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.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of O Luxe Holdings Limited.

O LUXE
O LUXE HOLDINGS LIMITED

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 AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF A 60% EQUITY INTEREST IN POWER BOOM INTERNATIONAL LIMITED INVOLVING ISSUE OF CONSIDERATION SHARES; (2) APPLICATION FOR WHITEWASH WAIVER; AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to O Luxe Holdings Limited

OPTIMA CAPITAL

Optima Capital Limited

Independent financial adviser to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders

NEW SPRING CAPITAL LIMITED

Capitalised terms used on this cover shall have the same meanings as those defined in this circular, unless the context requires otherwise. A letter from the Board is set out on pages 6 to 25 of this circular. A letter from the Listing Rules IBC is set out on pages 26 to 27 of this circular. A letter from the Takeovers Code IBC is set out on pages 28 to 29 of this circular. A letter from New Spring Capital containing its advice and recommendation to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders is set out on pages 30 to 77 of this circular.

A notice convening the EGM to be held at 3:30 p.m. on 27 July 2016 at Room 29–30, 3/F, Hankow Centre, 5–15 Hankow 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.

11 July 2016

CONTENTS

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

"Acquisition"	the proposed acquisition of the Sale Shares by the Company from the Vendor pursuant to the terms and conditions of the Agreement
"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Agreement"	the sale and purchase agreement dated 16 May 2016 (and supplemented by a supplemental agreement dated 25 May 2016) and entered into among the Vendor, the Company and Mr. Zhang in respect of the Acquisition
"Announcement"	the announcement of the Company dated 25 May 2016 in relation to, among other things, the Acquisition and the Whitewash Waiver
"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are open for general business during their normal business hours
"BVI"	the British Virgin Islands
"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)
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Agreement
"Condition(s)"	the condition(s) precedent to Completion
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	HK$588 million, being the consideration for the Sale Shares
"Consideration Shares"	the new Shares to be allotted and issued by the Company to the Vendor as payment of the Consideration
"controlling Shareholder"	has the meaning ascribed to it under the Listing Rules
"Development Proposal"	the Project Company's development proposal in respect of the Property

"Director(s)"	the director(s) of the Company from time to time
"EGM"	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate and the Whitewash Waiver
"Enlarged Group"	the Group immediately upon Completion
"Executive"	the Executive Director of the Corporate Finance Division of the SFC from time to time and any delegate of such Executive Director
"Grand Cellar"	Grand Cellar Hong Kong Company Limited, a company incorporated in Hong Kong with limited liability
"Group"	the Company and its subsidiaries
"Guangzhou Hong Cheng"	廣州弘城貿易有限公司 (Guangzhou Hong Cheng Trading Company Limited*), a company incorporated in the PRC with limited liability which is owned as to 95% by Madam Lai
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huangpu City Construction"	廣州市黃埔區城市建設開發公司 (Guangzhou City Huangpu District City Construction Development Company*), a company incorporated in the PRC which is owned as to approximately 89% by Guangzhou Hong Cheng
"Independent Shareholders"	Shareholders other than the Vendor, Prestige Rich, Mr. Zhang, their respective associates and parties acting in concert with any of them and the Shareholder(s) who is/are involved in or interested in the Acquisition and/or the Whitewash Waiver
"Independent Third Party(ies)"	independent third party(ies) who is(are) independent of the Company and its connected persons
"Issue Price"	the issue price of HK$0.30 per Consideration Share
"Kam Lee"	Kam Lee Construction Company Limited, a company incorporated in Hong Kong with limited liability

"Land Use Rights Grant Contract"	the Guangzhou City State-owned Land Use Rights Grant Contract (Document No.: Sui Jiang Kai He (1992) No. 9) entered into between Guangzhou Urban-Rural Construction Committee (now known as Guangzhou Housing and Urban-Rural Construction Committee) and Huangpu City Construction dated 18 February 1992
"Last Trading Day"	16 May 2016, being the date of the Agreement and the last trading day of the Shares before the release of the Announcement
"Latest Practicable Date"	8 July 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Licences"	all necessary licences, approvals and permits from the PRC authorities for the Project Company to carry out its business including but not limited to the renewed business licence and 房地產開發資質證書 (Real Estate Development Qualification Certificate*), and all necessary approvals and permits for the development of the Property including but not limited to the approval of the detailed Development Proposal, construction land planning permit, construction work planning permit and construction work commencement permit
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Listing Rules IBC"	the independent committee of the Board comprising all the independent non-executive Directors established pursuant to the Listing Rules to give recommendation to the Independent Shareholders in respect of the Acquisition
"Macau"	the Macao Special Administrative Region of the PRC
"Madam Lai"	Madam Lai Man Ying, the spouse of Mr. Zhang
"Mr. Zhang"	Mr. Zhang Jinbing, the Chairman of the Company and an executive Director
"New Spring Capital"	New Spring Capital Limited, a corporation licensed by the SFC to carry out type 6 (advising on corporate finance) regulated activity under the SFO, the independent financial adviser appointed by the Company to advise the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders with respect to the Acquisition and the Whitewash Waiver

"Omas"	OMAS SRL, a company incorporated in Italy and was previously owned as to 90.1% by the Group
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
"Prestige Rich"	Prestige Rich Holdings Limited, a company incorporated in the BVI with limited liability and is wholly owned by Mr. Zhang
"Project Company"	廣州僑誼房產開發有限公司 (Guangzhou Qiao Yi Property Development Company Limited*), a company incorporated in the PRC with limited liability
"Property"	the parcel of land located at north-eastern side of 港灣路 (Gangwan Road*), at the junction of 中山大道東 (Zhongzhan Road East*) and 公園西路 (Gongyuan West Road*), Huangpu District, Guangzhou City, Guangdong Province, the PRC, with a state-owned land use certificate 穗地證字(2010)第0119171號
"Relevant Period"	the period from 25 November 2015, being the date falling six months preceding the date of the Announcement, up to the Latest Practicable Date
"Sale Shares"	600 issued shares in the Target representing 60% of the issued share capital of the Target as at Completion
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	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"	the specific mandate to be obtained by the Board from the Independent Shareholders at the EGM for the allotment and issue of the Consideration Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers

"Takeovers Code IBC"	the independent committee of the Board comprising the non-executive Director and all the independent non-executive Directors established pursuant to the Takeovers Code to give recommendation to the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver
"Target"	Power Boom International Limited, a limited liability company incorporated in the BVI
"Target Group"	the Target and its subsidiaries
"Vendor"	Golden Mega Holdings Limited, a company incorporated in the BVI with limited liability and is wholly owned by Mr. Zhang
"Whitewash Waiver"	the whitewash waiver as may be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code from the obligation of the Vendor to make a mandatory general offer for all the issued Shares other than those already owned or agreed to be acquired by the Vendor and parties acting in concert with it as a result of the Company allotting and issuing the Consideration Shares to the Vendor
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"sq. m."	square meters
"%"	per cent.

* *For identification purpose only*

In this circular, amounts in RMB are translated into HK$ on the basis of RMB1 = HK$1.2. The conversion rate is for illustration purpose only and should not be taken as a representation that RMB could actually be converted into HK$ at such rate or at other rates or at all.

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. 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

11 July 2016

To the Shareholders

Dear Sir/Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF A 60% EQUITY INTEREST IN POWER BOOM INTERNATIONAL LIMITED INVOLVING ISSUE OF CONSIDERATION SHARES; AND (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

Reference is made to the Announcement. On 16 May 2016, the Company (as purchaser), Golden Mega Holdings Limited (as vendor) and Mr. Zhang (as guarantor to the Vendor) entered into the Agreement, pursuant to which the Company conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Shares at the Consideration of

HK$588 million, which shall be satisfied by the Company by way of allotment and issue of 1,960,000,000 Consideration Shares at the Issue Price of HK$0.30 per Consideration Share to the Vendor at Completion.

The Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. In addition, the Vendor is wholly owned by Mr. Zhang, who is interested in 673,622,316 Shares (representing approximately 27.47% of the issued share capital of the Company as at the date of the Agreement). By virtue of Mr. Zhang's interest in the Vendor, the Vendor is a connected person of the Company. The Acquisition therefore also constitutes a connected transaction for the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Immediately after Completion, the Vendor and parties acting in concert with it (including Prestige Rich and Mr. Zhang) will be interested in 2,633,622,316 Shares, representing approximately 59.70% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The Vendor would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares other than those already owned or agreed to be acquired by the Vendor and parties acting in concert with it, unless the Whitewash Waiver is obtained from the Executive. In this regard, the Vendor has made an application to the Executive for the Whitewash Waiver. Completion is subject to, among other things, the approval by the Independent Shareholders of the Whitewash Waiver at the EGM by way of a poll and the granting of the Whitewash Waiver by the Executive.

The Listing Rules IBC, comprising all the independent non-executive Directors, has been constituted to give recommendation to the Independent Shareholders in respect of the Acquisition. The Takeovers Code IBC, comprising the non-executive Director and all the independent non-executive Directors, has been constituted to give recommendation to the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver. New Spring Capital has been appointed by the Company with the approval of the Takeovers Code IBC to advise the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver.

The purpose of this circular is to provide you with, among other things, (i) details of the Agreement; (ii) the recommendation of the Listing Rules IBC to the Independent Shareholders in respect of the Acquisition; (iii) the recommendation of the Takeovers Code IBC to the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver; (iv) the letter of advice from New Spring Capital to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders in the same regard; (v) the financial information of the Group and the Target Group; (vi) the valuation report on the Property; and (vii) the notice of EGM, at which ordinary resolution will be proposed to consider and, if thought fit, approve the Acquisition including but not limited to the allotment and issue of the Consideration Shares and the Whitewash Waiver.

THE AGREEMENT

Date

16 May 2016

Parties

(i) the Company, as purchaser;

(ii) Golden Mega Holdings Limited, as vendor; and

(iii) Mr. Zhang, as guarantor to guarantee the due and punctual performance of the Vendor's obligations under the Agreement.

The Vendor is incorporated in the BVI and is wholly owned by Mr. Zhang. The principal business of the Vendor is investment holding. As at the Latest Practicable Date, Mr. Zhang (the chairman of the Company and an executive Director), through Prestige Rich, was interested in 673,622,316 Shares, representing approximately 27.47% of the existing issued share capital of the Company. By virtue of Mr. Zhang's interest in the Vendor, the Vendor is a connected person of the Company.

Assets to be acquired

The Sale Shares, free of liens and encumbrances together with all rights attached thereto from the date of the Agreement, representing 60% of the issued share capital of the Target as at Completion. Further information on the Target Group is set out in the section headed "Information on the Target Group" below.

Consideration

The Consideration of HK$588 million shall be satisfied by way of allotment and issue of 1,960,000,000 Consideration Shares, credited as fully paid, at the Issue Price of HK$0.30 per Consideration Share at Completion.

The Consideration was determined after arm's length negotiations among the parties to the Agreement with reference to (i) the preliminary valuation of the Property as at 30 April 2016 as appraised by an independent professional valuer (which represents the net value of the Property after deducting the estimated development costs of the Property from the estimated selling prices of the completed properties to the Independent Third Parties at the market prices as at the date of the valuation); and (ii) the attributable percentage interest in the Property to be acquired by the Company through the Acquisition.

Consideration Shares

As at the Latest Practicable Date, the Company had 2,451,771,105 Shares in issue. The 1,960,000,000 Consideration Shares represent approximately 79.94% of the existing issued share capital of the Company and approximately 44.43% of the issued share capital of the

Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares from the Latest Practicable Date and up to Completion).

The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue as at the date of allotment and issue of the Consideration Shares, including 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.

The Consideration Shares will be issued by the Company under the Specific Mandate to be sought for approval by the Independent Shareholders 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 Issue Price

The Issue Price of HK$0.30 per Consideration Share represents:

(i) the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 1.64% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK$0.305 per Share;

(iii) a discount of approximately 7.98% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day of approximately HK$0.326 per Share;

(iv) a discount of approximately 49.15% to the closing price of HK$0.59 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;

(v) a discount of approximately 50.66% to the audited consolidated net assets attributable to the Shareholders of approximately HK$0.608 per Share (based on the audited consolidated net assets attributable to the Shareholders of approximately HK$1,490.85 million as at 30 September 2015 and 2,451,771,105 Shares in issue as at the Latest Practicable Date); and

(vi) a discount of approximately 49.75% to the unaudited consolidated net assets attributable to the Shareholders of approximately HK$0.597 per Share (based on the unaudited consolidated net assets attributable to the Shareholders of approximately HK$1,464.51 million as at 31 March 2016 and 2,451,771,105 Shares in issue as at the Latest Practicable Date).

The Issue Price was determined after arm's length negotiations among the parties to the Agreement with reference to the prevailing market prices of the Shares.

Conditions

Completion is conditional upon the fulfilment or waiver (as the case may be) of the following Conditions:

(i) the Company being satisfied with the results of the due diligence review (including but not limited to the legal, financial and business aspects) of the Target Group;

(ii) the Company having received a legal opinion issued by a PRC legal adviser appointed by the Company in such form and substance to the satisfaction of the Company, covering matters including but not limited to (a) the valid subsistence of the Project Company in accordance with PRC laws; (b) the ownership of the Property having been vested with the Project Company with all relevant registrations having been completed and the Property being free from any mortgages, charges and encumbrances and all the land premium, charges and taxes payable to the relevant PRC authorities in relation to the Property having been fully paid; (c) the Project Company having obtained all necessary licences, approvals and permits required for carrying out its business, including but not limited to the renewed business licence; (d) the reorganisation of the Target Group as described under the section headed "Information on the Target Group" below having been completed and the related consideration and tax payable having been fully settled; and (e) other matters as requested by the Company;

(iii) the value of the Property as appraised by the independent professional valuer is no less than HK$1,256.4 million;

(iv) there being no material adverse changes or events which may constitute adverse impacts to the business operation and performance, prospects and financial position of the Target Group since the date of the Agreement;

(v) all necessary licences, approvals and permits required to be obtained on the part of each of the members of the Target Group for carrying out their business having been obtained;

(vi) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Consideration Shares;

(vii) the passing of the resolution by the Independent Shareholders at the EGM to approve the Agreement and the transactions contemplated thereunder including but not limited to the grant of the Specific Mandate and the Whitewash Waiver;

(viii) the Whitewash Waiver having been granted by the Executive and not having been revoked or withdrawn;

(ix) completion of the reorganisation of the Target Group as described in the paragraph headed "Group structure and reorganisation" under the section headed "Information on the Target Group" below; and

(x) all representations and warranties made by the Vendor in the Agreement remaining true and accurate from the date of the Agreement up to and including Completion.

The Company may at any time waive the Conditions set out in (i), (ii), (iv), (v) and (x) above by notice in writing to the Vendor, while the Conditions set out in (iii), (vi), (vii), (viii) and (ix) are not capable of being waived. Save for the aforementioned, none of the Conditions set out above can be waived by any party under the Agreement. As at the Latest Practicable Date, the Company had no intention to waive any of such Conditions, including the Condition set out in (v) above in relation to obtaining all necessary licences, approvals and permits required for the Target Group to carry out its business. In the event that such Conditions could not be fulfilled, the waiver of any of such Conditions is to be determined by the Company after consideration of the interests of the Company and the Shareholders as a whole, the findings of the due diligence review and/or the status of the Target Group as at the date of Completion. The Company considers that the term entitling the Company to exercise its discretion to waive such Conditions is constructed for the purpose of providing greater power and flexibility to the Company and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

If any of the above Conditions is not fulfilled (or waived, as the case may be) by 31 December 2016 (or such later date as the parties to the Agreement may agree in writing), the Agreement shall terminate and neither party to the Agreement shall have any further obligations towards the other thereunder except for antecedent breaches (if any). As at the Latest Practicable Date, Condition set out in (iii) above had been fulfilled and no Conditions have been waived by the Company.

Completion

Completion shall take place on the fifth Business Day after all the Conditions have been fulfilled (or waived, as the case may be) or such other date as may be agreed by the Company. Upon Completion, the Company will hold 60% of the issued share capital of the Target.

Shareholders' agreement

The Company, the Vendor and the Target shall enter into a shareholders' agreement upon Completion which shall include the following principal terms:

(i) the Company shall have the right to nominate not less than three fifths of the total number of board members of the Target which is proportional to the respective shareholding interests of the Company and the Vendor in the Target;

(ii) the Company shall have drag along and tag along right and the shareholders of the Target shall have pre-emptive rights in respect of their shareholdings in the Target; and

(iii) the Target Group shall obtain external funding for all its future working capital requirements and capital expenditures for the development of the Property including unpaid capital, failing which the Vendor alone will provide all the necessary funding for the development of the Property.

INFORMATION ON THE TARGET GROUP

Group structure and reorganisation

The group structure of the Target Group (Chart A) and the Project Company (Chart B) as at the date of the Agreement is set out below:

Chart A

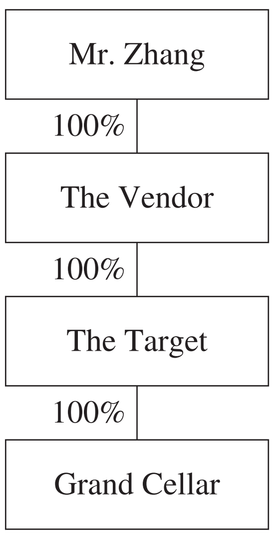
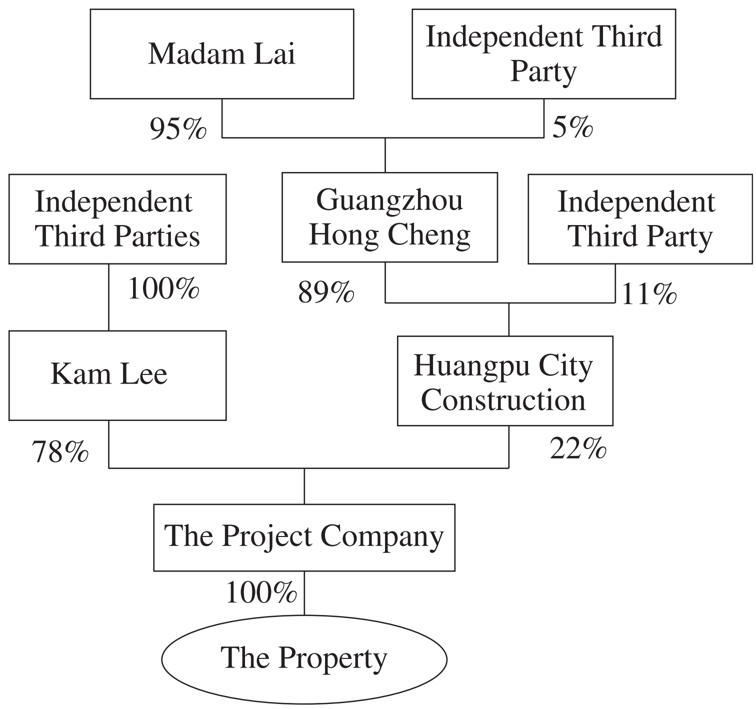


Chart B



The Target is a company incorporated in the BVI in April 2006 and is wholly owned by the Vendor. It is principally engaged in investment holding.

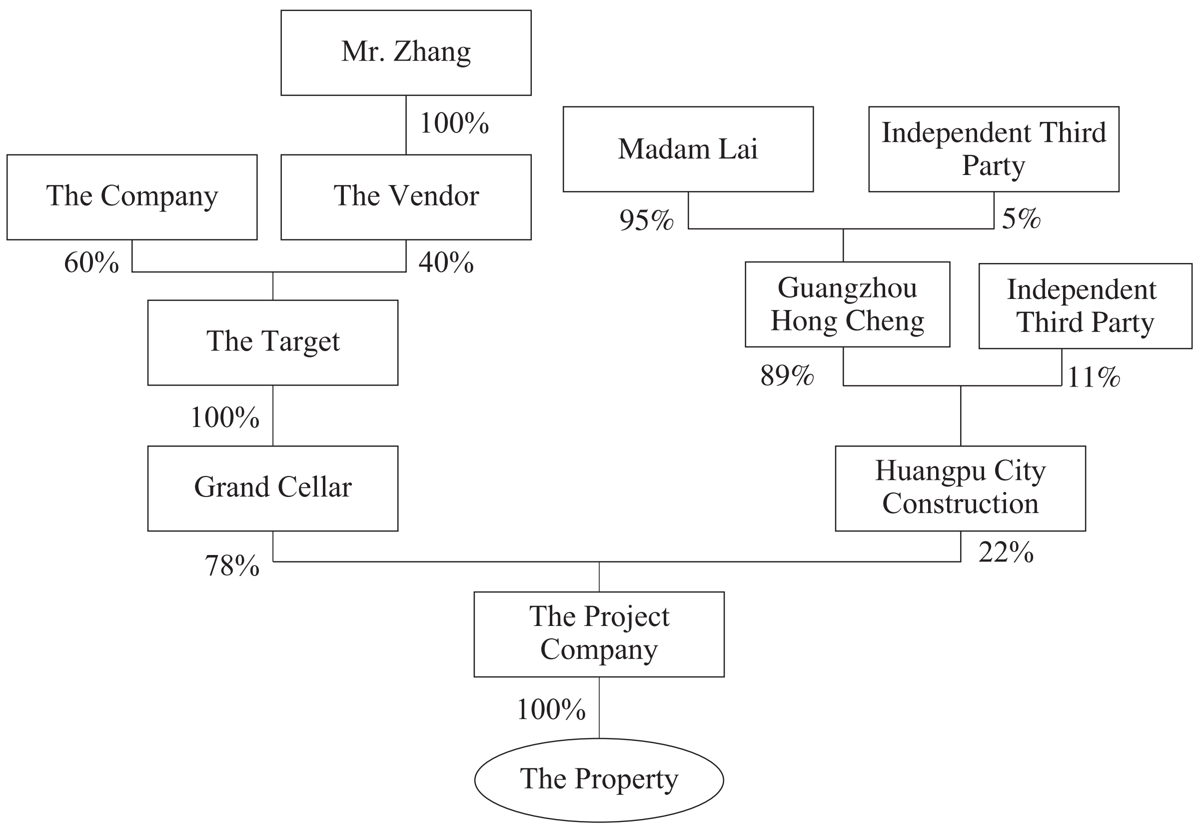
Grand Cellar is a company incorporated in Hong Kong in July 2006 and is wholly owned by the Target. It had been principally engaged in trading of wines but the operations ceased as at the date of the Agreement.

The Project Company is a sino-foreign cooperative joint venture established in the PRC by Kam Lee and Huangpu City Construction in April 1992. The ultimate beneficial owners of Kam Lee are Independent Third Parties. Huangpu City Construction is owned as to approximately 89% by Guangzhou Hong Cheng and approximately 11% by an Independent Third Party, while Guangzhou Hong Cheng is owned as to 95% by Madam Lai and 5% by an Independent Third Party. Madam Lai controlled the board of Huangpu City Construction since her acquisition of 95% equity interest in Guangzhou Hong Cheng in November 2014 (which already held 89% equity interest in Huangpu City Construction at the time of the acquisition). As at the Latest Practicable Date, neither Madam Lai nor any other members of the Project Company group as shown in Chart B held any Shares.

At the time of establishment, Kam Lee and Huangpu City Construction held 78% and 22% interests in the Project Company respectively. In 2005, Huangpu City Construction and Kam Lee entered into an agreement, pursuant to which Kam Lee has agreed to relinquish its entire rights and interests in the Project Company to Huangpu City Construction in consideration of Huangpu City Construction making a cash payment of RMB19.5 million to Kam Lee. The board of Huangpu City Construction also agreed that the 78% equity interest in the Project Company would be transferred to a company nominated by it, being Grand Cellar. However, Kam Lee has failed to execute the necessary documentations or complete the necessary procedures to transfer its 78% interest in the Project Company to Grand Cellar after receiving the payment of RMB19.5 million from Huangpu City Construction. Huangpu City Construction filed an application for arbitration with Guangzhou Arbitration Commission on 14 January 2015 and was granted an award (the "**Award**") on 14 July 2015 that Kam Lee is required to transfer its 78% interest in the Project Company to Grand Cellar. Huangpu City Construction has further made an application on 5 April 2016 to Guangzhou Huangpu People's Court to enforce the Award (the "**Application**"). According to the legal advice of Guangdong Kings Law Firm, the Company's PRC legal adviser, (i) the Award is a final and binding decision in respect of the 78% interest in the Project Company; (ii) the Application has been accepted by Guangzhou Huangpu People's Court, which has accordingly issued a notice to Kam Lee in early June 2016, ordering Kam Lee to complete the transfer of its 78% interest in the Project Company to Grand Cellar (the "**Transfer**") within seven working days of the receipt of such notice. Upon Kam Lee's failure to comply with such order, Guangzhou Huangpu People's Court shall issue an executive order (the "**Execution Order**") to Guangzhou Municipal Commission of Commerce and the competent industry and commerce administration authorities and such authorities shall assist to complete the Transfer; and (iii) the aforesaid procedures are expected to be completed within three months from the acceptance of the Application. As at the Latest Practicable Date, Kam Lee had failed to conduct the Transfer pursuant to Guangzhou Huangpu People's Court's order and the Executive Order was pending to be issued. It is expected that the Execution Order will be issued by end of July 2016 and the Transfer will be completed by end of August 2016. As the Award is a final and binding decision of the court, no legal fees will be further incurred in respect of this dispute.

The Project Company's business operation period granted by the relevant PRC authority has expired on 24 April 2002 and its business licence has not yet been renewed. Upon completion of the Transfer, the Project Company will apply for the renewal of such business licence for carrying out its business and the successful renewal is one of the Conditions . It is expected that the Project Company will obtain the Licences (including the renewed business licence) for the development of the Property by end of October 2016.

Pursuant to the Agreement, it is one of the Conditions that the Target Group shall complete a reorganisation to the effect that (i) the 78% interest in the Project Company be transferred to Grand Cellar before Completion; (ii) Grand Cellar shall have no assets or liabilities other than its investment in the Project Company; and (iii) the Project Company shall have no material assets and liabilities apart from the investment in the Property. The Vendor has undertaken in the Agreement to bear the liabilities of the Target Group (if any) that exist immediately before Completion. The group structure of the Target Group as at Completion is set out below:



The Project Company is principally engaged in property development business in the PRC. The principal asset of the Project Company is its 100% interest in the Property, details of which are described below.

Since the establishment of the Target, the Vendor has contributed approximately HK$231.8 million into the Target as share capital. On 15 October 2010, the Target and Guangzhou Hong Cheng entered into an agreement in relation to the transfer of the 78% equity interest in the Project Company to the Target at a cash consideration of RMB200 million (equivalent to approximately HK$231.8 million), which represents the Vendor's original acquisition cost of 78% equity interest in the Project Company. Accordingly, the Vendor's original acquisition cost attributable to the Sale Shares is approximately HK$139,080,000 (being 60% of the aforesaid total cost).

