 September 2017.