The Property and its future development plan

The Property is a parcel of land with a site area of approximately 12,732 sq. m. situated at the north-eastern side of 港灣路 (Gangwan Road*), at the junction of 中山大道東 (Zhongzhan Road East*) and 公園西路 (Gongyuan West Road*), Huangpu District, Guangzhou City, Guangdong Province, the PRC, with a valid state-owned land use certificate obtained in 1992. Due to the dispute in the shareholding of the Project Company as disclosed above, the development work of the Property had not commenced as at the Latest Practicable Date and the Property is currently a vacant land.

The Property is conveniently linked to other areas via transportation networks and in close proximity to 大沙地 (Dashadi*) metro station in Guangzhou. Buildings in the locality of the Property are mostly medium to high-rise residential and commercial buildings. Based on the Development Proposal, the Property is proposed to be developed into a mixed use residential and commercial development with a total gross floor area of approximately 64,855 sq.m.. It is the intention of the Company to submit a detailed Development Proposal to the relevant authorities for approval and commence the development work of the Property after Completion. The total construction and financing costs are estimated to be approximately HK$250 million, which are intended to be financed as to approximately HK$100 million by way of the proceeds from the pre-sale of the Property and as to HK$150 million by way of external project financing to be obtained by the Target Group. In the event that the Target Group fails to obtain such financing, the Vendor alone will be responsible for the construction and financing costs and any other capital expenditures to be incurred in the development of the Property.

Details of the development plan and relevant estimated costs are set out as follows:

(i) to complete the pre-construction work including due diligence check on the land, design, and preparation of construction plan with an estimated cost of approximately HK$25 million;

(ii) to complete the construction work of the infrastructure, ancillary facilities, electricity, drainage and other necessary utilities for the Property at an estimated development cost of approximately HK$12.5 million;

(iii) to construct two 37-storey residential towers erected over a 3-storey commercial podium comprising retail shops, supermarket, restaurant and lobby for the residential units (with a total gross floor area of approximately 53,195 sq. m.) at an estimated cost of approximately HK$131 million;

(iv) to construct a 2-level basement of car parking spaces (with a total gross floor area of approximately 11,660 sq. m.) at an estimated cost of approximately HK$56.3 million; and

(v) an estimated financing cost of approximately HK$25 million for the external financing for the development to be obtained by the Target Group.

Upon fulfillment of Condition (v) of the Agreement in relation to obtaining all necessary licences, approvals and permits required for the Project Company to carry out its business as a property developer prior to Completion (please refer to the paragraph headed "Conditions" in the section headed "The Agreement" above), the Project Company shall have the right to develop the Property. It is expected that the Project Company will obtain all the Licences for the development of the Property by end of October 2016, after which the Project Company will engage construction contractors in carrying out the construction work according to the following schedule:

(i) Phase one: to complete the foundation work of the Property within 8 months upon obtaining all the Licences;

(ii) Phase two: to complete the construction of residential towers and the commercial podium within 8 months from the completion of phase one development; and

(iii) Phase three: to complete the decoration and installation of utilities of the Property within 6 months upon completion of phase two development.

It is expected that the development of the Property will complete within around two years. Upon completion of the development of the Property, it is intended that the Property will be held for sale and rental purposes.

Based on the legal opinion with respect to the Project Company and the Property issued by Guangdong Kings Law Firm, the PRC legal adviser appointed by the Company, pursuant to the relevant PRC laws, the Property is freely transferable in the market if it is developed in accordance with the Land Use Rights Grant Contract and the amount of investment made in the Property reaches 25% of the total investment amount of the Property. Such required amount is determined with reference to the invoiced amount and budget for the development of the Property. Given that the development work of the Property has not commenced and the required investment amount has not been made, the Property is at present not freely transferable in the market. However, the interest in the Property held by the Project Company can be transferred to third party/(ies) indirectly through transferral of the Project Company's shares. By assuming that the aforesaid requirement did not exist, the market value of the Property on "as is" basis as at 30 April 2016 is estimated to be approximately HK$1,335 million. Please refer to the property valuation report as set out in Appendix IV to this circular prepared by Grant Sherman Appraisal Limited for further details on the valuation of the Property.

Expertise for the management of the development of the Property

Mr. Zhang, being the executive Director and Chairman, has private investment in a property development project with a construction area of approximately 22,066 sq.m. in Guangzhou with total investment amount of HK$200 million. Upon Completion, Mr. Zhang will be appointed as the director of the Target and the Project Company, with a view to overseeing the overall strategic planning, execution and development of the Property, and supervising the project management team of the Project Company.

In addition, the Company may also appoint Mr. Wu Hai Ming, who was the general manager of a real estate and property development company in Guangzhou with more than 20 years of experience in property development sector in the PRC, as the senior management of the Project Company so as to assist Mr. Zhang in supervising the project management team of the Project Company. Mr. Wu Hai Ming has been in charge of five property development projects in the PRC with larger construction area than the Property, ranging from approximately 150,000 sq.m. to approximately 1.8 million sq.m. each. The project management team is expected to comprise three professionals with relevant expertise and experience ranging from 10 years to 20 years in the property sector. Set out below are the profiles of the project management team to be recruited by the Project Company for the development of the Property:

(i) Mr. Liu Shu Yong, who currently serves as the building construction managing engineer and project manager of Huangpu City Construction, has over 15 years of solid experience in the construction of residential and commercial property development projects, and has participated in over 10 property development and design projects in the PRC. He has been in charge of two property development projects in the PRC with larger construction area than the Property, being approximately 70,000 sq.m. and approximately 100,000 sq.m. respectively.

(ii) Mr. Li Jun Sheng, who currently serves as the building construction engineer of Huangpu City Construction, has over 10 years of experience in handling the tendering, budgeting and sub-contracting matters and monitoring the quality and safety matters of property development projects. He has handled two property development projects in the PRC with larger construction area than the Property, being approximately 60,000 sq.m. and approximately 420,000 sq.m. respectively.

(iii) Mr. He Chun Jie, who currently serves as the commercial property assistant general manager of Huangpu City Construction, has over 10 years of experience in decorating the outer wall of buildings and coordinating the design and construction matters for property development projects, and has participated in a number of building decoration projects in the PRC. He has handled more than ten property development and related projects in the PRC, one of which has larger construction area than the Property of approximately 265,000 sq.m..

Neither Mr. Wu Hai Ming, Mr. Liu Shu Yong, Mr. Li Jun Sheng and Mr. He Chun Zie set out above held any Shares as at the Latest Practicable Date.

Financial information

As at the Latest Practicable Date, the Project Company was yet to be part of the Target Group. Accordingly, the financial information of the Target Group and the Project Company is separately presented as follows.

Set out below is the audited consolidated financial information of the Target Group for the two years ended 30 June 2014 and 2015 and the nine months ended 31 March 2016 (extracted from the accountants' report of the Target Group contained in Appendix IIA to this circular):

	For the year ended 30 June 2014 *(HK$'000)*	For the year ended 30 June 2015 *(HK$'000)*	For the nine months ended 31 March 2016 *(HK$'000)*
Profit/(Loss) before taxation	(83)	(7)	279
Profit/(Loss) after taxation	(83)	(7)	279

	As at 31 March 2016 *(HK$'000)*
Net assets	232,047

As the wine trading business of Grand Cellar ceased as at the date of the Agreement, Shareholders should note that the financial information set out above might not reflect the future business of the Target Group.

Set out below is the audited financial information of the Project Company for the two years ended 31 December 2014 and 2015 and the three months ended 31 March 2016 (extracted from the accountants' report of the Project Company contained in Appendix IIB to this circular):

	For the year ended 31 December 2014 *(HK$'000)*	For the year ended 31 December 2015 *(HK$'000)*	For the three months ended 31 March 2016 *(HK$'000)*
Loss before taxation	—	5,558	—
Loss after taxation	—	5,558	—

	As at 31 March 2016 *(HK$'000)*
Net assets	29,803

REASONS FOR AND BENEFITS OF THE ACQUISITION AND INTENTION ON EXISTING BUSINESS

The Company is engaged in investment holding and the principal activities of its subsidiaries are distribution of watches, wholesale trading of jewellery products, mining, money lending and securities investments.

The Group had once principally engaged in the retail business of jewellery products and watches in the PRC but most of the retail jewellery shops were closed in 2013 whilst the retail sale of watches with more than 40 points of sale in the PRC was disposed of by the Group in June 2014. As disclosed in the annual report of the Company for the year ended 30 September 2015, the Group's revenue amounted to approximately HK$365 million, of which approximately 94.6% was generated from (i) the wholesale trading of jewellery products in the PRC; and (ii) distribution of watches and jewellery products as the exclusive distributor for a prestigious European luxury brand in the PRC, Hong Kong, and Macau with a five-year term commencing from 1 January 2016 and ending on 31 December 2020. In December 2014, the Group further acquired an exclusive distribution rights of watches bearing the trademarks of 'GIRARD-PERREGAUX' and 'JEANRICHARD' in the territories of the PRC, Macau, Hong Kong and Taiwan with a four-year term commencing from 31 December 2014 and ending on 31 December 2018, details of which are set out in the announcements of the Company dated 6 October 2014, 23 October 2014 and 18 December 2014. Since then, distribution of watches and jewellery products through two exclusive distribution rights became the major revenue stream of the Group with a trivial portion contributed by the wholesale business of the jewellery products in the PRC. For the six months ended 31 March 2016, the Group recorded a segment revenue of HK$172.7 million (representing over 90% of the total revenue of the Group for the period), and a segment profit of HK$31.7 million mainly from the distribution business of watches and jewellery products. In view of the latest financial performance of the distribution business of the Group, the Board is satisfied with the current business model of this segment business and is optimistic about the prospects of luxury watches and jewellery products distribution in the PRC, Hong Kong, Taiwan, and Macau markets. The Board intends to continue this business and will seek to adopt stringent cost control measures and negotiate better terms of distribution with the brand owners to enhance the return from this segment. The Board currently has no intention to dispose of, discontinue or scale down this business segment.

The Group has also entered into the money lending and investments in securities businesses during the year ended 30 September 2015 and recorded interest income of HK$7.3 million and fair value loss on held-for-trading investments of HK$42.3 million during the year ended 30 September 2015. For the six months ended 31 March 2016, the revenue derived from money lending business increased to HK$13.9 million with a segment profit of HK$12.0 million, whilst a fair value loss on held-for-trading investment of HK$24.7 million was recorded due to the turmoil in financial market for the period under review. The Board considers that the money lending and investment in securities businesses will diversify the income stream of the Group.

As for the gold mining business, the production schedule of the gold mines has been delayed given extensive time was required for (i) reviewing and negotiating the construction cost of the infrastructure of the mining facilities with the PRC mining institution; and (ii) revision of production plan in compliance with the PRC safety regulation. The Group has been adopting stringent and prudent approach in the development plan and implementation schedule of the gold mine and will adjust the development pace as and when appropriate.

The Board has also been constantly reviewing its business strategy and continued to explore sound investment opportunities for the Group to diversify its source of income, strengthen its core competencies and to contribute sustainable growth for the Group and the Shareholders as a whole. The Directors consider the Acquisition opens up an opportunity for the Group to participate in the property development business in Guangzhou which they believe to be a property market with great potential, and diversify the Group's existing business. Upon completion of the development of the Property, it is intended that the Property will be held for sale and rental purposes. The Directors consider that the Property will generate a stable and recurring income stream to the Group, enable the Group to strengthen its asset base and provide capital appreciation potential to the Group.

Given that the Group has been loss making since the financial year ended 30 September 2013 and it has been actively exploring new business opportunities to cope with the existing market environment, the Directors consider that it is in the interests of the Group and the Shareholders to retain more cash for general working capital and future business development of the Group. As at 31 March 2016, the Group had approximately HK$736 million cash on hand and current liabilities of approximately HK$133 million. The Company proposed to settle the Consideration by way of allotment and issue of the Consideration Shares instead of cash as it would not affect the liquidity position or financial leverage of the Group and allow the Company to complete the Acquisition without any cash outlay. Furthermore, the willingness to accept Consideration Shares (as opposed to cash or other form of consideration) also demonstrates the Vendor's confidence in the prospects of the Acquisition and the Group. Based on the above, the Directors consider that the allotment and issue of Consideration Shares to settle the Consideration is in the interests of the Company and the Shareholders as a whole.

Upon Completion, it is the intention of the Vendor to continue the existing business of the Group. The Vendor has no intention to introduce any major changes to the business (including any redeployment of the fixed assets of the Group) or terminate the employment of the existing employees of the Group.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structures of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares from the Latest Practicable Date and up to Completion):

	(i) As at the Latest Practicable Date		**(ii) Immediately after Completion**	
	Number of Shares	*%*	*Number of Shares*	*%*
Prestige Rich *(Note 1)*	673,622,316	27.47	673,622,316	15.27
The Vendor *(Note 1)*	—	—	1,960,000,000	44.43
Sub-total of the Vendor and parties acting in concert with it	673,622,316	27.47	2,633,622,316	59.70
Alpha Key Investments Limited *(Note 2)*	300,000,000	12.24	300,000,000	6.80
Dr. Li Yifei *(Note 3)*	1,068,000	0.04	1,068,000	0.02
Mr. Xiao Gang *(Note 4)*	72,000	0.01	72,000	0.00
Sub-total of the substantial Shareholders and the Directors	974,762,316	39.76	2,934,762,316	66.52
Other public Shareholders	1,477,008,789	60.24	1,477,008,789	33.48
Total	2,451,771,105	100.00	4,411,771,105	100.00

Notes:

1. Prestige Rich and the Vendor are wholly owned by Mr. Zhang, who is also the sole director of the Vendor and Prestige Rich.

2. Alpha Key Investments Limited is wholly owned by Hengdeli Holdings Limited, which shall be regarded as a public Shareholder after Completion.

3. Dr. Li Yifei is an independent non-executive Director.

4. Mr. Xiao Gang is the non-executive Director.

FINANCIAL EFFECTS OF THE ACQUISITION

Assets and liabilities

Based on the unaudited pro forma financial information set out in Appendix III to the Circular, the total assets of the Group as at 31 March 2016 would increase from approximately HK$1,651 million to approximately HK$3,132 million; and its total liabilities as at 31 March 2016 would increase from approximately HK$160 million to approximately HK$491 million, as a result of the Acquisition.

Earnings

Upon Completion, the Target will become a subsidiary of the Company and the financial results of the Target Group will be consolidated in the consolidated financial statements of the Group. In light of the potential future prospects offered by the Acquisition as illustrated in the section headed "Reasons for and benefits of the Acquisition and intention on existing business" above, the Directors are of the view that the Acquisition will likely contribute positively to the Group. However, the actual effect on earnings will depend on the future financial performance of the Target Group.

REGULATORY IMPLICATIONS

Implications under the Listing Rules

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules is more than 25% but all percentage ratios are less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules. The Vendor and Prestige Rich are wholly owned by Mr. Zhang. As at the Latest Practicable Date, Mr. Zhang (the chairman of the Company and an executive Director), through Prestige Rich, was interested in 673,622,316 Shares, representing approximately 27.47% of the existing issued share capital of the Company. By virtue of Mr. Zhang's interest in the Vendor, the Vendor is a connected person of the Company. The Acquisition therefore also constitutes a connected transaction for the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Implications under the Takeovers Code

As at the Latest Practicable Date, the Vendor did not hold any Shares and Prestige Rich was interested in 673,622,316 Shares, representing approximately 27.47% of the existing issued share capital of the Company. The Vendor and parties acting in concert with it (including Mr. Zhang and Prestige Rich) were interested in 673,622,316 Shares, representing approximately 27.47% of the existing issued share capital of the Company as at the Latest Practicable Date. Immediately after Completion, the Vendor will become a controlling Shareholder, and the Vendor and parties acting in concert with it (including Prestige Rich and Mr. Zhang) will be interested in 2,633,622,316 Shares, representing approximately 59.70% of the issued share capital of the Company as enlarged by the allotment and issue of the

Consideration Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares from the Latest Practicable Date and up to Completion).

As at the Latest Practicable Date, the Company had 2,451,771,105 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

Upon Completion, under Rule 26.1 of the Takeovers Code, the Vendor would be obliged to make a mandatory general offer for all the issued Shares other than those already owned or agreed to be acquired by the Vendor and parties acting in concert with it, unless the Whitewash Waiver is obtained from the Executive. In this regard, the Vendor has made an application to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, (i) approval by the Independent Shareholders at the EGM by way of a poll; and (ii) the Vendor and parties acting in concert with it not having any acquisitions or disposals of voting rights of the Company from the Latest Practicable Date and up to Completion unless with the prior consent of the Executive. The Executive may or may not grant the Whitewash Waiver. The granting of the Whitewash Waiver is a Condition which is not capable of being waived. If the Whitewash Waiver is not obtained and/or approved by the Independent Shareholders, the Acquisition will not proceed.

If the Whitewash Waiver is approved by the Independent Shareholders, the Vendor and parties acting in concert with it will hold more than 50% of the voting rights of the Company upon Completion. The Vendor and parties acting in concert with it may further increase their shareholding in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer after Completion.

GENERAL

The Listing Rules IBC, comprising all the independent non-executive Directors, namely Mr. Tam Ping Kuen, Daniel, Dr. Li Yifei and Dr. Zhu Zhengfu, has been constituted to give recommendation to the Independent Shareholders in respect of the Acquisition. The Takeovers Code IBC, comprising the non-executive Director and all the independent non-executive Directors, namely Mr. Xiao Gang, Mr. Tam Ping Kuen, Daniel, Dr. Li Yifei and Dr. Zhu Zhengfu, has been constituted to give recommendation to the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver. New Spring Capital has been appointed by the Company with the approval of the Takeovers Code IBC to advise (i) the Listing Rules IBC and the Independent Shareholders in respect of the Acquisition; and (ii) the Takeovers Code IBC and the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver.

The voting in respect of the Acquisition and the Whitewash Waiver at the EGM will be conducted by way of a poll. As at the Latest Practicable Date, the Vendor did not hold any Shares and Prestige Rich was interested in 673,622,316 Shares, representing approximately 27.47% of the existing issued share capital of the Company. Accordingly, Mr. Zhang, Prestige Rich, the Vendor, their respective associates and parties acting in concert with any of them and the Shareholder(s) who is/are involved in or interested in the Acquisition and/or the Whitewash Waiver shall abstain from voting on the resolution approving the Acquisition and the Whitewash Waiver at the EGM. In addition, Mr. Zhang has abstained from voting at the Board meeting which approved the Acquisition and the Whitewash Waiver.

EGM

The notice convening the EGM to be held at 3:30 p.m. on 27 July 2016 at Room 29–30, 3/F, Hankow Centre, 5–15 Hankow 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.

RECOMMENDATION

The Directors (excluding members of the Listing Rules IBC and the Takeovers Code IBC whose views have been set out below) consider that the Acquisition is on normal commercial terms, the terms of the Acquisition and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition and the Whitewash Waiver are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition and the Whitewash Waiver.

The Listing Rules IBC, having considered the advice of New Spring Capital, is of the opinion that the Acquisition is on normal commercial terms and is not in the ordinary and usual course of business of the Group, the terms of the Acquisition are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Listing Rules IBC recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition.

The Takeovers Code IBC, having considered the advice of New Spring Capital, is of the opinion that the Acquisition is on normal commercial terms, the terms of the Acquisition and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition and the Whitewash Waiver are in the interests of the Company and the Independent Shareholders. Accordingly, the Takeovers Code IBC recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition and the Whitewash Waiver.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Listing Rules IBC set out on pages 26 to 27 and the letter from the Takeovers Code IBC set out on pages 28 to 29 of this circular which contain their recommendation to the Independent Shareholders as to voting at the EGM and the letter from New Spring Capital set out on pages 30 to 77 of this circular which contains its advice to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver.

Your attention is also drawn to the financial information of the Group, the Target Group and the Enlarged Group, valuation report on the Property and other general information set out in the appendices to this circular.

By order of the Board
O Luxe Holdings Limited
Zhang Jinbing
Chairman

The following is the text of a letter from the Listing Rules IBC setting out its recommendation to the Independent Shareholders in respect of the Acquisition.

O Luxe Holdings Limited
奧立仕控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 860)

11 July 2016

To the Independent Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF A 60% EQUITY INTEREST IN POWER BOOM INTERNATIONAL LIMITED INVOLVING ISSUE OF CONSIDERATION SHARES; AND (2) APPLICATION FOR WHITEWASH WAIVER

We refer to the circular of the Company dated 11 July 2016 (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Listing Rules IBC to advise you (i) as to whether, in our opinion, (a) the terms of the Acquisition are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; (b) the Acquisition is in the ordinary and usual course of business of the Group; and (c) the Acquisition is in the interests of the Company and the Independent Shareholders as a whole; and (ii) as to the voting in respect of the ordinary resolution to be proposed at the EGM to approve the Acquisition. New Spring Capital has been appointed as the independent financial adviser to advise us and you in this regard. Details of their independent advice, together with the principal factors and reasons they have taken into consideration, are set out on pages 30 to 77 of the Circular.

Having considered the terms of the Acquisition and the advice of New Spring Capital, we are of the opinion that the Acquisition is on normal commercial terms and is not in the ordinary and usual course of business of the Group, the terms of the Acquisition are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition is in the interests of the Company and the Independent Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition.

Yours faithfully,
Listing Rules IBC

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

The following is the text of a letter from the Takeovers Code IBC setting out its recommendation to the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver.

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

11 July 2016

To the Independent Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF A 60% EQUITY INTEREST IN POWER BOOM INTERNATIONAL LIMITED INVOLVING ISSUE OF CONSIDERATION SHARES; AND (2) APPLICATION FOR WHITEWASH WAIVER

We refer to the circular of the Company dated 11 July 2016 (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Takeovers Code IBC to advise you (i) as to whether, in our opinion, (a) the Acquisition is on normal commercial terms, the terms of the Acquisition and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned; and (b) the Acquisition and the Whitewash Waiver are in the interests of the Company and the Independent Shareholders; and (ii) as to the voting in respect of the ordinary resolution to be proposed at the EGM to approve the Acquisition and the Whitewash Waiver. New Spring Capital has been appointed as the independent financial adviser to advise us and you in this regard. Details of their independent advice, together with the principal factors and reasons they have taken into consideration, are set out on pages 30 to 77 of the Circular.

Having considered the terms of the Acquisition and the Whitewash Waiver and the advice of New Spring Capital, we are of the opinion that the Acquisition is on normal commercial terms, the terms of the Acquisition and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition and the Whitewash Waiver are in the interests of the Company and the Independent Shareholders. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition and the Whitewash Waiver.

Yours faithfully,
Takeovers Code IBC

Mr. Xiao Gang	**Mr. Tam Ping Kuen, Daniel**	**Dr. Li Yifei**	**Dr. Zhu Zhengfu**
Non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*	*Independent non-executive Director*

The following is the text of the letter of advice from New Spring Capital Limited, the independent financial adviser appointed by the Company (while the appointment has been approved by the Listing Rules IBC and the Takeovers Code IBC), to (i) the Listing Rules IBC and the Independent Shareholders in respect of the Acquisition; and (ii) the Takeovers Code IBC and the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver, which has been prepared for the purpose of inclusion in this circular.

NEW SPRING
CAPITAL LIMITED
Unit 2108, China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

11 July 2016

*To: the Listing Rules IBC, the Takeovers Code IBC
and the Independent Shareholders of O Luxe Holdings Limited*

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF A 60% EQUITY INTEREST IN POWER BOOM INTERNATIONAL LIMITED INVOLVING ISSUE OF CONSIDERATION SHARES; AND (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our engagement as the independent financial adviser (the "**Independent Financial Adviser**") to advise (i) the Listing Rules IBC and the Independent Shareholders in respect of the Acquisition; and (ii) the Takeovers Code IBC and the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 11 July 2016 (the "**Circular**") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the Announcement. On 16 May 2016, the Company (as purchaser), Golden Mega Holdings Limited (as vendor) and Mr. Zhang (as guarantor to the Vendor) entered into the Agreement, pursuant to which the Company conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Shares at the Consideration of HK$588 million, which shall be satisfied by the Company by way of allotment and issue of

1,960,000,000 Consideration Shares at the Issue Price of HK$0.30 per Consideration Share to the Vendor at Completion. Upon Completion, the Company will hold 60% of the issued share capital of the Target which will indirectly hold 78% equity interest in the Project Company.

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules is more than 25% but all percentage ratios are less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules. The Vendor and Prestige Rich are wholly-owned by Mr. Zhang. As at the Latest Practicable Date, Mr. Zhang (the chairman of the Company and an executive Director), through Prestige Rich, was interested in 673,622,316 Shares, representing approximately 27.47% of the existing issued share capital of the Company. By virtue of Mr. Zhang's interest in the Vendor, the Vendor is a connected person of the Company. The Acquisition therefore also constitutes a connected transaction for the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, the Vendor did not hold any Shares and Prestige Rich was interested in 673,622,316 Shares, representing approximately 27.47% of the existing issued share capital of the Company. The Vendor and parties acting in concert with it (including Mr. Zhang and Prestige Rich) were interested in 673,622,316 Shares, representing approximately 27.47% of the existing issued share capital of the Company as at the Latest Practicable Date. Immediately after Completion, the Vendor will become a controlling Shareholder, and the Vendor and parties acting in concert with it (including Prestige Rich and Mr. Zhang) will be interested in 2,633,622,316 Shares, representing approximately 59.70% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares from the Latest Practicable Date and up to Completion). Therefore upon Completion, under Rule 26.1 of the Takeovers Code, the Vendor would be obliged to make a mandatory general offer for all the issued Shares other than those already owned or agreed to be acquired by the Vendor and parties acting in concert with it, unless the Whitewash Waiver is obtained from the Executive. In this regard, the Vendor has made an application to the Executive for the Whitewash Waiver.

Accordingly, (i) the Listing Rules IBC, comprising all the independent non-executive Directors, namely Mr. Tam Ping Kuen, Daniel, Dr. Li Yifei and Dr. Zhu Zhengfu, has been constituted to give recommendation to the Independent Shareholders in respect of the Acquisition; and (ii) the Takeovers Code IBC, comprising the non-executive Director and all the independent non-executive Directors, namely Mr. Xiao Gang, Mr. Tam Ping Kuen, Daniel, Dr. Li Yifei and Dr. Zhu Zhengfu, has been constituted to give recommendation to the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver, as to (a) the fairness and reasonableness of the terms of the Acquisition and the Whitewash Waiver; and (b) how to vote at the EGM, after taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice.

In this connection, we, New Spring Capital, have been appointed by the Company to advise (i) the Listing Rules IBC and the Independent Shareholders in respect of the Acquisition; and (ii) the Takeovers Code IBC and the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver. Our appointment has been approved by the Listing Rules IBC and the Takeovers Code IBC. We do not, by this letter, warrant the merits of the Acquisition and the Whitewash Waiver, other than to form an opinion, for the purpose of the Listing Rules and the Takeovers Code. We are regarded as appropriate to give independent advice in connection with the Acquisition and the Whitewash Waiver since (i) we are not in the same group as the financial or other professional advisers to the Company or the Vendor; and (ii) we have, or had or will have, no connection, financial or otherwise, with the Company, the Vendor and parties acting in concert with it (including Mr. Zhang and Prestige Rich), Mr. Zhang (as guarantor to the Vendor), the Target Group, the Project Company, Madam Lai (the spouse of Mr. Zhang) and any of their respective associates (as defined under the Takeovers Code) within the two years prior to the Agreement and up to the date of the EGM, which is reasonably likely to create, or to create the perception of, a conflict of interest or reasonably likely to affect the objectivity of our advice. Apart from normal professional fees payable to us for this appointment, no arrangement exists whereby we will receive any fees or benefits from any party abovementioned.

BASIS OF OUR OPINION

In formulating our opinions and recommendations to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders, we have relied on the accuracy of the information, opinions and representations contained or referred to in the Circular (or otherwise provided to us by the Directors and the management of the Company (the "**Management**")), and have assumed that all information, opinions and representations contained or referred to in the Circular (or otherwise provided to us by the Directors and the Management) were true, accurate and complete in all respects at the time when they were made and up to the date of this letter. We have also assumed that all statements of belief, opinions and intention made by the Directors in the Circular (or otherwise provided to us by the Directors and the Management) are reasonably made after due enquiry. We have no reason to doubt that any relevant information has been withheld or omitted, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. The Company will notify the Shareholders (including the Independent Shareholders) of any material changes to information provided in the Circular and our opinion during the period after the Latest Practicable Date and until the date of the EGM as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular (or otherwise provided to us by the Directors and the Management) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular (or otherwise provided to us by the Directors and the Management) have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We consider that we have received sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular to provide a reasonable basis for our opinions and recommendations. We consider that we have performed all the necessary steps as required under Rule 13.80 of the Listing Rules to enable us to reach an informed view and to justify our reliance on the information provided and representations made to us so as to form a reasonable basis for our opinions including, among other things:

(a) reviewed the Announcement, the Letter from the Board, the annual reports of the Company for the years ended 30 September 2014 and 2015 (the "**Annual Report 2014**" and the "**Annual Report 2015**" respectively) and its interim report for the six months ended 31 March 2016 (the "**Interim Report 2016**");

(b) reviewed the Agreement and other relevant information, documents and/or agreements in relation to the Acquisition and/or the Whitewash Waiver;

(c) reviewed the PRC legal opinion (the "**PRC Legal Opinion**") prepared by the PRC legal adviser of the Company (the "**PRC Legal Adviser**") in connection with the Acquisition;

(d) conducted market and comparable researches to analyse the major terms of the Acquisition;

(e) discussed with the Directors and the Management regarding, among other things, the background of and reasons for the Acquisition, the basis of the major terms of the Acquisition and the Whitewash Waiver, the future operations of the Target Group upon Completion, the development plan of the Property and so forth; and

(f) reviewed the valuation report of the Property (the "**Property Valuation Report**") prepared by an independent valuer (the "**Independent Valuer**") and the underlying valuation workings and assumptions.

We have not, however, for the purpose of this exercise, conducted any independent detailed verification or audit into the businesses, affairs or future prospects of the Company, the Target Group, the Project Company, or their respective subsidiaries or associates, nor have we investigated the legal title or any liabilities against the subject matters relating to the Acquisition or the Whitewash Waiver. Our opinion was necessarily based on financial, economic, market and other conditions in effect, and the information made available to us as at the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver, we have considered the following principal factors and reasons:

I. Financial information of the Group

The Group is principally engaged in distribution of watches, wholesale trading of jewellery products, mining, money lending and securities investments.

Referring to the Interim Report 2016, summary details of the operating segments of the Group are as follows:

Discontinued operation

(a) Exports segment — export of manufactured jewellery products and writing instruments by Omas SRL ("**Omas**")*(Note 2)*;

Continuing operation

(b) Domestic segment*(Note 1)* — trading of watches and jewellery products in the territories of the mainland China, Macau, Hong Kong and Taiwan;

(c) Mining segment — the mining, exploration and sale of gold resources;

(d) Money lending segment — provision of loan finance; and

(e) Securities investments segment — trading of listed securities.

The following table summarises the results of operations and financial positions of the Group for the two years ended 30 September 2015 ("**FY2014**" and "**FY2015**" respectively) and the six months ended 31 March 2016 ("**6M2016**"):

	For the year ended 30 September		**For the six months ended 31 March**	
	2014	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited) (restated)	(unaudited)
CONTINUING OPERATIONS				
Revenue				
Domestic*(Note 1)*	1,187,616	345,531	149,117	172,676
Mining	—	—	—	—
Money lending	—	7,260	—	13,878
Securities investments	—	—	—	—
Exports (discontinued*(Note 2)*)	19,489	12,410	—	—
Total revenue	1,207,105	365,201	149,117	186,554
Gross profit/(loss)	(862,490)	81,348	34,828	74,162
Loss for the year/period from continuing operations	(1,066,094)	(205,621)	(37,815)	(6,532)
DISCONTINUED OPERATION				
Loss for the year/period from discontinued operation	—	—	(978)	(4,423)
Loss for the year/period	**(1,066,094)**	**(205,621)**	**(38,793)**	**(10,955)**

	As at 30 September		As at 31 March
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited)
Non-current assets	188,157	225,869	195,471
Current assets	1,082,246	1,445,534	1,455,770
Total assets	**1,270,403**	**1,671,403**	**1,651,241**
Non-current liabilities	37,897	28,459	27,019
Current liabilities	109,608	125,616	132,743
Total liabilities	**147,505**	**154,075**	**159,762**
Net assets	**1,122,898**	**1,517,328**	**1,491,479**

Source: Annual Report 2014, Annual Report 2015 and Interim Report 2016 published by the Company in the website of the Stock Exchange

Notes:

1. Referring to the announcement of the Company dated 30 June 2014 in relation to a disposal of a subsidiary and the Annual Report 2014, it is noted that the Company disposed of its entire equity interest of 遼寧時全飾美投資管理有限公司 (Liaoning Shi Quan Shi Mei Investment Management Company Limited*) on 30 June 2014. The disposed subsidiary was principally engaged in the retails of watches in Shenyang, the PRC. The Management advised us that, subsequent to the aforesaid disposal, the Group is no longer engaged in the retail business of watches nor jewellery products.

2. Omas ceased its operation with effect from 17 November 2015 due to its continued financial losses and the adverse business environment. Accordingly, the financial results of Omas were presented as (i) discontinued operation of the Group in the Interim Report 2016; and (ii) continuing operation of the Group in the Annual Reports 2014 and 2015 respectively. Further details please refer to section headed "Financial information of the Group" in Appendix I to the Circular.

(a) 6M2016 compared to six months ended 31 March 2015 ("6M2015")

Revenue of the Group from continuing operations increased from approximately HK$149.1 million for 6M2015 to approximately HK$186.6 million for 6M2016, which represented an increase of approximately 25.1%. The Group's gross profit from continuing operations amounted to approximately HK$74.2 million with the gross profit margin of approximately 39.8% for 6M2016, as compared to approximately HK$34.8 million with the gross profit margin of approximately 23.4% for 6M2015. As referred to the Interim Report 2016, the increases in the Group's revenue and gross profit from continuing operations for 6M2016 was attributable to (i) the contribution from interest income on its money lending segment of approximately HK$13.9 million (6M2015: Nil), where the

* *For identification purpose only*

Group entered into such new business during FY2015 aiming to diversify its source of income; and (ii) the six months' result of contribution of approximately HK$56.7 million from Sinoforce Group Limited in 6M2016, while there was only three months' result of approximately HK$30.4 million contributed from such subsidiary in 6M2015 as the Group acquired the entire interest in Sinoforce Group Limited on 18 December 2014. Sinoforce Group Limited is engaged in distribution of luxury watch products with exclusive distribution rights. Further details in relation to the acquisition of Sinoforce Group Limited by the Group in December 2014 are mentioned under the section headed "Background to and reasons for and benefits of the Acquisition" in this letter.

With respect to the Group's segment performance, its domestic segment remained as the major source of revenue of the Group in 6M2016 which accounted for approximately 92.6% of its total revenue. This segment had revenue of approximately HK$172.7 million for 6M2016, recording a growth of approximately 15.8% from approximately HK$149.1 million for 6M2015. However, the Group expected that the challenging environment in PRC luxury goods market will persist and hence will continue to adopt stringent cost control measures. The money lending segment of the Group recorded revenue of approximately HK$13.9 million for 6M2016 derived from the interest income on loan financing. During the period, the Group recorded fair value loss on held-for-trading investment for its securities investments segment of approximately HK$24.7 million, while the mining segment did not generate revenue due to delay in production schedule since the second half of 2014 for (i) reviewing and negotiating the construction cost of the infrastructure of the mining facilities with the PRC mining institution, and (ii) revision of production plan in compliance with the PRC safety regulation. As at the Latest Practicable Date, there was no update on the status of the production schedule.

For 6M2015 and 6M2016, the Group had net losses of approximately HK$38.8 million and HK$11.0 million respectively, while the losses from continuing operations were approximately HK$37.8 million and HK$6.5 million for the same periods respectively. For 6M2015, the net loss recorded by the Group was primarily resulted from the impairment losses on goodwill and intangible assets of approximately HK$79.3 million and HK$79.9 million both related to the acquisition of Sinoforce Group Limited in December 2014, which were partly offset by fair value gain of contingent consideration receivable of approximately HK$120.8 million in connection with such acquisition and the related profit guarantee from the former owner during the same period. The net loss of the Group narrowed in 6M2016 which was mainly due to (i) the increased gross profit from continuing operations in 6M2016 mainly driven by the contributions from the interest income on its money lending segment of approximately HK$13.9 million and results from Sinoforce Group Limited of approximately HK$56.7 million as mentioned in the above paragraphs; (ii) no impairment loss on goodwill related to the abovementioned acquisition was recorded during 6M2016; and (iii) the turnaround from the impairment loss on intangible assets of approximately HK$79.9 million in 6M2015 to the reversal of intangible assets of approximately HK$3.2 million in 6M2016. Such result was slightly offset by (i) the reduction in fair value of contingent consideration receivable of approximately HK$15.3 million; and (ii) the fair value loss on held-for-trading investment of approximately HK$24.7 million in relation to its securities investments segment due to the turmoil in financial market in 6M2016, whereas no such loss was recorded for

6M2015. The operation of underperformed manufacturing business of "OMAS" in Italy had been ceased in November 2015 and undergone liquidation process in December 2015, where the Group has made further provision against the liquidation cost of HK$4.4 million during 6M2016 (while there was no such provision of liquidation cost during 6M2015). Therefore, as disclosed in the Interim Report 2016, the Group has discontinued operations of its exports segment during 6M2015 and recorded losses from discontinued operation of approximately HK$1.0 million and HK$4.4 million respectively for 6M2015 and 6M2016.

As at 31 March 2016, the Group had total assets of approximately HK$1,651.2 million, comprising non-current assets of approximately HK$195.5 million and current assets of approximately HK$1,455.8 million. Non-current assets of the Group as at 31 March 2016 mainly represented the intangible assets of approximately HK$112.1 million comprising (i) mining rights obtained for the exploration of gold mine in certain area in Inner Mongolia in the PRC; and (ii) exclusive distribution right of a prestigious European luxury brand in respect of the marketing, distribution, advertising, promotion and sale of its products in Hong Kong, Macau and the PRC as well as exclusive distribution right for products of "GIRARD-PERREGAUX" and "JEANRICHARD" (the brands of luxury watches) in the PRC, Macau, Hong Kong and Taiwan. Current assets of the Group as at 31 March 2016 were mainly consisted of inventories of approximately HK$306.7 million, loan receivables of approximately HK$239.5 million and bank balances and cash of approximately HK$736.2 million. As at 31 March 2016, the Group had total liabilities of approximately HK$159.8 million, which mainly comprised secured bank loans of approximately HK$70.9 million. Net assets of the Group were approximately HK$1,491.5 million as at the same date.

(b) FY2015 compared to FY2014

Revenue of the Group for FY2014 and FY2015 was approximately HK$1,207.1 million and HK$365.2 million respectively. As referred to the Annual Reports 2014 and 2015, the Group conducted discount block sale to tackle with its slow moving inventories of jewellery products in 2014 resulting in significant growth of its revenue for FY2014, the sale of which accounted for approximately 51.8% of the Group's total revenue for FY2014. Without the discount block sale, the revenue for FY2015 decreased by approximately 69.7% compared to FY2014, which was also affected by the weakened demand of luxury consumer goods market in Hong Kong and China. Regarding the gross result, the Group recorded gross profit of approximately HK$81.3 million for FY2015, which has recovered from the gross loss of approximately HK$862.5 million for FY2014.

With respect to the Group's segment performance, its domestic segment had revenue of approximately HK$345.5 million which contributed approximately 94.6% to its total revenue for FY2015. Revenue of the Group's exports segment was approximately HK$12.4 million for FY2015, representing approximately 3.4% of its total revenue, a relatively small portion. It is noted that such segment recorded a decrease in revenue by approximately 36.3% compared to FY2014, primarily due to the cease of operations of the underperformed manufacturing business of "OMAS" in Italy. For FY2015, the Group's money lending segment commenced to generate revenue of approximately HK$7.3

million. During the year, the Group recorded fair value loss on held-for-trading investment for its securities investments segment of approximately HK$42.3 million and did not generate revenue from the mining segment due to the continuing delay in production schedule.

For FY2014 and FY2015, the Group had net losses of approximately HK$1,066.1 million and HK$205.6 million respectively. The narrowed net loss for FY2015 was mainly recovered from the discount block sale of inventories of jewellery products in 2014 which had adverse impact to the Group's gross result for FY2014 as abovementioned. It is noted from the Annual Report 2015 that the Group had impairment losses on goodwill, intangible assets, property, plant and equipment, trade and other receivables and losses on held-for-trading investments and deregistration/disposal of subsidiaries aggregately of approximately HK$249.1 million for FY2015, compared to that of approximately HK$179.9 million for FY2014.

As at 30 September 2015, the Group had total assets of approximately HK$1,671.4 million, comprising non-current assets of approximately HK$225.9 million and current assets of approximately HK$1,445.5 million. Non-current assets of the Group as at 30 September 2015 mainly represented the intangible assets of approximately HK$115.9 million comprising the mining rights as well as the exclusive distribution rights obtained for the trading of watches and jewellery products by the Group. Current assets of the Group as at 30 September 2015 were consisted of mainly inventories of approximately HK$278.5 million, loan receivables of approximately HK$203.0 million and bank balances and cash of approximately HK$758.9 million. The Group's bank balances and cash position substantially increased from approximately HK$202.0 million as at 30 September 2014 to approximately HK$758.9 million as at 30 September 2015, which was mainly due to the reasons that (i) approximately HK$543.6 million of trade receivables for FY2014 were settled in FY2015; and (ii) on 23 April 2015, the Company completed an open offer on the basis of two offer shares for every one consolidated share held on the record date (the "**2015 Open Offer**"), net proceeds of which were approximately HK$487 million. As at 30 September 2015, the unused proceeds from the 2015 Open Offer were approximately HK$212 million, as referred to a supplemental announcement of the Company dated 10 May 2016 in relation to the Annual Report 2015. As at 30 September 2015, the Group had total liabilities of approximately HK$154.1 million. Net assets of the Group were approximately HK$1,517.3 million as at the same date.

The Independent Shareholders should note that the Group has undergone substantial changes over its operations during the above review periods including among others, (i) the cessation of retail of watches and jewellery products during FY2014; (ii) the cessation of manufacturing and trading of writing instrument business in November 2015; and (iii) the commencement of money lending and securities investment businesses during FY2015. Therefore, the financial information set out above related to the discontinued business is intended to provide reference to the historical financial performance of the Group and might not reflect its future business.

II. Information of the Vendor, the Target Group and the Project Company

(a) Information of the Vendor

The Vendor is incorporated in the BVI and is wholly-owned by Mr. Zhang. The principal business of the Vendor is investment holding. As referred to the Letter from the Board, Mr. Zhang (the chairman of the Company and an executive Director), through Prestige Rich, was interested in 673,622,316 Shares, representing approximately 27.47% of the existing issued share capital of the Company as at the Latest Practicable Date. By virtue of Mr. Zhang's interest in the Vendor, the Vendor is a connected person of the Company.

(b) Background and business of the Target Group and the Project Company

The Target is a company incorporated in the BVI in April 2006 and is wholly-owned by the Vendor. It is principally engaged in investment holding.

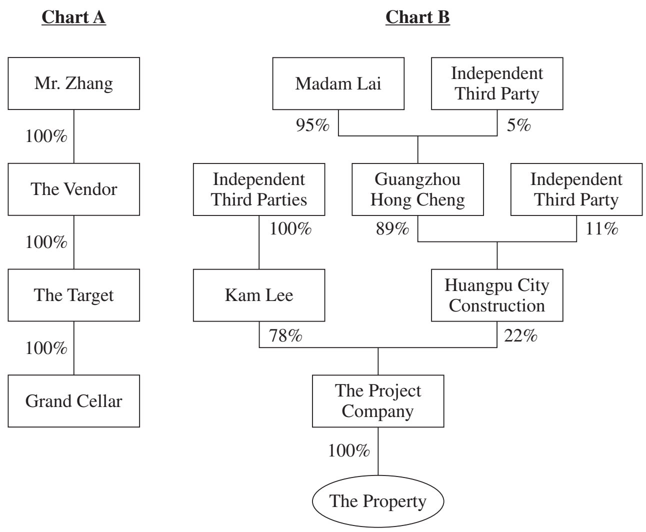
Grand Cellar is a company incorporated in Hong Kong in July 2006 and is wholly-owned by the Target. It was principally engaged in trading of wines but the operations ceased as at the date of the Agreement.

The Project Company is a sino-foreign cooperative joint venture established in the PRC by Kam Lee and Huangpu City Construction in April 1992. The ultimate beneficial owners of Kam Lee are Independent Third Parties. Huangpu City Construction is owned as to approximately 89% by Guangzhou Hong Cheng and approximately 11% by an Independent Third Party, while Guangzhou Hong Cheng is owned as to 95% by Madam Lai and 5% by an Independent Third Party. Madam Lai controlled the board of Huangpu City Construction since her acquisition of 95% equity interest in Guangzhou Hong Cheng in November 2014 (which already held 89% equity interest in Huangpu City Construction at the time of the acquisition). At the time of establishment, Kam Lee and Huangpu City Construction held 78% and 22% interests in the Project Company respectively. As advised by the Management and the PRC Legal Adviser, the table below sets forth the major events in relation to the transfer of 78% interest in the Project Company from Kam Lee to Grand Cellar (the "**Transfer**"). Further details can be referred to the section headed "Information on the Target Group – Group structure and reorganisation" in the Letter from the Board.

Time	**Events**
In July 2005	Huangpu City Construction and Kam Lee entered into an agreement, pursuant to which Kam Lee has agreed to relinquish its entire rights and interests in the Project Company to Huangpu City Construction in consideration of Huangpu City Construction making a cash payment of RMB19.5 million to Kam Lee. Under the agreement, Kam Lee shall be obliged to, among other things, enter into share transfer agreement with a company nominated by Huangpu City Construction, assist in filing all necessary regulatory documentations and complete the necessary procedures to transfer its 78% equity interest in the Project Company.

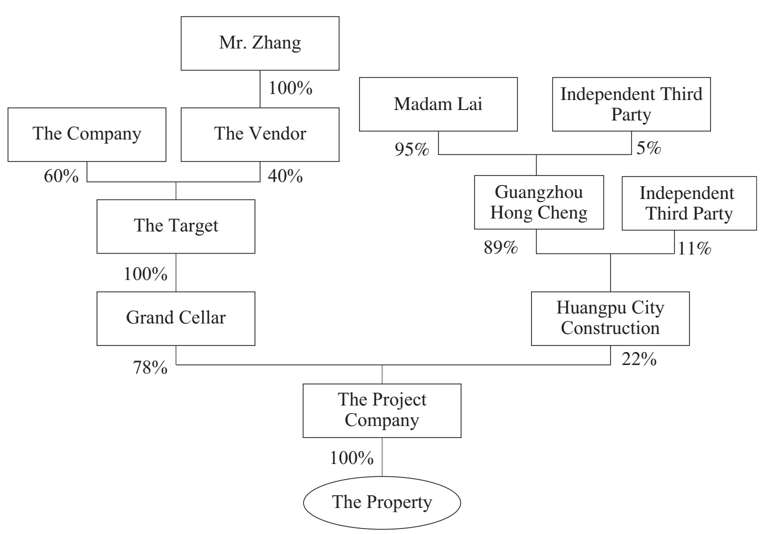
Time	Events
	Huangpu City Construction subsequently settled the consideration of RMB19.5 million to Kam Lee.
In October 2010	The Target (as purchaser) entered into an agreement with Guangzhou Hong Cheng (as vendor) to acquire 78% equity interest in the Project Company at a consideration of RMB200 million (equivalent to approximately HK$231.8 million). The consideration was subsequently settled.
From December 2014 to January 2015	Huangpu City Construction requested Kam Lee to execute the necessary documentations to transfer its 78% equity interest in the Project Company to Grand Cellar (a wholly-owned subsidiary of the Target), pursuant to the agreement signed in July 2005. However, Kam Lee failed to do so.
In January 2015	Huangpu City Construction filed an application for arbitration with Guangzhou Arbitration Commission in relation to Kam Lee's failure to carry out its obligations under the agreement signed in July 2005.
In July 2015	Huangpu City Construction was granted an award (the "**Award**") that Kam Lee is required to carry out the Transfer.
In March 2016	Kam Lee filed an application to Guangzhou People's Court to revoke the Award but the application was turned down by the court.
In April 2016	Huangpu City Construction further made an application to Guangzhou Huangpu People's Court to enforce the Award (the "**Application**"). The Application has been accepted. As advised by the PRC Legal Adviser, the Award is a final and binding decision of the court. No legal fees will be further incurred in respect of this dispute.
From June 2016 to the Latest Practicable Date	Guangzhou Huangpu People's Court issued a notice to Kam Lee and ordered Kam Lee to complete the Transfer within seven working days of the receipt of such notice, Kam Lee has failed to comply with such order. It is expected that Guangzhou Huangpu People's Court will issue an execution order to Guangzhou Municipal Commission of Commerce by end of July 2016 and the Transfer will be completed by end of August 2016.

The group structures of the Target Group (chart A) and the Project Company (chart B) as at the date of the Agreement are set out below:



As at the Latest Practicable Date, neither Madam Lai nor any other members of the Project Company group (as shown in chart B above) held any Shares.

Pursuant to the Agreement, it is one of the Conditions that the Target Group shall complete a reorganisation to the effect that (i) the 78% interest in the Project Company be transferred to Grand Cellar before Completion; (ii) Grand Cellar shall have no assets or liabilities other than its investment in the Project Company; and (iii) the Project Company shall have no material assets and liabilities apart from the investment in the Property. The Vendor has undertaken in the Agreement to bear the liabilities of the Target Group (if any) that exist immediately before Completion. The group structure of the Target Group as at Completion is set out below:



The Project Company is principally engaged in property development business in the PRC. The principal asset of the Project Company is its 100% interest in the Property.

(c) Financial information of the Target Group and the Project Company

As at the Latest Practicable Date, the Project Company was yet to be part of the Target Group. Accordingly, the financial information of the Target Group and the Project Company is separately presented as follows.

(i) The Target Group

Set out below is the summary of the key financial information of the Target Group for the years ended 30 June 2013, 2014 and 2015 and the nine months ended 31 March 2016 prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, where details are set out in Appendix IIA to the Circular:

	For the year ended 30 June			**For the nine months ended 31 March**	
	2013	**2014**	**2015**	**2015**	**2016**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Revenue	16,486,965	7,449,964	1,493,080	1,312,080	15,152,285
Gross profit	1,185,463	698,424	255,613	222,582	8,587
Profit (loss) before taxation	28,212	(82,770)	(6,926)	4,811	279,105
Profit (loss) for the year/period	**28,212**	**(82,770)**	**(6,926)**	**4,811**	**279,105**

	As at 30 June			**As at 31 March**
	2013	**2014**	**2015**	**2016**
	HK$	*HK$*	*HK$*	*HK$*
	(audited)	(audited)	(audited)	(audited)
Total assets	251,979,646	249,419,249	246,962,031	232,055,930
Total liabilities	20,122,125	17,644,498	15,194,206	9,000
Net assets	**231,857,521**	**231,774,751**	**231,767,825**	**232,046,930**

The results of operations of the Target Group for the years ended 30 June 2013, 2014 and 2015 and the nine months ended 31 March 2016 set forth above were related to its wine trading business. However, such business conducted by Grand Cellar was ceased as at the date of the Agreement as stated in the Letter from the Board. **Since the wine trading business of Grand Cellar ceased as at the date of**

the Agreement, the Independent Shareholders should note that the financial information set out above might not reflect the future business of the Target Group.

As at 31 March 2016, the Target Group had net assets of approximately HK$232.0 million, comprising mainly the deposit of approximately HK$231.8 million paid for acquisition of 78% equity interest in the Project Company, according to an agreement entered between the Target (as purchaser) and Guangzhou Hong Cheng (as vendor) in 2010. As referred to the Letter from the Board, the Transfer has yet completed as at the Latest Practicable Date. Upon completion of the Transfer, the Project Company will become a non-wholly owned subsidiary of Grand Cellar.

Further details in relation to the financial information of the Target Group are set forth under the section headed "Management discussion and analysis of the Target Group" in Appendix IIA to the Circular.

(ii) The Project Company

As referred to the Letter from the Board, the Project Company is principally engaged in property development business in the PRC. Set out below is the summary of the key financial information of the Project Company for the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2016 prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, where details are set out in Appendix IIB to the Circular:

	For the year ended 31 December			**For the three months ended 31 March**	
	2013	**2014**	**2015**	**2015**	**2016**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Revenue	—	—	—	—	—
Loss before taxation	—	—	(5,557,875)	—	—
Loss for the year/period	**—**	**—**	**(5,557,875)**	**—**	**—**

	As at 31 December			As at 31 March
	2013	**2014**	**2015**	**2016**
	HK$	*HK$*	*HK$*	*HK$*
	(audited)	(audited)	(audited)	(audited)
Total assets	26,310,029	26,152,372	29,734,745	29,856,761
Total liabilities	57,237	56,895	53,889	54,110
Net assets	**26,252,792**	**26,095,477**	**29,680,856**	**29,802,651**

As illustrated in the table above, the Project Company did not generate any revenue for the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2016. For the year ended 31 December 2015, the Project Company recorded net loss of approximately HK$5.6 million due to a penalty for the overdue payment of land transfer premium in relation to the Property imposed by relevant PRC authority. We note from the PRC Legal Opinion that such penalty was fully settled by the Project Company in 2015 and there would be no impact from such penalty on the land use rights of the Property. The Project Company did not recognise any profit or loss for the years ended 31 December 2013 and 2014 and the three months ended 31 March 2016.

As at 31 March 2016, the Project Company had net assets of approximately HK$29.8 million, comprising mainly the property under development of approximately HK$29.7 million. As at 31 March 2016 and up to the Latest Practicable Date, the principal asset of the Property Company is the 100% interest in the Property.

As stated in the Letter from the Board, the Project Company's business operation period granted by the relevant PRC authority has expired on 24 April 2002 and its business licence has not yet been renewed. Referring to Appendix IIB to the Circular, the auditors of the Company opined that the financial information stated in the appendix has given a true and fair view of the financial position of the Project Company during the relevant periods and no adjustments had been made with respect to the failure of extension of business operation period and renewal of the business license of the Project Company. In such regard, the auditors of the Company advised us that they have (i) reviewed and relied on the PRC Legal Opinion that there will be no material legal obstacles for the Project Company to obtain necessary licenses for conducting its business; and (ii) taken into consideration of the Directors' view that the Project Company is able to obtain the approval for the extension of business operation period and to renew its business license, based on the Directors' discussions with the Vendor and the PRC Legal Adviser. Accordingly, the auditors of the Company concluded that (i) no relevant adjustments need to be made to the financial information of the Project Company; (ii) appropriate disclosures have been made in this respect; and (iii) their opinion is not modified in respect of this matter.

Having considered the advice from the auditors of the Company and work done they have conducted, the PRC Legal Opinion, discussion with the Management in this respect and our view on the feasibility of the expected timeline in obtaining all the Licences by the end of October 2016 (details are discussed under the section headed "Background to and reasons for and benefits of the Acquisition" in this letter), we are of the view that the financial information of the Project Company without the aforesaid adjustment is justifiable.

Further details in relation to the financial information of the Project Company are set forth under the section headed "Management discussion and analysis of the Project Company" in Appendix IIB to the Circular.

III. Background to and reasons for and benefits of the Acquisition

Business diversification

The Company is engaged in investment holding and the principal activities of its subsidiaries are distribution of watches, wholesale trading of jewellery products, mining, money lending and securities investments.

Referring to the Letter from the Board, the Group had once principally engaged in the retail business of jewellery products and watches in the PRC but most of the retail jewellery shops were closed in 2013 whilst the retail sale of watches with more than 40 points of sale in the PRC was disposed of by the Group in June 2014. The Management advised us that, subsequent to the disposal in June 2014, the Group is no longer engaged in the retail business of watches nor jewellery products. As referred to the Annual Reports 2014 and 2015, the Interim Report 2016 and the Letter from the Board, we noted several key developments among the business segments of the Group which are set forth below:

(a) Domestic segment

The domestic segment of the Group represents (i) the trading of watches and jewellery products under two exclusive distribution rights of (a) a prestigious European luxury brand in connection with its marketing, distribution, advertising, promotion and sale of watches and jewellery products in Hong Kong, Macau and the PRC with a five-year term commencing from 1 January 2016 and ending on 31 December 2020, and (b) products of "GIRARD-PERREGAUX" and "JEANRICHARD" (Swiss' luxury watch brands) in the PRC, Macau, Hong Kong and Taiwan with a four-year term commencing from 31 December 2014 and ending on 31 December 2018; and (ii) the wholesale trading of jewellery products of other brands in the PRC.

As advised by the Management, the abovementioned exclusive distribution right of the prestigious European luxury brand has been obtained by the Group since 2011 and renewed in 2016 for an additional five-year term. In addition, on 18 December 2014, the Group acquired the entire interest in Sinoforce Group Limited, which indirectly hold the exclusive distribution right of the products of "GIRARD-PERREGAUX" and "JEANRICHARD" in the territories of the mainland China, Macau, Hong Kong and Taiwan. It is noted that the acquisition aimed at strengthening the Group's distributor business with a long-term perspective. Since then, the trading of watches and jewellery products through the two exclusive distribution rights became the major revenue stream of the Group, which represented approximately 92.6% of the Group's total revenue for 6M2016, while there was a trivial portion contributed by the wholesale business of the jewellery products in the PRC.

To further consolidate the business, the Group decided to close down the underperformed manufacturing business of "OMAS" in Italy in November 2015. Accordingly, Omas (a subsidiary of the Company with principal activities as manufacturing and trading of writing instruments) started the liquidation process on 1 December 2015.

The Board (i) intends to continue this business segment by adopting stringent cost control measures and negotiating better terms of distribution with the brand owners to enhance return from this segment; and (ii) currently has no intention to dispose of, discontinue or scale down this business segment.

(b) Money lending and securities investments

During FY2015, the Group entered into the money lending and securities investments businesses. The Board considers that the new businesses allow the Group to diversify its source of income with the aim of generating appropriate returns to the Shareholders, while we concur with their view given the revenue of the money lending business grew from approximately HK$7.3 million for FY2015 to approximately HK$13.9 million for 6M2016. In terms of segment results, we note that the Group's money lending business had segment profits of approximately HK$3.6 million and HK$12.0 million for FY2015 and 6M2016 respectively. However, its securities investments business had segment losses of approximately HK$42.3 million and HK$24.7 million during the same periods respectively.

(c) Gold mining business

The production schedule of gold mines has been delayed since the second half of 2014 due to an extensive time has to be spent on (i) reviewing and negotiating the construction cost of the infrastructure of the mining facilities with the PRC mining institution, and (ii) revision of production plan in compliance with the PRC safety regulation. As illustrated in the Letter from the Board, the Group has been adopting stringent and prudent approach in the development plan and implementation schedule of the gold mine and will adjust the development pace as and when appropriate. As at the Latest Practicable Date, the Management advised us that there was no update on the status of the production schedule.

We are further advised by the Management that the major revenue stream of the Group, being trading of watches and jewellery products, has been adversely affected by the moderating growth of the PRC economy and the slackening landscape in the luxury retail market. According to Census and Statistics Department of the HKSAR, the value of retail sales of jewellery, watches and clocks, and valuable gifts decreased by approximately 15.6%, from approximately HK$102,098 million in 2014 to approximately HK$86,213 million in 2015. The decrease generally implies the more conservation consumption pattern on luxury goods among the consumers.

As previously mentioned, the Group retains an exclusive right for distribution of products of two Swiss' luxury watch brands in the PRC, Macau, Hong Kong and Taiwan. Demand of Swiss' watches in such regions would likely affect the result of operations of the Group. According to statistics from the Federation of the Swiss Watch Industry, the value of global watch industry exports reported its first downturn since 2009. In 2015, the Swiss' watch exports to Hong Kong experienced a decrease of around 12.7% to approximately US$9.5 billion in value, though Hong Kong remained at the main importing country of Swiss' watches. In the same year, the Swiss' watch exports to China also experienced a slight decrease of around 0.8% to approximately US$3.5 billion.

Going forward, it is expected that the domestic segment of the Group will continue facing challenges, such as the slowdown of the PRC and Hong Kong economic growth, the more conservative consumption pattern on luxury goods by local consumers and the downturn in Swiss' watch exports to Hong Kong and China. The Management therefore intends to adopt stringent cost control measures and to negotiate better terms of distribution with the brand owners to enhance the segment return.

In view of the uncertainties faced by existing business segments of the Group, we agree with the Board that it is appropriate for the Group to constantly review its business strategy and continue to explore sound investment opportunities to diversify its source of income and strengthen its core competencies with a view to contributing sustainable growth for the Group and the Shareholders as a whole.

Business prospect from the Acquisition

Development plan of the Property

As mentioned in the Letter from the Board, the Directors consider the Acquisition opens up an opportunity for the Group to participate in the property development business in Guangzhou which they believe to be a property market with great potential, and diversify the Group's existing business. Upon completion of the development of the Property, it is intended that the Property will be held for sale and rental purposes. The Directors consider that the Property will generate a stable and recurring income stream to the Group, enable the Group to strengthen its asset base and provide capital appreciation potential to the Group.

The Property is a parcel of land with a site area of approximately 12,732 sq.m. situated at the north-eastern side of 港灣路 (Gangwan Road*), at the junction of 中山大道東 (Zhongzhan Road East*) and 公園西路 (Gongyuan West Road*), Huangpu District, Guangzhou City, Guangdong Province, the PRC, with a valid state-owned land use certificate obtained in 1992. As at the Latest Practicable Date, the development work of the Property had not commenced and the Property is currently a vacant land.

* *For identification purpose only*

The Property is conveniently linked to other areas via transportation networks and in close proximity to 大沙地 (Dashadi*) metro station in Guangzhou. Buildings in the locality of the Property are mostly medium to high-rise residential and commercial buildings. Based on the Development Proposal, the Property is proposed to be developed into a mixed use residential and commercial development with a total gross floor area of approximately 64,855 sq.m.. Details of the breakdowns are as follows:

	Floor levels	No. of storeys	Designed use(s)	Approximate total gross floor area *(sq.m.)*
1.	Levels B1 and B2	2	Carpark	11,660
2.	Levels 1 to 3	3	Commercial and ancillary	5,095
3.	Levels 4 to 40	37	Residential	48,100
	Total			**64,855**

Note: The two residential blocks will accommodate 584 flats in total. In addition, the proposed development will comprise one level of refuge floor with a total gross floor area of approximately 400 sq.m..

As stated in the Letter from the Board, it is the intention of the Company to submit a detailed Development Proposal to the relevant authorities for approval and commence the development work of the Property after Completion.

The total construction and financing costs are estimated to be approximately HK$250 million, which are intended to be financed as to approximately HK$100 million by way of the proceeds from the pre-sale of the Property and as to HK$150 million by way of external project financing to be obtained by the Target Group. In the event that the Target Group fails to obtain such financing, the Vendor alone will be responsible for the construction and financing costs and any other capital expenditures to be incurred in the development of the Property. Details of the development plan and relevant estimated costs are set out as follows:

(i) to complete the pre-construction work including due diligence check on the land, design, and preparation of construction plan with an estimated cost of approximately HK$25 million;

(ii) to complete the construction work of the infrastructure, ancillary facilities, electricity, drainage and other necessary utilities for the Property at an estimated development cost of approximately HK$12.5 million;

(iii) to construct two 37-storey residential towers erected over a 3-storey commercial podium comprising retail shops, supermarket, restaurant and lobby for the residential units (with a total gross floor area of approximately 53,195 sq.m.) at an estimated cost of approximately HK$131 million;

* *For identification purpose only*

(iv) to construct a 2-level basement of car parking spaces (with a total gross floor area of approximately 11,660 sq.m.) at an estimated cost of approximately HK$56.3 million; and

(v) an estimated financing cost of approximately HK$25 million for the external financing for the development to be obtained by the Target Group.

As stated in the Letter from the Board, it is expected that the Project Company will obtain all the Licences for the development of the Property by the end of October 2016, after which the Project Company will engage construction contractors in carrying out the construction work according to the following schedule:

(i) phase one: to complete the foundation work of the Property within 8 months upon obtaining all the Licences;

(ii) phase two: to complete the construction of residential towers and the commercial podium within 8 months from the completion of phase one development; and

(iii) phase three: to complete the decoration and installation of utilities of the Property within 6 months upon completion of phase two development.

It is expected that the development of the Property will complete in around 2018.

We are given to understand that the Project Company has yet to obtain the Licenses as at the Latest Practicable Date. In regard of this, we have discussed with the Company the expected timeline and major procedures shall be involved in obtaining the material Licences, which are summarised as below:

Procedure	**Material licences/approvals from relevant authorities**	**Expected timeline in 2016**
1.	Receipt of court's execution order addressed to Guangzhou Municipal Commission of Commerce (廣州市商務委員會) for the execution of the Transfer	by end of July
2.	Completion of the Transfer, business registration's update and renewal of business licence by Guangzhou Administration for Industry and Commerce (廣州市工商局)	by end of August
3.	Completion of renewal of 房地產開發資質證書 (Real Estate Development Qualification Certificate*) by Guangzhou Housing and Urban-Rural Construction Committee (廣州市住房和城鄉建設委員會)	by end of September
4.	Obtaining approval on the Development Proposal, construction land planning permit, construction work planning permit and construction work commencement permit from Guangzhou Land Resources and Urban Planning Committee (廣州市國土資源和規劃委員會)	by end of October

* *For identification purpose only*

The Company advised us that (i) the above timeline and procedures were arrived after their discussions with the Vendor and the PRC Legal Adviser and (ii) the required submission documents to relevant authorities have been substantially prepared by the Project Company, in particular, the Development Proposal. We are further advised by the PRC Legal Adviser that (i) the items no. 3 and no. 4 application procedures illustrated in the table above can only be proceeded when the business licence of the Project Company has been successfully renewed; (ii) there will be no material legal obstacles for the Project Company to meet the above timeline and to obtain the Licences, based on guidelines from relevant regulatory authorities and its past experience on approval procedures; and (iii) apart from the above, no other material licenses and approvals are required for the Project Company to obtain in order to carry out its business and develop the Property. Having considered (i) the above advice from the PRC Legal Adviser; (ii) our review on the PRC Legal Opinion on approval procedures of the Licenses; and (iii) our discussion with the Company, we are of the view that the above expected timeline in obtaining the Licences is feasible.

Though the Project Company has not obtained the Licenses, the Management is of the view, and we agree that, the timing of the Acquisition is considered appropriate due to the factors below:

(i) ever since the application filed by Kam Lee for revocation of the Award was turned down by the court in March 2016, the Award has been a final and binding decision of the court as advised by the PRC Legal Adviser. Hence, there was no dispute on the ownership of 78% equity interest in the Project Company by the time the Agreement was entered in May 2016. Before that, it is considered there was a high risk of ownership uncertainty with respect to the Project Company. Details in relation to the Transfer are mentioned under the section headed "Information of the Vendor, the Target Group and the Project Company – Background and business of the Target Group and the Project Company" in this letter;

(ii) the fulfillment or waiver of the obtaining of all necessary licenses, consents and approvals by the Project Company required for carrying out its business as a property developer, including but not limited to the renewed business license, is one of the Conditions. As stated in the Letter from the Board, the Company had no intention to waive such Condition and the Board also confirmed to us that the Acquisition will not be completed until the Project Company obtains all necessary licenses for carrying out its business as a property developer. Based on the aforesaid, we concur with the Board that such Condition could protect the interest of the Company as it ensures the Project Company to commence business as a property developer with appropriate licences;

(iii) the expected timeline in obtaining the Licences by the end of October 2016 is considered feasible taking account of the PRC Legal Adviser's view, review on relevant guidelines issued by authorities and our discussion with the Company, as aforementioned; and

(iv) the property market in the New Huangpu District (as defined below) will continue to grow in view of the recent development in the New Huangpu District demonstrated by its favourable results in several economic indicators than other districts of Guangzhou City in 2015 and the government support on the future development of the district, where details are mentioned under the paragraph headed "Prospect of the property market in the PRC – Property market of the New Huangpu District" below. Accordingly, the market value of the Property may be higher if the Acquisition is deferred until the Licenses have been obtained, by then the Company may need to pay more to acquire equivalent equity interest in the Project Company.

Prospect of the property market in the PRC

Economy of the PRC

According to National Bureau of Statistics of China ("**NBSC**"), the gross domestic product ("**GDP**") of the PRC grew from approximately RMB40,890.3 billion in 2010 to approximately RMB63,591.0 billion in 2014, representing a compound annual growth rate ("**CAGR**") of approximately 11.7%. Though the economic growth rate of the PRC was moderate in 2015 compared to the historical CAGR spanning the years from 2010 to 2014, it still recorded a GDP of approximately RMB67,670.8 billion with a year-on-year growth of approximately 6.4% in 2015. For the first quarter of 2016, the PRC recorded a GDP of approximately RMB15,852.6 billion, representing a period to period growth of approximately 7.2% as compared to the GDP of approximately RMB14,789.1 billion for the corresponding period of 2015.

Property market of Guangzhou City, the PRC

The growing economy of the PRC had, to a certain extent, driven the investment activities in real estates in the PRC. According to NBSC, the total investment in residential buildings in the PRC increased from approximately RMB4,502.7 billion in 2010 to approximately RMB8,061.5 billion in 2014, representing a CAGR of approximately 15.7%. We also note from the statistics issued by NBSC that, the total value of commercialised residential buildings sold in the PRC grew from approximately RMB4,412.1 billion in 2010 to approximately RMB7,275.3 billion in 2015, representing a CAGR of approximately 10.5%. The periodic growth rate in the first quarter of 2016 recorded an increase of approximately 60.3% in the sale value from approximately RMB1,006.2 billion for the first quarter of 2015 to approximately RMB1,613.3 billion for the same quarter of 2016. As revealed by NBSC, among 70 medium and large-sized cities of the PRC, 65 of which (including Guangzhou City) recorded increased sales prices of newly constructed commercialised residential buildings in April 2016.

Property market of the New Huangpu District

In 2014, the State Council of the PRC agreed to revoke Huangpu District and Luogang District to set up a new Huangpu District (the "**New Huangpu District**") and to revoke the county-level Conghua City and Zengcheng City to establish Conghua District and Zengcheng District. The strategic adjustment of administrative divisions expanded the area of Guangzhou from approximately 3,800 square kilometers to approximately 7,400 square kilometers, where the Guangzhou government expects such strategic change will bring in large business and development opportunities in industrial, transportation, educational, medical, cultural and commercial sectors. It is noted that the Property is situated in the New Huangpu District.

According to the Outline of the Strategic Plan for Guangzhou New Huangpu District Development (《廣州新黃埔發展戰略規劃綱要》) prepared by Guangzhou Land Resources and Urban Planning Committee in 2015, the government outlined the future development direction of the New Huangpu District until year of 2030 aiming to consolidate its resources and take good advantage of its strength in six core areas, including: (i) strategic location: the New Huangpu District located in coastal area will play a significant role in shipping, logistics and trading sectors of Guangzhou City; (ii) large economic scale: several of its economic indicators surpassed other districts in Guangzhou City in 2014, ranking highest in regional GDP (over RMB275 billion), top one in regional tax revenue (over RMB65 billion) and accounted for 40% (around RMB700 billion) of the total gross industrial output value of Guangzhou City; (iii) diversified sectors: the district has wide range of industrial sectors and overseas investments from foreign-owned enterprises and listed companies; (iv) booming high-technology sector: its number of high-technology enterprises and production outputs for high-technology products represented one-fourth and a half of the city's total respectively; (v) administrative system: it has established efficient government administrative system with preferential policies; and (vi) ecological environment: the coastline and natural resources of the district enables it to provide better living environment to citizens with a better planning for the region.

According to a statistic report titled 《2015年越秀區國民經濟和社會發展統計公報》 released by Bureau of Statistics of Guangzhou on 16 June 2016, it is noted that the GDP of the New Huangpu District increased by approximately 8.3% to approximately RMB288 billion in 2015, ranking the second among 11 districts of Guangzhou City in regional GDP (see the chart below). The statistic report also revealed that, in 2015, the New Huangpu District recorded investments of fixed assets of approximately RMB79 billion (increased by approximately 15.5% from 2014) and tax revenue of approximately RMB71 billion (increased by approximately 7.3% from 2014), both of which ranked top one among all districts of Guangzhou City.

GDP of Guangzhou City, by district, in 2015

Source: The statistic report entitled 《2015年越秀區國民經濟和社會發展統計公報》 released by Bureau of Statistics of Guangzhou on 16 June 2016

We further note from a release titled "Huangpu District to Nurture Clusters with 10,000 Sci-tech SMEs during the 13th Five-year Plan Period" issued by Guangzhou Municipal Commission of Commerce on 15 March 2016 that, as reported by the head of Huangpu District, Mr. Li Hongwei, to the congress on the implementation of 2015 national economy and social development plan and the drafting of 2016 national economy and social development plan by Guangzhou Development District and Huangpu District, it is expected that the New Huangpu District will achieve the GDP of more than RMB500 billion, gross industrial output value of more than RMB1 trillion and tax revenue of more than RMB100 billion by the year of 2020.

Despite that stringent government measures to cool down the property market in the PRC are expected to continue to affect the property market in the PRC going forward, after considering the factors that (i) the overall growth of the PRC's economy and property market, in particular, Guangzhou City, remain positive; and (ii) factors including the historical economic performance, recent development of the New Huangpu District, its regional advantages and the government's strategic support as discussed above have demonstrated the favourable prospect of the district, we concur with the Directors' view that the Acquisition offers the Group an opportunity to participate in the property development business in a district with high growth potential, so as to diversify its income source and provide capital appreciation potential to the Group, which is in the interests of the Company and the Independent Shareholders.

Management expertise

As mentioned in the Letter from the Board, Mr. Zhang, being the executive Director and Chairman, has private investment in a property development project with a construction area of approximately 22,066 sq.m. in Guangzhou with total investment amount of HK$200 million. Upon Completion, Mr. Zhang will be appointed as the director of the Target and the Project Company, with a view to overseeing the overall strategic planning, execution and development of the Property, and supervising the project management team of the Project Company.

It is noted that the Company may also appoint Mr. Wu Hai Ming, who was the general manager of a real estate and property development company in Guangzhou with more than 20 years of experience in property development sector in the PRC, as the senior management of the Project Company so as to assist Mr. Zhang in supervising the project management team of the Project Company. Mr. Wu Hai Ming has been in charge of five property development projects in the PRC with larger construction area than the Property, ranging from approximately 150,000 sq.m. to approximately 1.8 million sq.m. each. As mentioned in the Letter from the Board, the project management team is expected to comprise three professionals with relevant experience ranging from 10 years to 20 years in the property sector. We are given to understand from the Management that members of the project management team are now senior management serving in Huangpu City Construction and each of them has participated in a large number of mid to large scale property development projects in the PRC, with expertise including construction, engineering, project management, quality and safety control, design and decoration. Set out below are the profiles of the project management team to be recruited by the Project Company for the development of the Property, as referred to the Letter from the Board:

(i) Mr. Liu Shu Yong, who currently serves as the building construction managing engineer and project manager of Huangpu City Construction, has over 15 years of solid experience in the construction of residential and commercial property development projects, and has participated in over 10 property development and design projects in the PRC. He has been in charge of two property development projects in the PRC with larger construction area than the Property, being approximately 70,000 sq.m. and 100,000 sq.m. respectively.

(ii) Mr. Li Jun Sheng, who currently serves as the building construction engineer of Huangpu City Construction, has over 10 years of experience in handling the tendering, budgeting and sub-contracting matters and monitoring the quality and safety matters of property development projects. He has handled two property development projects in the PRC with larger construction area than the Property, being approximately 60,000 sq.m. and 420,000 sq.m. respectively.

(iii) Mr. He Chun Jie, who currently serves as the commercial property assistant general manager of Huangpu City Construction, has over 10 years of experience in decorating the outer wall of buildings and coordinating the design and construction matters for property development projects, and has participated in a number of building decoration projects in the PRC. He has handled more than ten property development and related projects in the PRC, one of which has larger construction area than the Property of approximately 265,000 sq.m..

As stated in the Letter from the Board, neither Mr. Wu Hai Ming, nor the members of the project management team above held any Shares as at the Latest Practicable Date.

Having considered the factors, in particular, (i) as discussed in paragraph headed "Business diversification" above, the existing business segments of the Group are facing different uncertainties, including unstable economy, fluctuation in stock market and delay of mining schedule. Results of operations and future prospects of the main revenue stream of the Group will be exposed to possible challenges in the luxury goods market in the PRC and Hong Kong. Business diversification is expected to balance such business risk; and (ii) the Acquisition with a feasible development plan, adequate management team and growing prospect of property market in the New Huangpu District could potentially strengthen the Group's asset base and provide capital appreciation, we concur with the Directors that the Acquisition is in the interests of the Company and the Independent Shareholders.

IV. Principal terms of the Acquisition

As set out in the Letter from the Board, the principal terms of the Acquisition are summarised as below:

(a) Assets to be acquired

The Sale Shares, free of liens and encumbrances together with all rights attached thereto from the date of the Agreement, representing 60% of the issued share capital of the Target as at Completion.

(b) Conditions

Completion is conditional upon the fulfilment or waiver (as the case may be) of the Conditions which are set forth under the section headed "The Agreement – Conditions" in the Letter from the Board. If any of the Conditions is not fulfilled (or waiver, as the case may be) by 31 December 2016 (or such later date as the parties to the Agreement may agree in writing), the Agreement shall terminate and neither party to the Agreement shall have any further obligations towards the other thereunder except for antecedent breaches (if any). We have reviewed the Conditions stated in the Agreement and are of the view that such Conditions are on normal commercial terms.

(c) Shareholders' agreement

As illustrated in the Letter from the Board, the Company, the Vendor and the Target shall enter into a shareholders' agreement (the "**Shareholders' Agreement**") upon Completion which shall include the following principal terms:

(i) the Company shall have the right to nominate not less than three fifths of the total number of board members of the Target which is proportional to the respective shareholding interests of the Company and the Vendor in the Target;

(ii) the Company shall have the drag along and tag along right and the shareholders of the Target shall have pre-emptive rights in respect of their shareholdings in the Target; and

(iii) the Target Group shall obtain external funding for all its future working capital requirements and capital expenditures for the development of the Property including unpaid capital, failing which the Vendor alone will provide all the necessary funding for the development of the Property.

We are of the view that the above terms of the Shareholders' Agreement are in the interests of the Company and the Independent Shareholders, for the reasons that (i) it is fair and reasonable that the nomination right is proportional to the respective shareholding interests of the Company and the Vendor in the Target; (ii) the drag along, tag along and pre-emptive rights are normal commercial terms, which protect the Company's shareholding in the Target (as a majority shareholder of the Target upon Completion) in the situations of disposal of its shares in the Target and issuance of new shares by the Target; and (iii) as stated in the Letter from the Board, the total development and financing costs for the Property are estimated to be approximately HK$250 million, which are intended to be financed as to approximately HK$100 million by way of the proceeds from the pre-sale of the Property and as to HK$150 million by way of the external project financing to be obtained by the Target Group. The abovementioned future funding support from the Vendor could ensure there will be sufficient capital for the development of the Property and largely reduce the Group's investment risk in this new business segment.

(d) Evaluation of the Consideration

The Consideration of HK$588 million shall be satisfied by way of allotment and issue of 1,960,000,000 Consideration Shares, credited as fully paid, at the Issue Price of HK$0.30 per Consideration Share at Completion.

(i) Basis in determining the Consideration

As illustrated in the letter from the Board, the Consideration was determined after arm's length negotiations among the parties to the Agreement with reference to (i) the preliminary valuation of the Property as at 30 April 2016 as appraised by the Independent Valuer (which represents the market value of the Property after deducting the estimated development costs of the Property from the estimated selling prices of the completed properties to the Independent Third Parties at the market prices as at the date of the valuation); and (ii) the attributable percentage interest in the Property to be acquired by the Company through the Acquisition.

We refer to the Property Valuation Report prepared by the Independent Valuer as set out in Appendix IV to the Circular, the valuation of the 100% market value of the Property as at 30 April 2016, being the appraisal date of the valuation, was RMB1,112,500,000 (equivalent to approximately HK$1,335,000,000) by assuming that the restrictions on the transferral of the Property did not exist. As described under the section headed "Information on the Target Group – Group structure and reorganisation" in the Letter from the Board, the Target will hold, via Grand Cellar, as to 78% equity interest in the Project Company upon completion of the reorganisation of the Target Group, as one of the Conditions for the Acquisition. Accordingly, the Property valuation taken into account the attributable percentage interest in the Property to be acquired by the Company through the Acquisition represents approximately RMB520,650,000 (equivalent to approximately HK$624,780,000). The Consideration of HK$588 million thereby represented a discount of approximately 5.9% to the valuation of the portion of market value of the Property (by assuming that the restrictions on the transferral of the Property did not exist) to be acquired by the Company.

It is also noted from the Letter from the Board that the Vendor's original cost of acquiring 78% equity interest in the Project Company is RMB200 million (equivalent to approximately HK$231.8 million), according to the agreement entered with Guangzhou Hong Cheng in 2010. The Vendor's original acquisition cost attributable to the Sale Shares is approximately HK$139,080,000 (being 60% of the aforesaid total cost).

However, we are advised by the Management that they considered such original acquisition cost representing a substantial discount to the market value of the Property is not an appropriate reference for determining the Consideration, since the Vendor's original acquisition cost reflected a high risk of ownership uncertainty for the 78% equity interest in the Project Company being borne by the purchaser at the time when the original acquisition cost was agreed between the Target (as purchaser) and Guangzhou Hong Cheng (as vendor) in 2010. For the ownership uncertainty, please refer to the section headed "Information of the Vendor, the Target Group and the Project Company – Background and business of the Target Group and the Project Company" in this letter.

As a cross-reference, the Management advised that, the Independent Valuer has been requested to further conduct valuation on the Property (adopting the same valuation methodology, basis and assumptions as those of the Property Valuation Report) for its market values as at 31 December 2012, 2013, 2014 and 2015, which were approximately RMB770.0 million (equivalent to approximately HK$954.8 million), RMB890.0 million (equivalent to approximately HK$1,139.2 million), RMB940.0 million (equivalent to approximately HK$1,175.0 million) and RMB1,090.0 million (equivalent to approximately HK$1,297.1 million) respectively by assuming that the restrictions on the transferral of the Property did not exist, with a CAGR of approximately 12.3%. The Independent Valuer advised us that market approach has been adopted for appraising the Property for the aforesaid years and the growth of market value of the Property since 2012 reflected the growth of property market in Huangpu District.

Despite that the Consideration of HK$588 million represented a premium of approximately 322.8% to the Vendor's original acquisition cost attributable to the Sale Shares in 2010, after considering that (i) such original acquisition cost represented a substantial discount to the market value of the Property as appraised by the Independent Valuer as at 31 December 2012 resulting from the risk of ownership uncertainty being borne by the Vendor; (ii) there was no dispute on the ownership of 78% equity interest in the Project Company at the time when the Consideration was agreed in May 2016, which is substantially different from the status in 2010; and (iii) the property market in 2016 has substantially increased as compared to 2010, we concur with the Management that the Vendor's original acquisition cost attributable to the Sale Shares in 2010 shall not be a good reference in determining the Consideration.

(ii) Valuation of the Property

We have reviewed the Property Valuation Report and the underlying valuation workings and discussed with the Independent Valuer, including, among other things:

(i) the terms of engagement of the Independent Valuer with the Company in connection with the Acquisition and its independency. We consider that the scope of valuation work per the engagement letter entered into between the Company and the Independent Valuer are appropriate for the purpose of the Acquisition. Save for such engagement, the Independent Valuer has confirmed that it is independent from the Company, the Vendor and parties acting in concert with it (including Mr. Zhang and Prestige Rich), Mr. Zhang (as guarantor to the Vendor), the Target Group, the Project Company, Madam Lai (the spouse of Mr. Zhang) and any of their respective associates (as defined under the Takeovers Code);

(ii) the qualification and experience of the Independent Valuer in relation to the valuation of the Property. We are given to understand that the Independent Valuer is certified with the relevant professional qualifications required to perform the valuation in connection with the Acquisition, and the person in-charge of the valuation possesses more than twelve years of experience in providing property valuation services in Hong Kong, Macau, the PRC and other Asian regions. According to the track record of the Independent Valuer, we note that it is experienced in undertaking valuation for properties (including construction sites) in Guangzhou City; and

(iii) the valuation methodology, procedures and assumptions adopted by the Independent Valuer in preparing the Property Valuation Report. The Independent Valuer advised us that it had performed necessary due diligence for the preparation of the Property Valuation Report which includes site visit to the Property, management interviews, review of licenses, permits or approvals obtained by the Project Company, review of Development Proposal, and conducted its own proprietary research for similar properties surrounded the Property. We also note from the Independent Valuer that, in valuing the Property, the Independent Valuer has fully complied with relevant valuation standards where details are set forth in the Property Valuation Report contained in Appendix IV to the Circular.

Referring to the Property Valuation Report, the valuation is the opinion from the Independent Valuer on the market value of the Property, which is valued by assuming that the restrictions on the transferral of the Property did not exist for indicative purpose. Market value herein refers to the value of a property estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

When preparing the Property Valuation Report, the Independent Valuer has also assumed that all necessary approvals for the Development Proposal have been obtained. As at the Latest Practicable Date, we are given to understand that the Project Company has yet to obtain the Licences, including among others, renewed business licence, 房地產開發資質證書 (Real Estate Development Qualification Certificate*), construction land planning permit, construction work planning permit or construction work commencement permit. The Independent Valuer advised that whether or not the business licence of the Project Company has been renewed, it does not affect the valuation of the Property. For the rest of the outstanding permits necessary for the commencement of business and construction, the Independent Valuer considered that such status of the Licences would not affect the valuation of the Property neither, as they have considered the PRC Legal Opinion that (i) the Project Company is entitled to occupy and mortgage the Property; (ii) the Property is free from any mortgages, charges and legal encumbrances which may cause adverse effects on the ownership of the Property; and (iii) there are no foreseeable legal impediments to obtain approval for the Development Proposal. Despite the possible risk that the value of the Property may vary if the total gross floor area to be permitted by relevant PRC government authorities is different from the planned total gross floor area, we agree with the Independent Valuer that the assumption of the valuation that the Licences have been obtained is fair and reasonable so far as the Company and the Independent Shareholders are concerned, after considering the factors that (i) we have reviewed the PRC Legal Opinion and major documents examined by the PRC Legal Adviser based on which its opinion was formed; (ii) the expected timeline in obtaining all the Licences by the end of October 2016 is considered feasible, details of which are discussed under the section headed "Background to and reasons for and benefits of the Acquisition" above; (iii) as advised by the Independent Valuer, it is market practice to assume that all necessary approvals for the Development Proposal have been obtained for appraising this type of the subject property; and (iv) the fulfillment or waiver of, among other things, the obtaining of all necessary licences, approvals and permits required for the Target Group to carry out its business, being one of the Conditions. As at the Latest Practicable Date, the Company had no intention to waive such Condition and the Board also confirmed to us on the same.

* *For identification purpose only*

It is noted that the Independent Valuer has valued the property interest on the basis that the Property is a vacant site and will be developed and completed in accordance with the Development Proposal provided by the Company. In arriving at its opinion of value, the Independent Valuer has adopted the market approach by making reference to comparable sales evidences as available in the relevant market and has also taken into account the development costs that will be expended to complete the developments to reflect the quality of the completed development. As stated in the Valuation Repot, the estimated total construction cost and financing cost of the Property are HK$224,800,000 and HK$25,000,000 respectively, while no cost is incurred in the Property as at the Valuation Date. The gross development value adopted in the valuation represents its opinion of the aggregate selling prices of the saleable units of the development erected on the Property assuming that it had been completed and all sold out to independent third parties at their highest selling prices obtained as at the date of valuation. It is noted that the valuation has been made on the assumption that the owner sells the property interest on the open market in their existing states without the benefit of deferred terms contract, leaseback, joint venture, management agreements or any similar arrangement which would serve to increase the values of the property interest. We were advised by the Independent Valuer that the market approach and assumptions adopted in the Property Valuation Report is in line with the market practice for appraising the Property of such type.

In arriving at the appraised value of the Property, we are advised that the Independent Valuer had collected and analysed the recent transactions of the comparable properties located in the vicinity of the Property. Prices of the comparable properties were then adjusted to reflect the difference between the comparable properties and the Property including, among others, properties' characteristics, location, surrounding transport network, and date of transaction. The appraised value of the Property is then derived from the estimated average unit price and gross floor area of the Property after addition of the estimated construction cost as referred to the Development Proposal. We have reviewed the underlying workings of the Property Valuation Report and discussed with the Independent Valuer on the selection of the comparable properties and the adjustments made. We are of the view that the basis of selection of comparable properties and the adjustments made as advised by the Independent Valuer are reasonable for appraising the Property.

After taken into account the above, we consider that the valuation methodology, together with its bases and assumptions, adopted by Independent Valuer as discussed above are reasonable and in line with market practice.

In the course of the valuation, the Independent Valuer has ascribed no commercial value to the Property as at 30 April 2016, being the appraisal date of the valuation, as the Property is not freely transferable in the market. According to the PRC Legal Opinion, pursuant to the relevant PRC laws, the Property is freely transferable in the market if it is developed in accordance with the Land Use Rights Grant Contract and the amount of investment made in the Property reaches 25% of the total investment amount of the Property (however, the interest in the Property held by the Project Company can be transferred to third party/(ies) indirectly through transferral of the Project Company's shares). Such required investment amount is determined with reference to the invoiced amount and budget for the development of the Property. Since the development work of the Property has not commenced and the required investment amount has not been made, the Property is at present not freely transferable in the market. By assuming that the restrictions on the transferral of the Property did not exist, the market value of the Property as at 30 April 2016 is estimated to be approximately HK$1,335 million as appraised by the Independent Valuer. Please refer to the Property Valuation Report as set out in Appendix IV to the Circular prepared by the Independent Valuer, Grant Sherman Appraisal Limited, for further details on the valuation of the Property.

Having considered the factors that (i) the Project Company is in possession of a valid state-owned land use certificate based on the PRC Legal Opinion; (ii) subject to the Development Proposal conforming to the applicable PRC laws and regulations and the submission of all necessary documents, there will be no material legal obstacles for the Project Company to obtain the Licences based on the PRC Legal Opinion; (iii) we have reviewed the methodology and assumptions adopted by the Independent Valuer and considered that they are reasonable and in line with market practice; and (iv) assuming that the restrictions on the transferral of the Property did not exist, the market value of the Property as at 30 April 2016 is estimated to be approximately HK$1,335 million while the Consideration of HK$588 million represented a discount of approximately 5.9% to the portion of market value of the Property of approximately HK$624,780,000 to be acquired by the Company, we are of the view that the market value of the Project Company of approximately HK$1,335 million (by assuming that the restrictions on the transferral of the Property did not exist) is reasonably estimated and the Consideration of HK$588 million is fair and reasonable so far as the Independent Shareholders are concerned.

(e) Evaluation of the Issue Price of the Consideration Shares

As at the Latest Practicable Date, the Company has 2,451,771,105 Shares in issue. The 1,960,000,000 Consideration Shares represent approximately 79.94% of the existing issued share capital of the Company and approximately 44.43% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares from the Latest Practicable Date and up to Completion).

The Consideration Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the Shares in issue as at the date of allotment and issue of the Consideration Shares, including 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.

The Issue Price of HK$0.30 per Consideration Share represents:

(i) the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 1.64% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK$0.305 per Share;

(iii) a discount of approximately 7.98% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day of approximately HK$0.326 per Share;

(iv) a discount of approximately 49.15% to the closing price of HK$0.59 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;

(v) a discount of approximately 50.66% to the audited consolidated net assets attributable to the Shareholders of approximately HK$0.608 per Share (based on the audited consolidated net assets attributable to the Shareholders of approximately HK$1,490.85 million as at 30 September 2015 and 2,451,771,105 Shares in issue as at the Latest Practicable Date); and

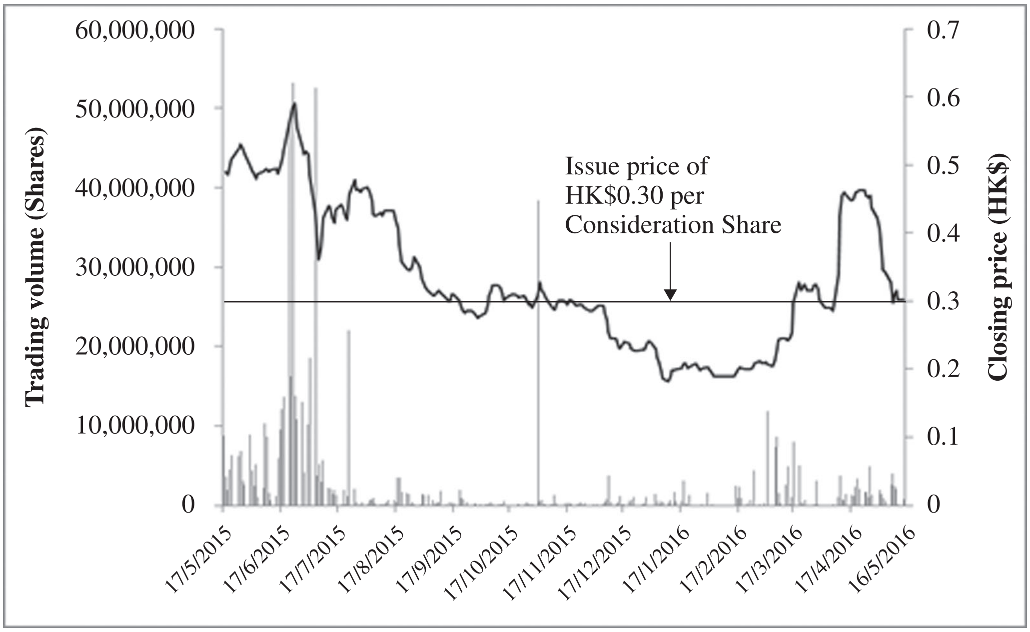
(vi) a discount of approximately 49.75% to the unaudited consolidated net assets attributable to the Shareholders of approximately HK$0.597 per Share (based on the unaudited consolidated net assets attributable to the Shareholders of approximately HK$1,464.51 million as at 31 March 2016 and 2,451,771,105 Shares in issue as at the Latest Practicable Date).

As stated in the Letter from the Board, the Issue Price was determined after arm's length negotiations among the parties to the Agreement with reference to the prevailing market prices of the Shares.

(i) Analysis of historical Share price performance and liquidity of the Shares

Set out below is the movement of the closing prices of the Shares on the Stock Exchange from 17 May 2015 up to and including the date of the Agreement (the "**Review Period**"):

Closing price and trading volume of the Shares on the Stock Exchange



Source: the website of the Stock Exchange

During the Review Period, the Shares closed on the Stock Exchange were between a low of HK$0.18 per Shares on 11 January 2016 and a high of HK$0.61 per Share on 24 June 2015, where the Issue Price represents a premium of approximately 66.7% over the lowest closing price per Share and a discount of approximately 50.8% to the highest closing price per Share. During the Review Period, the Shares were closed at or below HK$0.30 in 124 days out of 261 trading days. Average closing price of the Shares was approximately HK$0.33 per Share, where the Issue Price represents a discount of approximately 10.1% to it.

The Shares closed between HK$0.39 and HK$0.60 after the publication of the Announcement and until the Latest Practicable Date. The closing price of the Shares surged significantly after the publication of the Announcement, which might be related to market expectations of the benefits that will be brought to the Group as a result of the Acquisition. However, since there is no assurance that the closing price of the Shares will remain at such a high level if the Acquisition does not proceed or cannot be completed, we consider it may not be appropriate to make reference from the closing price of the Shares during this period.

The table below further illustrates the monthly total trading volumes of the Shares and the respective percentages to the total issued share capital of the Company during the Review Period:

Month/year	**Monthly total trading volume of the Shares**[(Note)] *(approximately)*	**Total issued share capital of the Company as at the end of relevant month**	**Percentage of monthly total trading volume of the Shares to the total issued share capital of the Company as at the end of relevant month** *(approximately)*
2015			
May (from 17 May 2015)	4,383,130	2,451,771,105	0.18%
June	11,250,023	2,451,771,105	0.46%
July	5,924,696	2,451,771,105	0.24%
August	842,495	2,451,771,105	0.03%
September	586,955	2,451,771,105	0.02%
October	108,795	2,451,771,105	0.00%
November	2,046,833	2,451,771,105	0.08%
December	490,087	2,451,771,105	0.02%
2016			
January	552,310	2,451,771,105	0.02%
February	646,476	2,451,771,105	0.03%
March	2,447,630	2,451,771,105	0.10%
April	1,367,429	2,451,771,105	0.06%
May (up to the date of the Agreement)	1,527,982	2,451,771,105	0.06%

Source: the website of the Stock Exchange

Note: Calculated as dividing the sum of trading volume of the Shares each month under the Review Period by the number of trading days in relevant month.

Trading volume of the Shares recorded the highest of approximately 53.1 million Shares on 24 June 2015 and the lowest of nil in some of the trading days throughout the Review Period. As illustrated in the table above, the monthly total trading volume of the Shares was high at approximately 11.3 million Shares in June 2015 and low at approximately 0.1 million Shares in October 2015, which represented approximately 0.46% and 0.00% of the total issued share capital of the Company as at the end of relevant month respectively. In view of the above, we consider that the trading volume of the Shares was relatively thin during the Review Period, and it is justifiable that the Vendor may request a discount on the Issue Price given the Share's relatively low liquidity.

(ii) Comparable transactions involving acquisitions by way of consideration shares

In order to assess the fairness and reasonableness of the Issue Price, we have reviewed the transactions announced by companies listed on the Stock Exchange in which the underlying acquisitions involved issuance of consideration shares, but excluding transactions involving issuance of shares which cannot be ordinarily traded on the Stock Exchange or reverse takeovers, during the six months' period from the date of the Agreement (the "**Comparable Transactions**"). The Comparable Transactions have been selected exhaustively based on the above criteria, and have been identified, to the best of our endeavours, in our research through public information. During the six months' review period, there was one Comparable Transaction involved application of whitewash waiver.

We note that the principal business of the listed companies and the targets involved in the Comparable Transactions may be different from the Group and the Acquisition. The terms of issuance of the consideration shares of the Comparable Transactions may be subject to their respective actual circumstance of the acquisitions, which could also be different from the Acquisition. Having considered the factors that (i) the settlement method of considerations of the Comparable Transactions was comparable to that of the Acquisition, which fully or partly involves the issuance of ordinary Shares as the Consideration; and (ii) the Comparable Transactions were transacted in the period of the recent six months from the date of the Agreement, which were under similar market conditions and sentiment as that of the Acquisition, we are of the view that the selection criteria of the Comparable Transactions are reasonable and appropriate.

Since the scale of transactions involved in the Comparable Transactions may be different from the Acquisition, the amount of consideration shares issued would not be comparable to the Acquisition, the Independent Shareholders should note that the column "the consideration shares as a percentage of the enlarged issued share capital of the company" contained in below Comparable Transactions table is illustrated for general reference only. However, our analysis on the Comparable Transactions table would focus on the last three columns regarding the extent of premiums or discounts of issue price in connection with the Comparable Transactions as we consider such information still offers Independent Shareholders a comparison between the Issue Price and the issue price of the Comparable Transactions under a review period which could reflect the recent market trend of the terms used in issuing consideration shares in acquisitions.

Details of the Comparable Transactions are summarised below:

Date of announcement	Company name	Stock code	Consideration shares as a percentage of the enlarged issued share capital of the company *(approximately)*	Premium/(discount) of the issue price over/(to) the average closing price of last trading day prior to/on the date of the relevant announcement or agreement *(approximately)*	last five consecutive trading days prior to/on the date of the relevant announcement or agreement *(approximately)*	last ten consecutive trading days prior to/on the date of the relevant announcement or agreement *(approximately)*
13-May-16	Century Sage Scientific Holdings Limited	1450.HK	2.6% *(Note 1)*	42.9%	38.5%	37.9%
9-May-16	Universal Health International Group Holding Limited	2211.HK	16.7%	6.6%*	3.6%*	0.0%
3-May-16	Vitop Group Limited	1178.HK	9.9%	15.4%	0.0%	4.6%
22-Apr-16	China Agroforestry Low-Carbon Holdings Limited	1069.HK	16.5%	(22.4)%	(17.5)%	(13.2)%
22-Apr-16	NetDragon Websoft Inc.	777.HK	0.2%	(12.3)%	(12.7)%	(9.9)%*
17-Apr-16	China First Capital Group Limited	1269.HK	16.7% *(Note 2)*	(10.0)%	(10.0)%	(10.6)%
31-Mar-16	SSY Group Limited	2005.HK	1.0%	(1.3)%	(1.7)%	(0.3)%
30-Mar-16	Success Dragon International Holdings Limited	1182.HK	13.6%	(30.0)%	(25.2)%	(26.5)%
18-Mar-16	Ping Shan Tea Group Limited	364.HK	9.9%	117.4%	114.6%	112.8%
18-Mar-16	Wealth Glory Holdings Limited	8269.HK	29.9%	12.3%	8.0%	6.4%*
14-Mar-16	China 3D Digital Entertainment Limited	8078.HK	22.6%	(19.8)%	(17.2)%	(14.0)%
4-Mar-16	Jian ePayment Systems Limited	8165.HK	9.3%	(14.7)%	(18.4)%	(19.3)%*
4-Mar-16	Skyway Securities Group Limited	1141.HK	2.7%	(1.4)%	(1.4)%	(0.9)%*
5-Feb-16	Hoifu Energy Group Limited	7.HK	4.8%	81.8%	82.9%	82.1%*
3-Feb-16	Artgo Holdings Limited	3313.HK	16.3%	(11.0)%	(13.7)%	(15.1)%*
1-Feb-16	Credit China Holdings Limited	8207.HK	1.3%	(13.4)%	(13.4)%	(10.4)%*
27-Jan-16	China Success Finance Group Holdings Limited	3623.HK	3.7%	40.8%	39.1%	38.1%
21-Jan-16	China Agroforestry Low-Carbon Holdings Limited	1069.HK	9.8%	(15.0)%*	2.9%	8.0%*
15-Jan-16	Up Energy Development Group Limited	307.HK	29.9% *(Note 3)*	68.5%	66.7%	68.5%*
11-Jan-16	Kiu Hung International Holdings Limited	381.HK	16.5%	29.9%	25.3%	18.9%*
11-Jan-16	National Agricultural Holdings Limited	1236.HK	19.3%	8.0%	0.1%	(1.8)%
30-Dec-15	Loudong General Nice Resources (China) Holdings Limited	988.HK	14.1%	(8.1)%	(1.0)%	(2.3)%*
21-Dec-15	China Public Procurement Limited	1094.HK	21.2%	0.0%	12.4%	24.4%

Date of announcement	Company name	Stock code	Consideration shares as a percentage of the enlarged issued share capital of the company *(approximately)*	Premium/(discount) of the issue price over/(to) the average closing price of last trading day prior to/ on the date of the relevant announcement or agreement *(approximately)*	last five consecutive trading days prior to/on the date of the relevant announcement or agreement *(approximately)*	last ten consecutive trading days prior to/on the date of the relevant announcement or agreement *(approximately)*
14-Dec-15 *(Note 4)*	Optics Valley Union Holding Company Limited (“**OVU**”, as purchaser) and China Electronics Corporation Holdings Company Limited (“**CECH**”, as vendor)	798.HK and 85.HK	13.2%	(15.8)%	(13.0)%	(14.9)%
11-Dec-15	Blue Sky Power Holdings Limited	6828.HK	13.2%	(5.9)%	(10.1)%	(6.3)%
11-Dec-15	China Silver Group Limited	815.HK	2.5%	(13.7)%	(14.0)%	(5.2)%*
10-Dec-15	Wuyi International Pharmaceutical Company Limited	1889.HK	9.1%	5.6%	1.9%	2.2%*
9-Dec-15	Beijing Enterprises Water Group Limited	371.HK	3.3%	3.1%	3.6%	1.8%
9-Dec-15	Silverman Holdings Limited	1616.HK	16.5%	(16.0)%	(19.2)%	(17.5)%*
2-Dec-15	Landsea Green properties Co., LTD.	106.HK	15.6%	(0.3)%	1.7%	1.6%
26-Nov-15	Capital Environment Holdings Limited	3989.HK	31.4%	(9.1)%	(2.9)%	(2.0)%
24-Nov-15	King Force Security Holdings Limited	8315.HK	1.7%	(14.1)%	(16.6)%	(16.6)%*
23-Nov-15	China Oil Gangran Energy Group Holdings Limited	8132.HK	11.8%	(5.2)%	(1.5)%	(0.8)%
17-Nov-15	China Packaging Holdings Development Limited	1439.HK	28.2%	(11.4)%	(11.4)%	(11.6)%*
		Maximum	***31.4%***	***117.4%***	***114.6%***	***112.8%***
		Minimum	***0.2%***	***(30.0)%***	***(25.2)%***	***(26.5)%***
		Median	***13.2%***	***(5.5)%***	***(1.5)%***	***(1.3)%***
		Average	***12.8%***	***5.3%***	***5.3%***	***6.1%***
25-May-16	**The Company**	**860.HK**	**44.43%**	**0.00%**	**(1.64)%**	**(7.98)%**

Source: the website of the Stock Exchange

* Such percentage was not disclosed in the relevant announcement or circular in relation to the Comparable Transaction. For illustration purpose in this letter, it was calculated with the same basis as the premium/(discount) rate(s) of the issue price of the consideration shares involved in the Comparable Transaction over/(to) the average closing price of the last trading day, the last five consecutive trading days and/or the last ten consecutive trading days prior to/on the date of the relevant announcement or agreement.

Notes:

1. As referred to the relevant announcement, the consideration (subject to adjustment) of acquisition shall be settled by cash and issue of 11,904,761 new consideration shares of the company (i.e. initial consideration shares). In the event that the consideration shall be adjusted upwards (i.e. further consideration), the company shall issue additional consideration shares (i.e. additional consideration shares) which shall be capped at 14,280,000 shares of the company. The maximum consideration shares (being the sum of 11,904,761 initial consideration shares and 14,280,000 additional consideration shares) as a percentage of the issued share capital of the company as enlarged by the issue of the maximum consideration shares of the company is calculated for illustration purpose. The calculation only takes into account the effect of the maximum consideration shares aforementioned.

2. As referred to the relevant announcement, the consideration shares A, B and C represented approximately 2.5%, 2.5% and 11.67% of the issued share capital of the company as enlarged by the issue of the consideration shares of the company (including consideration shares A, B and C) respectively.

3. As referred to the relevant announcement, the first batch consideration shares represented approximately 29.9% of the issued share capital of the company as enlarged by the allotment and issue of the first batch consideration shares of the company. Similarly, the second batch consideration shares represented approximately 29.9% of the issued share capital of the company as enlarged by the allotment and issue of the second batch consideration shares of the company. The shareholding of the vendor as enlarged by the issuance of the first batch consideration shares and/or the second batch consideration shares cannot exceed 29.9% of the then total issued share capital of the company.

4. For more details, please also refer to the circulars of OVU and CECH dated 25 February 2016 and 19 February 2016 respectively.

As the Issue Price could be determined at either a premium or a discount to the relevant benchmark prices, we consider it is meaningful to average both premium and discount data to determine whether the consideration shares related to the Comparable Transactions were issued, on average, at a level below or above the relevant benchmark price, and the extent of such level.

As illustrated in table above, the issue prices of the Comparable Transactions ranged from: (i) a discount of approximately 30.0% to a premium of approximately 117.4% to the respective closing prices of their shares on the last trading days (the "**Market Range I**") with a median of approximately 5.5% discount (the "**Market Median I**") and an average of approximately 5.3% premium; (ii) a discount of approximately 25.2% to a premium of approximately 114.6% to the respective average closing prices of their shares on the last five consecutive trading days (the "**Market Range II**") with a median of approximately 1.5% discount (the "**Market Median II**") and an average of approximately 5.3% premium; and (iii) a discount of approximately 26.5% to a premium of approximately 112.8% to the average closing prices of their shares on the last ten consecutive trading days (the "**Market Range III**"), with a median of approximately 1.3% discount (the "**Market Median III**") and an average of approximately 6.1% premium, respectively.

We note that (i) the Issue Price equals to the closing price of the Shares on the Last Trading Day; (ii) discounts of the Issue Price fall within the Market Range I, the Market Range II and the Market Range III respectively; (iii) among the Comparable Transactions, Market Median I, II and III are all at discount, ranging from approximately 1.3% to 5.5% discounts, where the discount range represented by the Issue Price is close to such range; and (iv) among the Comparable Transactions, the average of the respective Market Range I, II and III represents a small premium (being around 5% to 6%).

(iii) P/B multiples of comparable companies

As the principal business of the listed companies in the Comparable Transactions is different from that of the Group, in further assessing the fairness and reasonableness of the Issue Price, we have attempted to make reference to the price-to-earnings ratio ("**P/E Ratio**") and price-to-book ratio ("**P/B Ratio**") of companies engaging in business(es) similar to the Group. However, since the Group recorded net loss of approximately HK$205.6 million for FY2015, we consider that P/E Ratio is not applicable for our analysis. We therefore use P/B Ratio in our comparison analysis and have particularly reviewed companies listed in the Main Board of the Stock Exchange which (i) are principally engaged in the sale and distribution of jewellery and watches; and (ii) have a market capitalisation at around HK$1 billion or below as at the Last Trading Day with reference to the range of the Company's market capitalisation during the Review Period (although the closing price of the Shares surged after the publication of the Announcement, we consider it might be related to market expectations of the benefits that will be brought to the Group as a result of the Acquisition. However, since there is no assurance that the closing price of the Shares will remain at such a high level if the Acquisition does not proceed or cannot be completed, we are of the view that it may not be appropriate to make reference from the market capitalisation of the Company during this period). We have identified six comparable companies (the "**Comparable Companies**") which we consider to be exhaustive based on the above selection criteria, and set them out in the table below.

	Company name	**Stock code**	**Principal business activities**	**Market capitalisation at the Last Trading Day** *(Notes 1 and 2)* *(HK$ million)* *(approximately)*	**Latest audited/ unaudited consolidated net asset value attributable to equity holders** *(HK$ million)* *(approximately)*	**(Discount)/ Premium of market capitalisation over/to the consolidated net asset value attributable to equity holders** *(approximately)*
1	Asia Commercial Holdings Ltd.	104.HK	Trading and retailing of watches and property leasing	360.4	427.3	(15.7)%
2	Tic Tac International Holdings Co. Ltd.	1470.HK	Retail and wholesale of watches in Hong Kong	480.0	175.1	174.1%
3	Oriental Watch Holdings Ltd.	398.HK	Watch trading	519.3	2,194.8	(76.3)%

	Company name	Stock code	Principal business activities	Market capitalisation at the Last Trading Day (Notes 1 and 2) (HK$ million) (approximately)	Latest audited/ unaudited consolidated net asset value attributable to equity holders (HK$ million) (approximately)	(Discount)/ Premium of market capitalisation over/to the consolidated net asset value attributable to equity holders (approximately)
4	King Fook Holdings Ltd.	280.HK	Gold ornament, jewellery, watch, fashion and gift retailing, bullion trading and diamond wholesaling	584.7	799.3	(26.8)%
5	Stelux Holdings International Ltd.	84.HK	Retail and trading of watch and optical, and property investment	659.3	1,346.4	(51.0)%
6	Emperor Watch & Jewellery Ltd.	887.HK	Sales of luxurious branded watches, and the design and sales of jewellery products in Hong Kong and Macau	1,108.1	4,275.2	(74.1)%
					Maximum	***174.1%***
					Minimum	***(76.3)%***
					Median	***(38.9)%***
					Average	***(11.6)%***
	The Company	**860.HK**	**Distribution of watches, wholesale trading of jewellery products, mining, money lending and securities investments**	**735.5**	**1,464.5** *(Note 3)*	**(49.75)%**

Source: the website of the Stock Exchange

Notes:

1. For the Comparable Companies, the market capitalisation equals to the closing price per share multiplied by the number of issued shares of the respective company on the Last Trading Day.

2. For the Company, the market capitalisation equals to the Issue Price of HK$0.3 per Consideration Share multiplied by the number of issued Shares of 2,451,771,105 on the Last Trading Day.

3. Being the unaudited consolidated net asset value attributable to the equity holders of the Company as at 31 March 2016.

4. For the above table, the translation of RMB into HK$ is based on the average exchange rate of RMB1.00 to HK$1.20 for illustration purpose only.

As shown in the above table, shares of the Comparable Companies were traded ranged from a premium of approximately 174.1% to a discount of approximately 76.3% over/to their respective net asset value attributable to equity holders. We note that, save for Tic Tac International Holdings Co. Ltd., all Comparable Companies were traded at a discount to their respective net asset value attributable to equity holders. The discount of market capitalisation of the Company to the unaudited consolidated net assets attributable to the Shareholders of approximately 49.75% is within the range of the Comparable Companies.

Among the Comparable Companies, we note that Asia Commercial Holdings Ltd., King Fook Holdings Ltd. and Emperor Watch & Jewellery Ltd. recorded net losses during their latest financial year, business performance of which are considered more comparable to the Company given its loss making history. Shares of three Comparable Companies were all traded at a discount to their consolidated net asset value attributable to equity holders, ranging from approximately 15.7% to 74.1% with an average of approximately 38.9%, where the discount of market capitalisation of the Company to the unaudited consolidated net assets attributable to the Shareholders of approximately 49.75% is close to such average. Having considered this and the loss making history of the Company, we consider the discount of market capitalisation of the Company to the unaudited consolidated net assets attributable to the Shareholders is justifiable.

(iv) Financing alternatives available to the Group

We have discussed with the Management on whether there are other financing alternatives available to the Company other than the issue of the Consideration Shares and examined the reasons behind. Having considered the following factors, we agreed with the Company that the issue of the Consideration Shares is more preferable:

(i) the Directors consider that the issue of the Consideration Shares to settle the Consideration is in the interests of the Company and the Shareholders as a whole, after considering the reasons that (i) it is in the interests of the Group and the Shareholders to retain more cash for general working capital and future business development of the Group, as the Group has been loss making for the past three financial years and it has actively explored new business opportunities to cope with the existing market environment; (ii) the Group had cash of approximately HK$736 million and current liabilities of approximately HK$133 million as at 31 March 2016. Therefore, the issue of the Consideration Shares instead of cash would not affect the liquidity position or financial leverage of the Group and allow the Company to complete the Acquisition without any cash outlay; and (iii) the willingness to accept the Consideration Shares (as opposed to cash or other form of consideration) also demonstrates the Vendor's confidence in the prospects of the Acquisition and the Group;

(ii) given the Company's current financial performance, it will be difficult for the Company to secure facility of such substantial amount and/or with favourable terms of financing from financial institutions, which will inevitably increase finance costs of the Company; and

(iii) as the 2015 Open Offer was completed only one year ago, it will be difficult for the Company to find an underwriter to conduct fund raising through rights issue and open offer again within such short period of time.

Have considered the above that (i) the Consideration of HK$588 million represented a discount of approximately 5.9% to the portion of market value of the Property of approximately HK$624,780,000 to be acquired by the Company as at 30 April 2016 (while the 100% market value of the Property was arrived by assuming that the restrictions on the transferral of the Property did not exist with details set out in note 9 to Appendix IV to the Circular) as estimated by the Independent Valuer, which we consider the most relevant benchmark in assessing the fairness of the Consideration as the principal asset of the Project Company is the Property; (ii) upon review of the historical performance of the Shares, it is noted that (a) the Issue Price of HK$0.30 per Consideration Share equals to the closing price of the Shares on the Last Trading Day, representing a slightly discount to the average closing price of the Shares of approximately HK$0.33 per Share under the Review Period; (b) the Shares were closed at or below HK$0.30 in almost half of the trading days during the Review Period; and (c) given the trading volume of the Shares is considered relatively thin, it is justifiable that the Vendor may request a discount on the Issue Price as the Shares contain liquidity risk; (iii) when assessing the extent of discounts in relation to the Issue Price by comparing to those of the Comparable Transactions, discounts in relation to the Issue Price falls within the Market Range I, the Market Range II and the Market Range III respectively; (iv) the discount of market capitalisation of the Company to the unaudited consolidated net asset value attributable to the Shareholders is within the range of Comparable Companies and most of the Comparable Companies were trading at a discount to their respective net asset value attributable to equity holders; and (v) the issue of the Consideration Shares would not affect the liquidity position or financial leverage of the Group, we are therefore of the view that the Issue Price of HK$0.30 per Consideration Share is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

V. Shareholding structure of the Company

The following table sets out the shareholding structures of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares from the Latest Practicable Date and up to Completion):

	As at the Latest Practicable Date		**Immediately after Completion**	
	Number of Shares	*%*	*Number of Shares*	*%*
Prestige Rich*(Note 1)*	673,622,316	27.47	673,622,316	15.27
The Vendor*(Note 1)*	—	—	1,960,000,000	44.43
Sub-total of the Vendor and parties acting in concert with it	673,622,316	27.47	2,633,622,316	59.70
Alpha Key Investments Limited*(Note 2)*	300,000,000	12.24	300,000,000	6.80
Dr. Li Yifei*(Note 3)*	1,068,000	0.04	1,068,000	0.02
Mr. Xiao Gang*(Note 4)*	72,000	0.01	72,000	0.00
Sub-total of the substantial Shareholders and the Directors	974,762,316	39.76	2,934,762,316	66.52
Other public Shareholders	1,477,008,789	60.24	1,477,008,789	33.48
Total	**2,451,771,105**	**100.00**	**4,411,771,105**	**100.00**

Notes:

1. Prestige Rich and the Vendor are wholly-owned by Mr. Zhang.

2. Alpha Key Investments Limited is wholly-owned by Hengdeli Holdings Limited, which shall be regarded as a public Shareholder after Completion.

3. Dr. Li Yifei is an independent non-executive Director.

4. Mr. Xiao Gang is the non-executive Director.

As at the Latest Practicable Date, save for the 673,622,316 Shares held by the Vendor and parties acting in concert with it including Mr. Zhang and Prestige Rich, the Vendor confirms that (i) none of the Vendor, its directors and parties acting in concert with it owned or controlled or were interested in any other Shares, convertible securities, warrants, options or derivatives of the Company; (ii) save for the entering into of the Agreement, none of the Vendor, its directors and parties acting in concert with it had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period; (iii) none of the Vendor and parties acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person; (iv) none of the Vendor and parties acting in concert with it had borrowed or lent any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period; and (v) no agreement, arrangement or understanding (including any compensation arrangement) existed between the Vendor or parties acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Acquisition (including the issue of the Consideration Shares), and/or the Whitewash Waiver.

Assuming there is no further issue of Shares between the Latest Practicable Date and the date of issue of the Consideration Shares, the shareholdings of other public Shareholders would be diluted by approximately 26.76% from approximately 60.24% as at the Latest Practicable Date to approximately 33.48% immediately after Completion. The public float requirement under the Listing Rules would be complied.

However, taking into account (i) the overall benefits of the Acquisition, including but not limited to the introduction of property development business with adequate expertise and high growth potential for the Group's business diversification as discussed in details under the section headed "Background to and reasons for and benefits of the Acquisition" above; (ii) that as discussed in the section headed "Principal terms of the Acquisition" above, the terms of the Acquisition, including the Shareholders' Agreement, the Consideration and the Issue Price, are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the positive market reaction in view of the recent surge of the closing price of the Share following the publication of the Announcement which reflects the market expectation on the benefits to be brought by the Acquisition, we are of the view that the dilution effect on the shareholding of existing public Shareholders in the Company is acceptable so far as the Independent Shareholders are concerned.

VI. Financial effects of the Acquisition

Based on our discussion with and the representation from the Directors, we understand from the Directors that they have taken into account the following factors when they considered the potential impact of the Acquisition on the financial positions of the Group:

(a) Assets and liabilities

Based on the unaudited pro forma financial information in Appendix III to the Circular, the total assets of the Group as at 31 March 2016 would increase from approximately HK$1,651.2 million to approximately HK$3,131.8 million resulted from the increase in non-current assets of approximately HK$1,350.0 million which is primarily the carrying amount of the Property; and its total liabilities as at 31 March 2016 would increase from approximately HK$159.8 million to approximately HK$491.2 million primary due to the increase in non-current liabilities of approximately HK$353.3 million in relation to deferred tax liabilities, as a result of the Acquisition.

(b) Earnings

Upon Completion, the Company will hold 60% of the issued share capital of the Target which will hold a 78% equity interest in the Project Company via Grand Cellar. The Target will thereby become a subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group. In light of the potential future prospects offered by the Acquisition as illustrated in the section headed "Background to and reasons for and benefits of the Acquisition" above, the Directors are of the view that the Acquisition will likely contribute positively to the Group. However, the actual effect on earnings will depend on the future financial performance of the Target Group.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon Completion.

VII. Whitewash Waiver

Upon Completion, under Rule 26.1 of the Takeovers Code, the Vendor would be obliged to make a mandatory general offer for all the issued Shares other than those already owned or agreed to be acquired by the Vendor and parties acting in concert with it, unless the Whitewash Waiver is obtained from the Executive. In this regard, the Vendor has made an application to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, (i) approval by the Independent Shareholders at the EGM by way of a poll; and (ii) the Vendor and parties acting in concert with it not having any acquisitions or disposals of voting rights of the Company from the Latest Practicable Date and up to Completion unless with the prior consent of the Executive. The Executive may or may not grant the Whitewash Waiver. The granting of the Whitewash Waiver is a Condition which is not capable of being waived. If the Whitewash Waiver is not obtained and/or approved by the Independent Shareholders, the Acquisition will not proceed.

DISCUSSION AND ANALYSIS

1. The Acquisition

As described above under the section headed "Background to and reasons for and benefits of the Acquisition", the Directors consider the Acquisition opens up an opportunity for the Group to participate in the property development business in Guangzhou which they believe to be a property market with great potential, and diversify the Group's existing business. The Directors further consider that the Property will generate a stable and recurring income stream to the Group, enable the Group to strengthen its asset base and provide capital appreciation potential to the Group. Having considered the view of the Directors and the fact that there will be large dilution effect brought by the Acquisition as discussed in the section headed "Shareholding structure of the Company" above, we are of the view that the Acquisition is on normal commercial terms, the terms of the Acquisition are fair and reasonable so far as the

Independent Shareholders are concerned, and the Acquisition is in the interests of the Company and the Independent Shareholders as a whole after taking into account all principal factors and reasons as discussed in this letter, in particular:

(i) as described under the section headed "Background to and reasons for and benefits of the Acquisition – Business diversification", given the Group's historical loss-making financial results, the uncertainties faced by its existing businesses along with, among other things, the possible challenges in the luxury goods markets in the PRC and Hong Kong, it is reasonable for the Company to diversify its business through the Acquisition aiming to strengthen the asset base and achieve sustainable growth of the Group;

(ii) as described under the section headed "Background to and reasons for and benefits of the Acquisition – Business prospect from the Acquisition", the Acquisition with a feasible development plan expected to be completed in around 2018 and a feasible timeline in obtaining the Licences, adequate management team with relevant experience and expertise and growing prospect of property market in the New Huangpu District could potentially strengthen the Group's income base and provide capital appreciation;

(iii) as mentioned under the section headed "Background to and reasons for and benefits of the Acquisition – Business prospect from the Acquisition", although the Project Company has not obtained the Licenses, (a) the fulfillment or waiver of the obtaining of all necessary licenses, consents and approvals by the Project Company required for carrying out its business as a property developer, including but not limited to the renewed business license, is one of the Conditions, and the Company had no intention to waive such Condition, which we consider that such Condition could protect the interest of the Company; (b) the PRC Legal Adviser also advised that there will be no material legal obstacles for the Project Company to obtain the Licences in accordance with the expected timeline; and (c) the auditors of the Company opined that information stated in the Appendix IIB has given a true and fair view of the financial position of the Project Company during the relevant periods and no adjustments had been made with respect to the failure of extension of business operation period and renewal of the business license of the Project Company, after considering the PRC Legal Opinion;

(iv) as illustrated under the section headed "Principal terms of the Acquisition – Shareholders' agreement", the Shareholders' Agreement are on normal commercial terms and in the interests of the Company so far as the Independent Shareholders are concerned, and the future funding support from the Vendor could ensure sufficient capital for the development of the Property and largely reduce the Group's investment risk;

(v) as illustrated under the section headed "Principal terms of the Acquisition – Evaluation of the Consideration", after reviewing the valuation methodology, together with its bases and assumptions adopted in the Property Valuation Report, the market value of the Project Company has been reasonably estimated by the Independent Valuer and the Consideration is considered fair and reasonable based on the analysis mentioned in the section; and

(vi) as illustrated under the section headed "Principal terms of the Acquisition – Evaluation of the Issue Price of the Consideration Shares", the Issue Price of HK$0.30 per Consideration Share is considered fair and reasonable after conducting analysis on historical closing price and trading volume of the Shares, the Comparable Transactions regarding the extent of premiums or discounts of issue price, P/B Ratios of the Comparable Companies and financial alternatives available to the Group.

2. Whitewash Waiver

Taking into account that (i) the background to and reasons for and benefits of the Acquisition set forth above in this letter and that the Whitewash Waiver is a condition to the Acquisition which cannot be waived; (ii) the terms of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Company so far as the Independent Shareholders are concerned; and (iii) the dilution effect on the shareholding of existing public Shareholders in the Company is acceptable so far as the Independent Shareholders are concerned, as illustrated under the section headed "Shareholding structure of the Company", we are of the view that the issue of the Consideration Shares, which gives rise to the need for the Whitewash Waiver is acceptable.

OPINION AND RECOMMENDATION

Having considered the abovementioned principal factors and reasons, though the Acquisition is not in the ordinary and usual course of business of the Group, we are of the view that the Acquisition is on normal commercial terms, the terms of the Acquisition and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition and the Whitewash Waiver are in the interests of the Company and the Independent Shareholders. We therefore advise the Listing Rules IBC and the Takeovers Code IBC to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
NEW SPRING CAPITAL LIMITED

Paul Lui	**Tina Tian**
Managing Director	*Executive Director*

Note: Mr. Paul Lui and Ms. Tina Tian are licensed persons registered with the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and have over 19 years and 9 years of experience in corporate finance industry respectively.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information on the Group for each of the three financial years ended 30 September 2013, 2014 and 2015 and the six months ended 31 March 2016 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 2013 published on 29 January 2014 (pages 28 to 88);
- 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); and
- interim report of the Company for the six months ended 31 March 2016 published on 27 June 2016 (pages 1 to 22).

2. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the consolidated financial information of the Group for each of the three years ended 30 September 2013, 2014 and 2015 and the six months ended 31 March 2016 as extracted from the annual reports of the Company for the years ended 30 September 2014 and 2015 and the interim report of the Company for the six months ended 31 March 2016 respectively.

	For the year ended 30 September			For the six months ended 31 March
	2015	**2014**	**2013**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
CONTINUING OPERATIONS *(Note 1)*				
Turnover	365,201	1,207,105	782,551	186,554
Loss before taxation	(219,578)	(1,150,447)	(965,892)	(3,146)
Income tax (expenses)/ credit	13,957	84,353	63,105	(3,386)
Loss for the year/period from continuing operations	(205,261)	(1,066,094)	(902,787)	(6,532)
DISCONTINUED OPERATIONS *(Note 1)*				
Loss for the year/period from discontinued operations	—	—	—	(4,423)
Loss for the year/period	(205,261)	(1,066,094)	(902,787)	(10,955)
Attributable to:				
Owners of the Company	(199,626)	(1,052,066)	(817,573)	(11,290)
Non-controlling interests	(5,995)	(14,028)	(85,214)	335
	(205,261)	(1,066,094)	(902,787)	(10,955)
Dividends per Share *(HK cents)*	—	—	—	—
Loss per Share from continuing and discontinued operations *(HK cents)*		(Restated) *(Note 2)*	(Restated) *(Note 3)*	
Basic and diluted	(11.80)	(138.87)	(17.98)	(0.46)

Notes:

1. Omas ceased its operation with effect from 17 November 2015 due to its continued financial losses and the adverse business environment. Accordingly, the financial results of Omas were presented as (i) discontinued operations of the Group in the Company's interim report for the six months ended 31 March 2016; and (ii) continuing operations of the Company in the Company's annual reports for the years ended 30 September 2013, 2014 and 2015 respectively.

2. The restatement is mainly because the weighted average number of Shares for the purposes of calculating basic and diluted loss per Share in 2013 have been adjusted after taking into account the effect of the open offer on the basis of one offer share for every two Shares held on the record date, details of which are set out in the announcement of the Company dated 26 February 2014 and the prospectus of the Company dated 19 March 2014.

3. The restatement is mainly because the weighted average number of Shares for the purposes of calculating basic and diluted loss per Share in 2014 have been adjusted after taking into account the effect of the open offer on the basis of two offer shares for every Share held on the record date, details of which are set out in the announcement of the Company dated 4 February 2015 and the prospectus of the Company dated 26 March 2015.

4. No qualified and modified opinion in respect of the financial statements of the Group for each of the three years ended 30 September 2013, 2014 and 2015 has been issued by the auditors of the Company, KTC Partners CPA Limited.

5. No exceptional items because of their size, nature or incidences were recognised in the above accounts for each of the three years ended 30 September 2013, 2014 and 2015 and the six months ended 31 March 2016.

3. AUDITED FINANCIAL INFORMATION OF THE GROUP FOR THE YEAR ENDED 30 SEPTEMBER 2015

The following is the full text of the audited financial statements of the Group for the year ended 30 September 2015 as extracted from the annual report of the Company for the year ended 30 September 2015:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2015

	Notes	**2015** *HK$'000*	**2014** *HK$'000*
Revenue	*9*	365,201	1,207,105
Cost of sales		(283,853)	(2,069,595)
Gross profit (loss)		81,348	(862,490)
Change in fair value of contingent consideration receivable	*22*	53,277	4,739
Other revenue and net gains	*10*	9,084	309
Selling and distribution expenses		(34,903)	(54,766)
Administrative expenses		(48,121)	(39,307)
Amortisation of intangible assets	*18*	(26,803)	(12,415)
Fair value loss on held-for-trading investments		(42,316)	—
Impairment loss on goodwill	*21*	(79,317)	(53,943)
Impairment loss on intangible assets	*18*	(37,369)	(68,920)
Impairment loss on property, plant and equipment		(25,247)	—
Impairment loss of trade and other receivables		(64,715)	(39,100)
Loss on deregistration/disposal of subsidiaries	*37*	(146)	(17,980)
Property, plant and equipment written-off		(80)	(3,457)
Loss from operating activities	*11*	(215,308)	(1,147,330)
Finance costs	*12*	(4,270)	(3,117)
Loss before taxation		(219,578)	(1,150,447)
Income tax credit	*13*	13,957	84,353
Loss for the year		(205,621)	(1,066,094)

	Notes	2015 HK$'000	2014 HK$'000
Other comprehensive expenses			
Items that may be classified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(27,807)	(8,260)
Exchange reserve realised upon disposal of subsidiaries	*37(b)*	—	(4,328)
Total other comprehensive expenses for the year		(27,807)	(12,588)
Total comprehensive expenses for the year		(233,428)	(1,078,682)
Loss for the year attributable to:			
Owners of the Company		(199,626)	(1,052,066)
Non-controlling interests		(5,995)	(14,028)
		(205,621)	(1,066,094)
Total comprehensive expenses for the year attributable to:			
Owners of the Company		(231,175)	(1,064,697)
Non-controlling interests		(2,253)	(13,985)
		(233,428)	(1,078,682)
			(Restated)
Loss per share	*14*		
Basic		HK11.80 cents	HK138.87 cents
Diluted		N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Intangible assets	18	115,871	111,118
Exploration and evaluation assets	19	—	—
Property, plant and equipment	20	16,672	47,484
Goodwill	21	29,555	29,555
Contingent consideration receivable	22	63,771	—
		225,869	188,157
CURRENT ASSETS			
Inventories	23	278,508	134,029
Trade and other receivables	24	133,053	625,951
Loan receivables	25	203,000	—
Contingent consideration receivable	22	—	118,246
Held-for trading investments	26	66,869	—
Amount due from a shareholder of a subsidiary	27	5,165	1,978
Bank balances and cash	28	758,939	202,042
		1,445,534	1,082,246
CURRENT LIABILITIES			
Trade payables	29	31,977	26,711
Other payables and accruals	30	27,128	18,089
Borrowings	31	61,060	63,095
Income tax payable		5,451	1,713
		125,616	109,608

	Notes	2015 HK$'000	2014 HK$'000
NET CURRENT ASSETS		1,319,918	972,638
TOTAL ASSETS LESS CURRENT LIABILITIES		1,545,787	1,160,795
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*32*	28,459	37,897
NET ASSETS		1,517,328	1,122,898
CAPITAL AND RESERVES			
Share capital	*33*	245,177	65,490
Reserves	*34*	1,245,670	1,028,674
Equity attributable to the owners of the Company		1,490,847	1,094,164
Non-controlling interests		26,481	28,734
TOTAL EQUITY		1,517,328	1,122,898

The consolidated financial statements on pages 30 to 98 were approved and authorised for issue by the board of directors on 31 December 2015, and signed on its behalf by:

Zhang Jinbing
Director

Wong Chi Ming, Jeffry
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2015

	Attributable to the Company								
	Share capital	Share premium	Exchange reserve	Statutory reserve	Other reserve	Accumulated losses	Total	Non-controlling interest	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 October 2013	43,660	1,910,709	76,073	792	11	(44,482)	1,986,763	48,369	2,035,132
Total comprehensive expenses for the year	—	—	(12,631)	—	—	(1,052,066)	(1,064,697)	(13,985)	(1,078,682)
Eliminated on disposal of subsidiaries *(Note 37(b))*	—	—	—	—	—	—	—	(5,650)	(5,650)
Issue of shares upon open offer *(Note 33)*	21,830	150,268	—	—	—	—	172,098	—	172,098
At 30 September 2014	65,490	2,060,977	63,442	792	11	(1,096,548)	1,094,164	28,734	1,122,898
Total comprehensive expenses for the year	—	—	(31,549)	—	—	(199,626)	(231,175)	(2,253)	(233,428)
Issue of shares upon acquisition of subsidiaries *(Note 36)*	16,235	124,547	—	—	—	—	140,782	—	140,782
Issue of shares upon open offer *(Note 33)*	163,452	323,624	—	—	—	—	487,076	—	487,076
At 30 September 2015	245,177	2,509,148	31,893	792	11	(1,296,174)	1,490,847	26,481	1,517,328

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 September 2015

	2015	2014
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Loss before taxation	(219,578)	(1,150,447)
Adjustments for:		
Allowances for inventories write-down	25,384	—
Amortisation of intangible assets	26,803	12,415
Change in fair value of contingent consideration receivable	(53,277)	(4,739)
Fair value loss on held-for-trading investments	42,316	—
Depreciation of property, plant and equipment	4,540	8,719
Finance costs	4,270	3,117
Gain on disposal of property, plant and equipment	(2)	—
Loss on deregistration/disposal of subsidiaries	146	17,980
Impairment loss on goodwill	79,317	53,943
Impairment loss on trade and other receivables	64,715	39,100
Impairment loss on intangible assets	37,369	68,920
Impairment loss on property, plant and equipment	25,247	—
Interest income	(2,175)	(92)
Property, plant and equipment written-off	80	3,457
Operating cash flows before movements in working capital	35,155	(947,627)
(Increase) decrease in inventories	(88,220)	1,406,715
Decrease (increase) in trade and other receivables	490,370	(499,302)
Increase in loan receivables	(203,000)	—
Decrease in trade payables	(45,128)	(30,200)
Decrease in other payables and accruals	(74,655)	(46,349)
Cash from (used in) operating activities	114,522	(116,763)
Income tax paid	(2,055)	(12,677)
Net cash from (used in) operating activities	112,467	(129,440)

	2015	2014
	HK$'000	*HK$'000*
INVESTING ACTIVITIES		
Advance to a shareholder of a subsidiary	(3,187)	(1,972)
Interest received	2,175	92
Purchase of held-for-trading investments	(109,185)	—
Net cash inflow from acquisition of subsidiaries *(Note 36)*	3,393	—
Proceeds from disposal of property, plant and equipment	307	—
Proceeds from disposal of subsidiaries *(Note 37b)*	—	21,828
Loss on deregistration of subsidiaries	(146)	—
Purchases of property, plant and equipment	(1,912)	(7,398)
Net cash (used in) from investing activities	(108,555)	12,550
FINANCING ACTIVITIES		
Interest paid	(4,270)	(3,117)
Repayment of borrowings	(61,060)	(55,379)
New borrowings obtained	61,060	63,095
Proceeds from profit guarantee compensation	60,000	—
Proceeds from issue of open offer shares	487,076	172,098
Net cash from financing activities	542,806	176,697
NET INCREASE IN CASH AND CASH EQUIVALENTS	546,718	59,807
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	202,042	142,872
Effect of foreign exchange rate changes	10,179	(637)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	758,939	202,042

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

1. CORPORATE INFORMATION

O Luxe Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of its registered office and principal place of business are disclosed in the corporate information section to the annual report.

With effect from 11 March 2015, the name of the Company was changed from Ming Fung Jewellery Group Limited to O Luxe Holdings Limited.

The functional currency of the Company and its subsidiaries (collectively referred to as the "Group") is Hong Kong dollars ("HK$") and for those subsidiaries established in the People's Republic of China (the "PRC") and Italy are Renminbi ("RMB") and Euro respectively. The consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of users of the consolidated financial statements as the Company is listed in Hong Kong.

The Company is engaged in investment holding and the principal activities of its subsidiaries are exports and domestic trading, retail and wholesale of jewellery products, writing instruments and watches, mining, money lending and securities investments.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND NEW HONG KONG COMPANIES ORDINANCE

The Group has applied, for the first time in the current year, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and a new interpretation.

Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 Cycle
Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC)-Int 21	Levies

The application of the amendments to HKFRSs and a new interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statement.

Part 9 of Hong Kong Companies Ordinance (Cap. 622)

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs, amendments to HKFRSs and interpretation that have been issued but not yet effective:

HKFRS 9	Financial instruments[1]
HKFRS 14	Regulatory deferral accounts[2]
HKFRS 15	Revenue from contracts with customers[3]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[4]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[4]
Amendments to HKAS 27	Equity method in separate financial statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKAS 1	Disclosure initiative[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 Cycle[4]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

HKFRS 9 "Financial instruments"

A final version of HKFRS 9 (that includes classification and measurement of financial assets and financial liabilities, impairment and general hedge accounting) was issued in 2014.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised cost or fair value. Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

- An expected loss model (rather than an incurred loss model) has been adopted by HKFRS 9.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting.

The directors of the Company will assess the impact of the application of HKFRS 9. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 9 until the Group performs a detailed review.

HKFRS 15 "Revenue from contracts with customers"

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the HKFRS 15 may have significant impact on amounts reported in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The directors of the Company do not anticipate that the application of the other new and revised HKFRSs will have a material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values at the end of the reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 — inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 — inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 — inputs are unobservable inputs for the asset or liability. The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its powers to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less accumulated impairment losses, if any.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for external customers' returns, rebates and other similar allowances.

(i) Revenue from the sale of products is recognised when the goods are delivered and title have passed, at which point the customer has accepted the products and collectability of the related receivable is reasonably assured.

(ii) Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Equity-settled share-based payment transactions

Share options granted to employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share-based payment reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

For share options that vest immediately at the date of grant, the fair value of the share options immediately to profit or loss. When share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to accumulated losses.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified into the following specified categories: loans and receivables or financial assets at fair value through profit or loss (“FVTPL”). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held-for-trading as it is designated as at FVTPL on initial recognition:

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument; or

A financial asset other than a financial asset held-for-trading may be designated as at FVTPL upon initial recognition: or

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in Note 7.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, loan receivables, other receivables, amount due from a shareholder of a subsidiary and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment on financial assets

Financial assets, other than those of FVTPL, at are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities including trade payables, other payables and borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses, being their value at the date of the valuation less subsequent amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Mining rights

The cost of mining rights acquired in a business combination is the fair value at the date of acquisition. Mining rights are reclassified from exploration and evaluation assets at the carrying amount when the technical feasibility and commercial viability of extracting mineral resources are demonstrable. Mining rights with finite useful lives are carried at costs less accumulated amortisation and any impairment.

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method and reducing-balance method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The principal annual rates used for this purpose are as follows:

Reducing-balance method:	
Leasehold improvement	20% or at a percentage equals to the reciprocal of the unexpired lease period of the leasehold land, whichever is larger
Plant and machinery	15%
Furniture, fixtures and office equipment	15%–20%
Motor vehicles	15%–20%
Straight-line method:	
Leasehold improvement	50% or at a percentage equals to the reciprocal of the unexpired lease period of the leasehold land, whichever is larger
Furniture, fixtures and office equipment	20%–32%
Leasehold land and buildings	5% or over the remaining period of respective leases where shorter
Motor vehicles	15%–24%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out or specific identification method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings related to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and classified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Bank balances and cash

Bank balances and cash comprise cash at bank and on hand with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalent consist of cash as defined above.

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements ("reporting entity").

(a) A person or a close member of that person's family is related to a reporting entity if that person:

  (i) has control or joint control over the reporting entity;

  (ii) has significant influence over the reporting entity; or

  (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

  (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

  (iii) Both entities 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 reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

  (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).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Renewal of mining right permits

The Group owns a mining right permit that will be expired in years 2016 to 2017, the renewal is subject to the approval by the relevant PRC authorities. In the opinion of the directors, the Group will be entitled to renew its mining right permits upon the expiration at minimal costs.

If the Group is unable to obtain approval for renewal upon their expiry, the carrying amount of the mining rights of approximately HK$86,877,000 (2014: HK$90,925,000) may be significant reduced, or it will write-off or write-down the carrying amounts of the mining rights, and significant impairment loss might be recognised.

Key sources of estimation uncertainty

Followings are 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.

(a) Impairment of receivables

Impairment of receivables is made based on an assessment of the recoverability of trade and other receivables and the timing of their recovery. The identification of impairment of receivables requires management judgement and estimation. Where the actual outcome or expectation in future is different from the original estimates, the differences will impact on the carrying value of trade and other receivables and the amount of impairment/write-back of impairment in the periods in which the estimates have been changed. At 30 September 2015, the carrying amount of trade receivables was approximately HK$48,942,000 (2014: HK$592,568,000), net of impairment loss of approximately HK$69,668,000 (2014: HK$37,441,000) and other receivables was approximately HK$84,111,000 (2014: HK$33,383,000), net of impairment loss of approximately HK$34,106,000 (2014: HK$1,659,000).

(b) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Estimated impairment of property, plant and equipment

The Group evaluates whether items of property, plant and equipment have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, in accordance with the stated accounting policy. The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of estimates. An impairment loss of approximately HK$25,247,000 (2014: Nil) was recognised for the year ended 30 September 2015.

(d) Useful lives of intangible assets (other than goodwill)

The Group determines the estimated useful lives and related amortisation charges for the Group's intangible assets based on the historical experience of the actual useful lives of intangible assets of similar nature and functions as well as the contractual terms of intangible assets being purchased by the Group.

(e) Estimated impairment of intangible assets (other than goodwill)

The Group evaluates whether items of intangible assets have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, in accordance with the stated accounting policy. The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of estimates. An impairment loss of approximately HK$37,369,000 (2014: HK$68,920,000) was recognised for the year.

(f) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management reassesses these estimations at the end of the reporting period to ensure inventories are shown at the lower of cost and net realisable value. An allowance for inventory write-down of approximately HK$25,384,000 (2014: Nil) was provided for the year.

(g) Impairment review of goodwill

The Group tests annually for impairment review of goodwill in accordance with accounting policy as stated in Note 3. The recoverable amounts of cash-generating units have been determined based on the higher of the fair value less costs to sell and value in use calculation of the underlying assets, mainly properties. These calculations require the use of estimates, such as discount rates, future profitability and growth rates. An impairment loss of approximately HK$79,317,000 (2014: HK$53,943,000) was recognised for the year.

(h) Fair value of contingent consideration receivable

The directors of the Company use their judgment in selecting appropriate valuation techniques for contingent consideration receivable. A probability model, which is commonly used by market practitioners, has been applied for estimating the fair value of contingent consideration receivable. The estimation of fair values of the contingent consideration receivable are derived after taking into account the input and parameters, such as the probabilities, discount rate and settlement date etc. Change in fair value of approximately HK$53,277,000 (2014: HK$4,739,000) was recognised for the year.

(i) Fair value of identifiable assets and liabilities acquired through business combination

The group applies acquisition method to account for business combinations, which requires the Group to record assets and liabilities assumed at their fair values on the date of acquisition. Significant judgements is made to estimate the fair values of the assets and liabilities acquired.

(j) Income taxes

There are transactions and calculations relating to the Group's ordinary business activities for which the ultimate tax determination is uncertain and judgment is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Groups overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 31, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The Group monitors its capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristic of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares, raise new debt financing or sell assets to reduce debts.

The gearing ratio at the end of the reporting period was as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Debts *(Note i)*	61,060	63,095
Bank balances and cash	(758,939)	(202,042)
Net cash	(697,879)	(138,947)
Equity *(Note ii)*	1,490,847	1,094,164
Net debt to equity ratio *(Note iii)*	N/A	N/A

Notes:

(i) Debts comprise short-term borrowings as detailed in Note 31.

(ii) Equity includes all capital and reserves attributable to owners of the Company.

(iii) As the Group had a net cash position at 30 September 2015 and 2014, the Group's gearing ratio as at that date were not applicable.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2015	2014
	HK$'000	*HK$'000*
Financial assets:		
Contingent consideration receivable	63,771	118,246
Fair value through profit and loss		
— Held-for-trading investments	66,869	—
Loan and receivables (including bank balances and cash)	1,092,232	800,501
	1,222,872	918,747
Financial liabilities:		
Financial liabilities at amortised cost	98,319	103,548

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include contingent consideration receivable, held-for-trading investments, trade receivables, loan receivables, other receivables, amount due from a shareholder of a subsidiary, bank balances and cash, trade payables, other payables and borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign exchange risk

The Group's sales and purchases during the year were mostly denominated in Hong Kong dollars, Renminbi and Euro. The Group was exposed to certain foreign currency exchange risks but it does not anticipate future currency fluctuations to cause material operational difficulties or liquidity problems. However, the Group continuously monitors its foreign exchange position and, when necessary, will hedge foreign exchange exposure arising from contractual commitments in sourcing products from overseas suppliers.

At 30 September 2015 and 2014, the Group entities have no significant assets or liabilities denominated in currency other than Hong Kong dollars, Renminbi and Euro.

(ii) Interest rate risk

The Group's interest rate risk arises primarily from borrowings and bank deposits. Borrowings bearing variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The exposure to interest rates for the Group's short term bank deposits is considered immaterial.

The Group will review whether bank loans bearing floating rates should be drawn from time to time with reference to the trend of changes in interest rates. The interest rates and repayment terms of borrowings and bank balances and cash of the Group are disclosed in Notes 31 and 28 respectively. The Group currently does not have an interest rate hedging policy.

However, the directors monitor interest rate change exposure and will consider hedging significant interest rate exchange exposure should the need arises. The policies to management interest rate risk have been followed by the Group since prior year and are considered to be effective.

Sensitivity analysis

As of 30 September 2015, it is estimated that a general 100 basis point increase or decrease in interest rates, with all other variables held constant, would increase or decrease the Company's loss for the year ended 30 September 2015 and accumulated losses by approximately HK$611,000 (2014: HK$631,000).

The above sensitivity analysis has been determined assuming that a change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents directors' assessment of a reasonably possible change in interest rates over the period until the next reporting period. The analysis was performed on the same basis for the year ended 30 September 2014.

(iii) Other price risk

The Group is engaged in the sale of jewellery including gold products. The Group's exposure to commodity risk relates to the market price fluctuation in gold which is minimum for this year since the gold mines have not yet started production.

The Group is also exposed to equity price risk through its held-for-trading investments. The management manages this exposure by maintaining a portfolio of investment with different risks.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to price risks at the end of the reporting period.

If the prices of the respective equity securities have been 5% higher/lower and all other variables were constant, the Group's loss for the year ended 30 September 2015 would decrease/increase by approximately HK$3,343,000 (2014: Nil) as a result of the changes in fair values of held-for-trading investments.

In addition, the management will closely monitor the price risk and will consider hedging the risk exposure should the need arise.

Credit risk

The Group has no concentration of credit risk and has policies in place to ensure that the sales of products are made to customers with appropriate credit history and the Group performs credit evaluation of its customers.

Retail sales are usually made in cash, credit cards or through reputable and dispersed department stores. Majority of trade receivables are with wholesale customers having an appropriate credit history and at credit terms of 30 to 120 days. Normally the Group does not require collaterals from trade debtors. The existing debtors have no significant defaults in the past. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables, if any, has been made.

For loan receivables, the Group's management manages and analyses the credit risk for each of their new and existing customers before standard payment terms and conditions are offered. The management assesses the credit quality of each customer based on the customer's background information, financial position, past experience and other relevant factors. The Group also reviews from time to time the financial conditions of customers.

The Group's concentration of credit risk by geographical locations is mainly in Asia (including PRC), which accounted for 95% (2014: 99%) of the total trade receivables as at 30 September 2015.

At 30 September 2015, the Group has concentration of credit risk as 25% (2014: 21%) and 58% (2014: 93%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies and authorised banks in the Hong Kong, PRC and Italy with high-credit rating.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, borrowings with a repayment on demand clause are included in the earliest time based regardless of the probability of the choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

	At 30 September 2015		**At 30 September 2014**	
	On demand or less than 1 year and total undiscounted cash flow	**Carrying amount**	**On demand or less than 1 year and total undiscounted cash flows**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	31,977	31,977	26,711	26,711
Other payables	5,282	5,282	13,742	13,742
Borrowings	65,330	61,060	67,637	63,095
	102,589	98,319	108,090	103,548

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices, respectively;

- the fair value of other financial assets and financial liabilities (excluding held-for-trading investments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and

- the fair value of held-for-trading investments is calculated using quoted prices. Where such prices are not available, the fair value is estimated using discounted cash flow analysis and the applicable curve for the duration of the instruments. For contingent consideration receivable, the fair value is estimated using a probability model.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values due to their short-term maturities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 — fair value measurement are those derived from quoted price (unadjusted) in active market for identical assets or liabilities.

Level 2 — fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 — fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value hierarchy at 30 September:

	Level 1		Level 2		Level 3		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Contingent consideration receivable	—	—	—	—	63,771	118,246	63,771	118,246
Financial assets held at FVTPL								
— Held-for-trading investments	66,869	—	—	—	—	—	66,869	—

During the two years ended 30 September 2015 and 2014, there were no transfer between Level 1, 2 and 3.

8. SEGMENT INFORMATION

Information reported to the board of directors, being the chief operating decision marker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- Exports segment — export of manufactured jewellery products and writing instruments;
- Domestic segment — trading of jewellery products and watches for the Group's retail and wholesale business in Asia;
- Mining segment — the mining, exploration and sale of gold resources;
- Money lending segment — provision of loan finance; and
- Securities investments segment — trading of listed securities.

(a) Segment revenues and results

The following is an analysis of the Group's revenue and result by reportable and operating segments.

For the year ended 30 September

	Exports		Domestic		Mining		Money lending		Securities investments		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:												
External sales	12,410	19,489	345,531	1,187,616	—	—	7,260	—	—	—	365,201	1,207,105
Segment results	(49,349)	(67,243)	(178,490)	(1,034,249)	(2,519)	(31,665)	3,648	—	(42,316)	—	(269,026)	(1,133,157)
Unallocated corporate income and expenses											49,448	(17,290)
Loss before taxation											(219,578)	(1,150,447)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent the results earned by each segment without allocation of change in fair value of contingent consideration receivable, loss on deregistration/disposal of subsidiaries, central administration costs, directors' salaries, interest income and finance costs. This is the measure reported to the chief operating decision makers, being the directors of the Company, for the purposes of resource allocation and assessment of segment performance.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments.

At 30 September

	Exports		Domestic		Mining		Money lending		Securities investments		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS												
Segment assets	23,250	77,707	396,596	775,495	88,346	93,781	206,877	—	66,869	—	781,938	946,983
Unallocated segment assets											889,465	323,420
Total assets											1,671,403	1,270,403
LIABILITIES												
Segment liabilities	8,523	10,170	46,957	30,646	948	1,002	—	—	—	—	56,428	41,818
Unallocated segment Liabilities											97,647	105,687
Total liabilities											154,075	147,505

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments, other than contingent consideration receivables, amount due from a shareholder of a subsidiary and bank balances and cash.

- all liabilities are allocated to operating segments, other than borrowings, deferred tax liabilities and income tax payable.

(c) Other segment information:

	Exports		Domestic		Mining		Money lending		Securities investments		Unallocated		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets														
Additions to non-current assets *(Note)*	754	2,697	75,772	4,701	–	–	–	–	–	–	49	–	76,575	7,398
Allowances for inventories write-down	(9,174)	–	(16,210)	–	–	–	–	–	–	–	–	–	(25,384)	–
Amortisation of intangible assets	–	–	(26,803)	(12,415)	–	–	–	–	–	–	–	–	(26,803)	(12,415)
Change in fair value of contingent consideration receivable	–	–	–	–	–	–	–	–	–	–	53,277	4,739	53,277	4,739
Depreciation of property, plant and equipment	(2,147)	(1,732)	(2,256)	(6,838)	–	–	–	–	–	–	(137)	(149)	(4,540)	(8,719)
Gain on disposal of property, plant and equipment	–	–	2	–	–	–	–	–	–	–	–	–	2	–
Impairment loss on goodwill	–	(19,882)	(79,317)	(34,061)	–	–	–	–	–	–	–	–	(79,317)	(53,943)
Impairment loss on intangible assets	(5,981)	(41,561)	(30,238)	–	(1,150)	(27,359)	–	–	–	–	–	–	(37,369)	(68,920)
Fair value loss on held-for-trading investments	–	–	–	–	–	–	–	–	(42,316)	–	–	–	(42,316)	–
Impairment loss of trade and other receivables	(2,271)	–	(61,539)	(37,441)	–	(1,659)	–	–	–	–	(905)	–	(64,715)	(39,100)
Property, plant and equipment written off	(78)	–	–	(3,457)	(2)	–	–	–	–	–	–	–	(80)	(3,457)
Impairment loss on property, plant and equipment	(25,247)	–	–	–	–	–	–	–	–	–	–	–	(25,247)	–
Loss on deregistration/disposal of subsidiary	–	–	–	–	–	–	–	–	–	–	(146)	(17,980)	(146)	(17,980)
Bad debt recovered	–	–	803	–	–	–	–	–	–	–	–	–	803	–
Amounts regularly provided to the chief operating decision makers but not included in the measure of segment profit or loss or segment assets														
Interest income	33	–	2,142	92	–	–	–	–	–	–	–	–	2,175	92
Interest expenses	–	–	(4,270)	(3,117)	–	–	–	–	–	–	–	–	(4,270)	(3,117)

Note: Non-current assets included property, plant and equipment and intangible assets.

(d) Geographic information

The Group is domicile in Asia and the operations are principally located in the PRC and Hong Kong.

Information about the Group's revenue from external customers and non-current assets is presented based on the location of operations and geographical location of assets respectively.

	Revenue from external customers For the year ended 30 September		**Non-current assets** *(Note)* **At 30 September**	
	2015	**2014**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Europe	12,410	19,489	10,806	48,781
Asia (including the PRC)	352,791	1,187,616	151,292	139,376
	365,201	1,207,105	162,098	188,157

Note: Non-current assets excluded contingent consideration receivable.

(e) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group as follows:

		2015	**2014**
		HK$'000	*HK$'000*
Customer A	Revenue generated from the domestic segment	39,462	143,751
Customer B	Revenue generated from the domestic segment	—	141,909

9. REVENUE

Revenue of the Group comprises the following:

	2015	**2014**
	HK$'000	*HK$'000*
Sales of goods	357,941	1,207,105
Interest income on loan financing	7,260	—
	365,201	1,207,105

10. OTHER REVENUE AND NET GAINS

	2015	2014
	HK$'000	*HK$'000*
Other revenue:		
Bank interest income	2,175	92
Bad debts recovered	803	—
Gain on contingent consideration receivable *(Note 22)*	1,754	—
Watch repairing services	2,721	—
Sundry income	1,629	217
	9,082	309
Other net gain:		
Gain on disposal of property, plant and equipment	2	—
	9,084	309

11. LOSS FROM OPERATING ACTIVITIES

Loss from operating activities is arrived at after charging:

	2015	2014
	HK$'000	*HK$'000*
Staff costs (excluding directors' remuneration):		
Wages, salaries and other benefits	18,207	17,779
Retirement benefits scheme contributions	523	2,163
	18,730	19,942
Auditor's remuneration	2,080	1,748
Cost of inventories sold	258,469	2,069,595
Inventories write-down (included in cost of sales)	25,384	—
Depreciation of property, plant and equipment	4,540	8,719
Minimum lease payments under operating leases leasehold land and buildings	11,037	6,951

12. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest expenses on:		
— bank loans wholly repayable within 5 years	4,270	3,117

13. INCOME TAX CREDIT

	2015	2014
	HK$'000	*HK$'000*
The income tax credit comprises:		
Current year		
— Hong Kong Profits Tax	3,057	1,679
— Overseas taxation	(6)	121
— PRC Enterprise Income Tax	2,771	10,314
	5,822	12,114
(Over) under-provision in previous years:		
— Hong Kong Profits Tax	(47)	—
— Overseas taxation	—	(73,117)
— PRC Enterprise Income Tax	18	69
Deferred taxation	(19,750)	(23,419)
Income tax credit for the year	(13,957)	(84,353)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the two years ended 30 September 2015 and 2014.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group's subsidiaries in the PRC is 25% from 1 January 2008 onwards.

The income tax credit for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015	2014
	HK$'000	*HK$'000*
Loss before taxation	(219,578)	(1,150,447)
Tax at the domestic income tax rate of 16.5%	(36,230)	(189,824)
Effect of different rates of subsidiaries operating in other jurisdictions	(10,421)	(12,733)
Tax effect of expenses not deductible for tax purpose	41,846	198,274
Unrecognised temporary difference	17	—
Tax effect of income not subject to tax purpose	(9,080)	(7,022)
One-off tax deduction	(60)	—
Over-provision in previous years	(29)	(73,048)
Income tax credit for the year	(13,957)	(84,353)

14. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK$199,626,000 (2014: HK$1,052,066,000) divided by the weighted average number of ordinary shares of 1,692,290,710 (2014: 757,613,229) in issue during the year.

The weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share in 2014 has been adjusted for the share consolidation and open offer as completed and disclosed in the announcement of the Company dated 23 April 2015.

The computation of diluted loss per share for the years ended 30 September 2015 and 2014 is the same as the basic loss per share because the Company had no dilutive potential shares.

15. STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION)

	2015	2014
	HK$'000	*HK$'000*
Salaries and other benefits	20,389	18,299
Retirement benefit scheme contributions	550	2,163
	20,939	20,462

Hong Kong

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employee's relevant income, subject to a cap of monthly relevant income of HK$30,000 (2014: HK$30,000). Apart from the mandatory contributions, the employer would make monthly voluntary contributions. The aggregate of the mandatory and voluntary contributions made by the employer represents 5% of the basic salary of the employees. Mandatory contributions to the plan vest immediately. Where there are employees who leave the Group prior to vesting fully in the voluntary contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. During the year ended 30 September 2015, a total contribution of approximately HK$397,000 (2014: HK$135,000) was made by the Group in respect of this scheme.

PRC

The employees employed in PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the China government. The PRC subsidiaries are required to contribute to the retirement benefits schemes based on a certain percentage of their payroll to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the required contributions under the schemes. During the year ended 30 September 2015, a total contribution of approximately HK$153,000 (2014: HK$2,028,000) was made by the Group in respect of this scheme.

The Group has no other material obligation for payment of retirement benefits beyond the annual contributions as described above.

16. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss for the year attributable to owners of the Company dealt with in the financial statements of the Company was approximately HK$1,256,376,000 (2014: HK$16,695,000).

17. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND SENIOR MANAGEMENT'S REMUNERATION

The emoluments paid or payable to each of the 9 (2014: 5) directors were as follows:

	2015			
	Fee	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Mr. Zhang Jinbing *(Chairman)* (appointed on 9 January 2015 and redesignated on 12 June 2015)	—	1,782	27	1,809
Mr. Wong Chi Ming, Jeffry *(Chief Executive Officer)* (redesignated on 12 June 2015)	—	—	—	—
Mr. Yu Fei, Philip	100	—	—	100
Independent non-executive directors				
Dr. Li Yifei (appointed on 7 May 2015)	—	—	—	—
Mr. Tam Ping Kuen, Daniel	100	—	—	100
Mr. Jiang Chao (resigned on 5 February 2015)	36	—	—	36
Ms. Chu Wai Fan (resigned on 15 October 2015)	100	—	—	100
Dr. Zhu Zhengfu (appointed on 7 May 2015)	—	—	—	—
Dr. Willinge Garry Alides (appointed on 9 January 2015 and resigned on 31 August 2015)	64	—	—	64
	400	1,782	27	2,209

	2014			
	Fee	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Mr. Wong Chi Ming, Jeffry *(Chairman)*	—	120	—	120
Mr. Yu Fei, Philip	100	—	—	100
Independent non-executive directors				
Mr. Tam Ping Kuen, Daniel	100	—	—	100
Mr. Jiang Chao	100	—	—	100
Ms. Chu Wai Fan	100	—	—	100
	400	120	—	520

Mr. Wong Chi Ming, Jeffry is also the chief executive officer of the Company in 2015 and his emoluments disclosed above include those rendered by him as chief executive officer.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2014: Nil).

During the year, no emoluments were paid by the Group to the directors or any of the 5 highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office (2014: Nil).

Of the five individuals with the highest emoluments in the Group, one (2014: none) was director of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining four (2014: five) individuals are as follows:

	2015	2014
	HK$'000	*HK$'000*
Salaries, allowance and benefit in kind	4,010	2,089
Retirement benefits scheme contributions	72	77
	4,082	2,166

Their emoluments were within the following band:

	Number of employees	
	2015	2014
Nil to HK$1,000,000	2	5
HK$1,000,001 to HK$1,500,000	2	—
	4	5

18. INTANGIBLE ASSETS

	Mining rights	Distribution rights	Trademarks	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note i)	*(Note ii)*	*(Note iii)*	
Cost				
At 1 October 2013	352,620	55,150	48,466	456,236
Exchange realignment	(1,447)	(226)	(2,859)	(4,532)
At 30 September 2014	351,173	54,924	45,607	451,704
Exchange realignment	(11,326)	(1,771)	(5,310)	(18,407)
Additions through acquisition of subsidiaries *(Note 36)*	—	72,787	—	72,787
At 30 September 2015	339,847	125,940	40,297	506,084

	Mining rights HK$'000	Distribution rights HK$'000	Trademarks HK$'000	Total HK$'000
Accumulated amortisation and impairment losses				
At 1 October 2013	233,802	29,137	—	262,939
Exchange realignment	(913)	(92)	(2,683)	(3,688)
Provided for the year	—	12,415	—	12,415
Impairment loss recognised	27,359	—	41,561	68,920
At 30 September 2014	260,248	41,460	38,878	340,586
Exchange realignment	(8,428)	(1,555)	(4,562)	(14,545)
Provided for the year	—	26,803	—	26,803
Impairment loss recognised	1,150	30,238	5,981	37,369
At 30 September 2015	252,970	96,946	40,297	390,213
Carrying amount				
At 30 September 2015	86,877	28,994	—	115,871
At 30 September 2014	90,925	13,464	6,729	111,118

Notes:

i. The Group obtained the mining rights granted by 赤峰市國土資源局 for the exploration of gold mine in certain area in Inner Mongolia in the PRC as part of a business combination in prior years. No amortisation was provided for the years ended 30 September 2015 and 2014 as the gold mines are still in a development stage and no mining activities are conducted.

At 30 September 2015, the management has engaged an independent professional valuer, Grant Sherman Appraisal Limited ("Grant Sherman"), to carry out valuations on the mining rights for the purposes of an impairment review on the mining rights. As the future income stream was still uncertain, Grant Sherman adopted the market based approach, and the recoverable amount was determined based on the fair value less cost to sell. Fair value less cost to sell was determined in a similar manner as in 2014. Based on the valuation report, an impairment loss of approximately HK$1,150,000 (2014: HK$27,359,000) was recognised for the year ended 30 September 2015.

ii. The distribution rights consist of:

(a) The distribution rights were related to an exclusive distributor to use the Gucci Marks in connection with the marketing, distribution, advertising, promoting and sale of the products in Hong Kong, Macau and the PRC in accordance with the distribution agreement signed between Luxury Timepieces (HK) Limited and Shenzhen Qijingda. The distribution agreement was for a five year period commencing from 1 January 2011. Amortisation is provided by using the straight line method over its remaining useful life. Based on valuation report prepared by Grant Sherman, no impairment loss was recognised for the year ended 30 September 2015 (2014: Nil).

(b) The distribution rights were acquired as part of a business combination in this year relating to an exclusive right of the products of "GIRARD-PERREGAUX" and "JEANRICHARD" (collectively, the "Brands") in Hong Kong, Macau, the PRC and Taiwan in accordance with the distribution agreement signed between Sowind SA and Swiss Mechanical Times (Hong Kong) Limited. The distribution agreement was for a two year period commencing from 31 December 2014 assuming it would be renewable for further two years.

Amortisation is provided by using straight line method over its remaining life. The management engaged Grant Sherman to carry out valuation on the distribution right for impairment review purpose. Grant Sherman adopted Multiperiod Excess Earnings Method ("MPEEM") of an income based approach using expected cash flow projection based on financial budgets, approved by management covering the period of 3.3 years up to the expiry of the distribution agreement. Based on the valuation report prepared by Grant Sherman, an impairment loss of approximately HK$30,238,000 was recognised during the year ended 30 September 2015.

The major factors leading to a significant impairment loss being recognised for the year is mainly attributed to a significant decrease in the future income streams resulting from:

- sudden and wild Swiss Franc appreciation that happened on 15 January 2015 and this sudden appreciation led to substantial corresponding depreciation of the Euro and Yen. As a result, Europe and Japan prices of the Brands are at least 20% cheaper than those in the PRC, Hong Kong and Taiwan. The dealers in the said regions therefore refused to purchase to the new products from the Group. The distribution business is stalled.

Details of the reasons and events leading to the impairment were disclosed in the Company's announcement dated 13 August 2015.

Key assumptions used in the calculation of value of the distribution rights were discount rate, growth rate and budgeted revenue. The discount rate used 34.3% was a pre-tax measure based on the risk-free rate obtained from the yield on 10-year bonds issued by the government in the relevant market, adjusted for a risk premium to reflect specific risks relating to the cash-generating units. Budgeted revenue has been based on past experience and future expectations in the light of anticipated economic and market conditions.

iii. The trademarks were acquired as part of a business combination in prior years and are registered in Europe for selling various types of consumer goods, mainly luxury products under the trademark "Omas". As the remaining useful life of the trademark ranged from six to eight years, and are entitled for renewal after expiry, the trademarks is considered by the management as having an infinitive useful life. The trademarks will not be amortised until its useful life is determined to be finite.

As stated in Note 44, the Group's subsidiary owned the trademarks in Italy went to liquidation after the reporting period, and the carrying amount of trademark of approximately HK$5,981,000 at 30 September 2015 was accordingly fully impaired for the year ended 30 September 2015.

For the year ended 30 September 2014, based on the valuation report prepared by Grant Sherman, an impairment loss of approximately HK$41,561,000 was recognised for that year.

19. EXPLORATION AND EVALUATION ASSETS

Cost

	HK$'000
At 1 October 2013	106,024
Exchange realignment	(57)
Disposal of a subsidiary *(Note 37(b)(iii))*	(105,967)
At 30 September 2014 and 2015	—

Accumulated impairment losses

At 1 October 2013	103,978
Eliminated on disposal of a subsidiary *(Note 37(b)(iii))*	(103,978)
At 30 September 2014 and 2015	—

Carrying amount:	
At 30 September 2015	—
At 30 September 2014	—

On 19 September 2014, the Group entered into a conditional sale and purchase agreement to dispose of its entire equity interest in the subsidiary which held the exploration and evaluation assets. Details of disposal of subsidiary are set of in Note 37(b)(iii).

20. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *HK$'000* *(note i)*	Leasehold improvement *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost						
At 1 October 2013	43,115	11,361	1,853	5,259	9,714	71,302
Exchange realignment	(2,457)	(32)	(152)	(179)	(50)	(2,870)
Additions	—	4,172	2,663	563	—	7,398
Disposal of subsidiaries *(Note 37(b))*	(1,389)	(1,666)	—	(1,875)	(4,140)	(9,070)
Written off *(note ii)*	—	(5,915)	—	—	—	(5,915)
At 30 September 2014	39,269	7,920	4,364	3,768	5,524	60,845
Exchange realignment	(4,627)	(247)	(407)	(323)	—	(5,604)
Additions	—	943	628	341	—	1,912
Additions through acquisition of subsidiaries *(Note 36)*	—	1,454	—	422	—	1,876
Disposals	—	(160)	(158)	(21)	—	(339)
Written off *(note ii)*	—	—	(78)	(2)	—	(80)
At 30 September 2015	34,642	9,910	4,349	4,185	5,524	58,610

	Leasehold land and buildings *HK$'000*	Leasehold improvement *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Accumulated depreciation and impairment losses						
At 1 October 2013	967	4,553	1,172	2,196	3,399	12,287
Exchange realignment	(87)	(9)	(59)	(57)	(50)	(262)
Provided for the year	610	5,200	974	535	1,400	8,719
Eliminated on disposal of subsidiaries	(137)	(1,189)	—	(1,135)	(2,464)	(4,925)
Eliminated on written off	—	(2,458)	—	—	—	(2,458)
At 30 September 2014	1,353	6,097	2,087	1,539	2,285	13,361
Exchange realignment	(572)	(221)	(208)	(175)	—	(1,176)
Provided for the year	1,252	1,795	775	236	482	4,540
Disposals	—	—	(32)	(2)	—	(34)
Impairment loss recognised *(note iii)*	21,803	—	1,727	1,717	—	25,247
At 30 September 2015	23,836	7,671	4,349	3,315	2,767	41,938
Carrying amount						
At 30 September 2015	10,806	2,239	—	870	2,757	16,672
At 30 September 2014	37,916	1,823	2,277	2,229	3,239	47,484

Note:

(i) The leasehold land and buildings with a carrying amount of approximately HK$10,806,000 (2014: HK$37,916,000) is situated outside of Hong Kong and held under a long lease (2014: long lease).

(ii) During the year ended 30 September 2015, the net carrying values of the Group's property, plant and equipment amounting to approximately HK$80,000 (2014: HK$3,457,000) were written off due to obsolescence.

(iii) As stated in Note 44, the Group's subsidiary in Italy went to liquidation after the reporting period, and an impairment loss of approximately HK$25,247,000 (2014: Nil) was recognised for the year ended 30 September 2015.

21. GOODWILL

	HK$'000
Cost	
At 1 October 2013	675,520
Derecognised on disposal of a subsidiary	(11,569)
At 30 September 2014	663,951
Acquisition of subsidiaries *(Note 36)*	79,317
At 30 September 2015	743,268
Accumulated impairment losses	
At 1 October 2013	592,022
Recognised for the year	53,943
Derecognised on disposal of a subsidiary	(11,569)
At 30 September 2014	634,396
Recognised for the year	79,317
At 30 September 2015	713,713
Carrying amount	
At 30 September 2015	29,555
At 30 September 2014	29,555

Impairment test:

Goodwill set out above has been allocated to the individual cash generating units ("CGU") as at 30 September 2015. The carrying amounts of goodwill (net of accumulated impairment losses) at the end of the reporting period allocated to these are as follows:

	2015 *HK$'000*	**2014** *HK$'000*
Export	—	—
Domestic — Sinoforce Group	—	—
Domestic — Other	29,555	29,555
Mining	—	—
	29,555	29,555

Export

The recoverable amount of the export CGU is the higher of the fair value less cost to sell or value-in-use. At 30 September 2014, the recoverable amount of this CGU was determined based on the fair value less costs to sell and based on the valuation report produced by Grant Sherman, the carrying amount of goodwill of approximately HK$19,882,000 at 30 September 2014, was fully impaired for that year.

Domestic — Sinoforce Group

The goodwill associated with Sinoforce Group arose when that business was acquired by the Group on 18 December 2014 (see Note 36).

The recoverable amount of the domestic CGU was based on its value-in-use calculation using cash flow projections based on financial budgets approved by management covering the period of 5 years.

Based on the revaluation report prepared by Grant Sherman on 20 May 2015, the carrying amount of the goodwill of approximately HK$79,317,000 at 31 March 2015 was fully impaired during the interim period ended 31 March 2015 and the year ended 30 September 2015.

The major factors leading to a significant impairment loss being recognised for the year is mainly attributed to a significant decrease in the future income streams of the CGU resulting from:

- Sudden and wild Swiss Franc appreciation that happened on 15 January 2015 and this sudden appreciation led to substantial corresponding depreciation of the Euro and Yen. As a result, Europe and Japan prices of the Brands are at least 20% cheaper than those in the PRC, Hong Kong and Taiwan. The dealers in the said regions therefore refused to purchase to the new products from the Group. The distribution business is stalled.

Details of the reasons and events leading to the impairment were disclosed in the Company's announcement dated 13 August 2015.

Key assumptions used in the calculation of value-in-use were discount rate, growth rate and budgeted revenue. The discount rate used 17.1% was a pre-tax measure based on the risk-free rate obtained from the yield on 10-year bonds issued by the government in the relevant market, adjusted for a risk premium to reflect specific risks relating to the CGUs. A growth rate ranging from 0% to 10% was used. Cash flow, beyond the five-year were projected by using a steady growth rate of 3%. Budgeted revenue has been based on past experience and future expectations in the light of anticipated economic and market conditions.

Domestic — Other

The goodwill associated with Joy Charm Holdings Limited arose when that business was acquired by the Group on 8 June 2011.

The recoverable amount of the domestic CGU was based on its value-in-use calculation using cash flow projections based on financial budgets approved by management covering the period of 5 years. Value in use in 2015 was determined in a similar manner as in 2014.

Key assumptions used in the calculation of value-in-use were discount rate, growth rate and budgeted revenue. The discount rate used 26.1% (2014: 28.5%) was a pre-tax measure based on the risk-free rate obtained from the yield on 10-year bonds issued by the government in the relevant market, adjusted for a risk premium to reflect specific risks relating to the CGUs. A growth rate ranging from 3% to 5% (2014: 5% to 10%) was used. Cash flow, beyond the five-year were projected by using a steady growth rate of 3% (2014: 3%). Budgeted revenue has been based on past experience and future expectations in the light of anticipated economic and market conditions. Based on the valuation report prepared by Grant Sherman, no impairment loss was recognised for the year (2014: HK$34,061,000).

Mining

Goodwill allocated to this CGU was contributed by Chi Zhou Donghai Mining Development Company Limited (池州東海礦業發展有限公司) ("Chi Zhou") and Chi Feng Guo Jin Mining Company Limited (赤峰國金礦業有限公司) ("Chi Feng") that owns the exploration rights and mining rights in certain area in the PRC September 2014. As Chi Zhou was disposed during the year ended 30 September 2014, the goodwill allocated was therefore derecognised for that year.

The carrying amount of all CGU was determined to be lower than its recoverable amount. Based on the valuation report prepared by Grant Sherman, the carrying amount of goodwill allocated was fully impaired during the year ended 30 September 2013.

22. CONTINGENT CONSIDERATION RECEIVABLE

At fair value	*Notes*	*HK$'000*
At 1 October 2013		113,507
Change in fair value		4,739
At 30 September 2014	(i)	118,246
Compensation from profit guarantee	(i)	(120,000)
Gain on contingent consideration receivable	(i)	1,754
Acquisition of subsidiary	(ii)	10,494
Change in fair value		53,277
At 30 September 2015		63,771

Notes:

(i) The fair value of contingent consideration receivable is related to the acquisition of Omas Int'l and its former owner's profit guarantee for Omas Int'l's total net profits of HK$120,000,000 for the financial years ended 31 December 2012, 2013 and 2014. As the vendor of Omas Int'l had not met the profit guarantee, a compensation of HK$120,000,000 was obtained and a gain of approximately HK$1,754,000 (see Note 10) was therefore recognised from the difference arising upon settlement. During the year, HK$60,000,000 was received and the outstanding balance of HK$60,000,000 was included in other receivables at 30 September 2015 (see Note 24).

The receivable is unsecured and repayable within 12 months of the end of the profit guarantee period.

(ii) The fair value of the contingent consideration receivable is related to profit guarantee of HK$69,000,000 by the vendor of Sinoforce Group and Zhang Jinbing for three financial years ending 31 December 2015, 2016 and 2017 (see Note 36).

The fair value of the contingent consideration receivable at 30 September 2015 and 2014 are based on the valuations performed by Grant Sherman, using a Monte Carlo simulation and probability model respectively.

As the profit guarantee relating to the acquisition of Sinoforce Group, covers period of more than one year, hence there are more interactions to be assessed for the results. Monte Carlo simulation is therefore adopted as the simulation produces distribution of possible outcome values. By assuming probability distributions, variables can have different probabilities of different outcomes occurring. Probability distributions are a much more realistic way of describing uncertainty in variables of the result.

The variable and assumptions used in computing the fair value of the contingent consideration receivable are based on the management's best estimate. The value of the contingent consideration receivable varies with different variables of certain subjective assumptions.

Inputs into Monte Carlo simulation	**2015**
Profit guarantee amount	HK$69,000,000
Standardised SD of profit	49.7%
Number of iterations	1,000,000
Discount rate	0.53%
Time to settlement date	2.67

Inputs into probability model	**2014**
Profit guarantee amount	HK$120,000,000
Scenario	**Probability**
Optimistic	20%
Base	60%
Pessimistic	20%
Settlement date	7 January 2015
Discount rate	5.58%
Discount factor	0.985384

23. INVENTORIES

	2015	**2014**
	HK$'000	*HK$'000*
Finished goods	278,508	134,029

The cost of inventories recognised as an expense includes approximately HK$25,384,000 (2014: Nil) in respect of write-downs of inventory to net realisable value. The business strategy was changed and some inventories sold at less than net realisable value which included in cost of sales for the year to state.

24. TRADE AND OTHER RECEIVABLES

	2015	**2014**
	HK$'000	*HK$'000*
Trade receivables	118,610	630,009
Less: Impairment loss recognised	(69,668)	(37,441)
	48,942	592,568
Deposits	6,284	623
Prepayment and other receivables	48,063	34,419
Interest receivables	3,870	—
Amount due from a related party *(Note)*	60,000	—
	118,217	35,042
Less: Impairment loss recognised	(34,106)	(1,659)
	84,111	33,383
	133,053	625,951

Note: The amount represents the profit guarantee compensation due from Hengdeli International Company Limited and is interest free, unsecured and repayable on demand.

Certain trade receivables with carrying amount of HK$15,286,000 (2014: Nil) as at 30 September 2015 are pledged against short-term bank borrowings (see Note 31) granted to the Group.

The Group normally allows credit terms to established customers ranging from 30 to 120 days. In addition, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

An aging analysis of the trade receivables at the end of the reporting period, based on the date of recognition of the sale, is as follows:

	2015	**2014**
	HK$'000	*HK$'000*
1–30 days	39,791	574,340
31–60 days	4,248	6,300
61–90 days	1,687	3,410
Over 90 days	3,216	8,518
	48,942	592,568

At 30 September 2015 and 2014, the analysis of trade receivables that were neither past due nor impaired are as follows:

			Past due but not impaired			
	Total	**Neither past due nor impaired**	**1–30 days**	**31–60 days**	**61–90 days**	**Over 90 days**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 September 2015	48,942	39,791	4,248	1,687	3,185	31
At 30 September 2014	592,568	574,340	6,300	3,410	3,003	5,515

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Movements in impairment losses recognised in respect of trade receivables are as follows:

	2015	**2014**
	HK$'000	*HK$'000*
At the beginning of the year	37,441	—
Exchange realignment	(28)	—
Recognised for the year	32,255	37,441
At the end of the year	69,668	37,441

Movements in impairment losses recognised in respect of other receivables are as follows:

	2015	2014
	HK$'000	*HK$'000*
At the beginning of the year	1,659	—
Exchange realignment	(13)	—
Recognised for the year	32,460	1,659
At the end of the year	34,106	1,659

25. LOAN RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Loan receivables from money lending business	203,000	—

The Group seeks to maintain strict control over its outstanding loan receivables so as to minimise credit risk. The granting of loans is subject to approval by the management, whilst overdue balances are reviewed regularly for recoverability.

The customers are obliged to settle the amounts according to the terms set out in relevant contracts. Interest rates are offered based on the assessment of a number of factors including the borrowers' creditworthiness and repayment ability, collaterals as well as the general economic trends. The loan receivables charged interests at contract rates ranging approximately 12%–21.6% per annum and was entered with contractual maturity within 6–12 months.

A maturity profile of the loan receivables as at the end of the reporting period, based on the maturity date, is as follows:

	2015	2014
	HK$'000	*HK$'000*
Within 12 months	203,000	—

The loan receivables were neither past due nor impaired at the end of the reporting period. The directors of the Company are of the opinion that no provision for impairment is necessary in respect of this loan receivable as there has not been a significant change in credit quality and the balance is still considered fully recoverable.

26. HELD-FOR-TRADING INVESTMENTS

	2015	2014
At fair value	*HK$'000*	*HK$'000*
Listed securities:		
— Equity securities listed in Hong Kong	66,869	—

27. AMOUNT DUE FROM A SHAREHOLDER OF A SUBSIDIARY

The amount due from a shareholder of a subsidiary is unsecured, interest free and repayable on demand.

28. BANK BALANCES AND CASH

For the two years ended 30 September 2015 and 2014, bank balances represented short-term deposits with a maturity of three months or less. The interest rates ranged from 0.01% to 6% per annum (2014: 0.01% to 6% per annum).

At 30 September 2015, the Group's bank balances and cash denominated in RMB amounted to approximately RMB564,194,000, equivalent to approximately HK$688,993,000 (2014: RMB145,824,000, equivalent to approximately HK$184,015,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

29. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 120 days from its suppliers.

An aging analysis of the trade payables at the end of the reporting period, based on the date of receipt of goods purchased, is as follows:

	2015	**2014**
	HK$'000	*HK$'000*
1–30 days	31,975	26,188
31–60 days	—	23
61–90 days	2	51
Over 90 days	—	449
	31,977	26,711

30. OTHER PAYABLES AND ACCRUALS

	2015	**2014**
	HK$'000	*HK$'000*
Accruals	20,515	4,347
Amount due to a related company *(Note)*	3,043	2,655
Other payables	2,239	11,087
Provision	1,331	—
	27,128	18,089

Note: The amount due to Hengdeli International Company Limited is interest free, unsecured and repayable on demand.

31. BORROWINGS

	2015	2014
	HK$'000	*HK$'000*
Secured bank loans	61,060	—
Unsecured bank loans	—	63,095
	61,060	63,095

At 30 September 2015 and 2014, total current bank loans were repayable as follows:

	2015	2014
	HK$'000	*HK$'000*
Carrying amounts repayable:		
On demand or within one year	61,060	63,095

The bank loans were secured by the Group's assets at their carrying amounts as follows:

	2015	2014
	HK$'000	*HK$'000*
Trade receivables *(see Note 24)*	15,286	—

Bank loans bear interest at variable rates by reference to the People's Bank of China's lending rate, ranging from 5% to 7% per annum (2014: 7% to 8% per annum).

32. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

	Intangible assets	Leasehold buildings	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 October 2013	51,252	10,660	61,912
Exchange realignment	(223)	(373)	(596)
Credit to profit and loss	(22,994)	(425)	(23,419)
At 30 September 2014	28,035	9,862	37,897
Fair value adjustments arising from acquisition of subsidiaries *(Note 36)*	12,010	—	12,010
Exchange realignment	(990)	(708)	(1,698)
Credit to profit and loss	(12,639)	(7,111)	(19,750)
At 30 September 2015	26,416	2,043	28,459

Under the EIT Law of PRC, withholding tax is imposed on dividends in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards (the "Post-2008 Earnings"). Deferred taxation has not been provided for in the consolidation financial statements in respect of temporary difference attributable to the "Post-2008 Earnings" as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

33. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares		
Authorised:		
At 1 October 2013 and 30 September 2014 (HK$0.01 each)	10,000,000	100,000
Share consolidation *(Note iii)*	(9,000,000)	—
	1,000,000	100,000
Increased *(Note iii)*	9,000,000	900,000
At 30 September 2015 (HK$0.1 each)	10,000,000	1,000,000
Issued and fully paid:		
At 1 October 2013	4,366,027	43,660
Issue of shares upon open offer *(Note i)*	2,183,014	21,830
As 30 September 2014	6,549,041	65,490
Issues of shares by acquisition of subsidiaries *(Note ii)*	1,623,529	16,235
Share consolidation *(Note iii)*	(7,355,313)	—
Issue of shares upon open offer *(Note iv)*	1,634,514	163,452
At 30 September 2015	2,451,771	245,177

Notes:

(i) On 10 April 2014, the Company completed the open offer on the basis one offer share for every two shares held on the record date and 2,183,013,646 shares were issued. The net proceeds from the open offer was approximately HK$172,100,000 and would be used as general working capital for the Group.

(ii) On 18 December 2014, the Company issued of 1,623,529,411 consideration shares at a quoted market price of HK$0.087 for acquisition of 100% of the issued share capital of Sinoforce Group Limited (see Note 36).

(iii) There was capital reorganisation of the Company effected on 17 March 2015 which comprised (1) Share consolidation — it was implemented to consolidate every ten issued and unissued shares of par value of HK$0.01 each into one share ("Consolidated Share") of par value of HK$0.1 each; (2) increase in authorised capital from HK$100,000,000 dividend into 1,000,000,000 Consolidated Shares of par value of HK$0.1 each to HK$1,000,000,000 divided into 10,000,000,000 Consolidated Shares of par value of HK$0.1 each.

(iv) On 23 April 2015, the Company completed the open offer on the basis two offer shares for every one consolidated share held on the record date and 1,634,514,070 shares were issued. The net proceeds from the open offer was approximately HK$487,100,000 and would be used as general working capital for the Group.

(v) All shares issued during the year rank pari passu with the existing shares in all respects.

34. RESERVES

	Share premium HK$'000 (Note i)	Exchange reserve HK$'000 (Note ii)	Statutory reserve HK$'000 (Note iii)	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 October 2013	1,910,709	76,073	792	11	(44,482)	1,943,103
Total comprehensive expenses for the year	—	(12,631)	—	—	(1,052,066)	(1,064,697)
Issue of shares upon open offer	150,268	—	—	—	—	150,268
At 30 September 2014	2,060,977	63,442	792	11	(1,096,548)	1,028,674
Total comprehensive expenses for the year	—	(31,549)	—	—	(199,626)	(231,175)
Issue of shares upon acquisition of subsidiaries	124,547	—	—	—	—	124,547
Issue of shares upon open offer	323,624	—	—	—	—	323,624
At 30 September 2015	2,509,148	31,893	792	11	(1,296,174)	1,245,670

Notes:

(i) The share premium account of the Group includes: (i) the difference between the combined net asset value of the subsidiaries acquired pursuant to the group reorganisation on 12 August 2002 over the nominal value of the share capital of the Company issued in exchange therefor; (ii) the premium arising from the new issue; (iii) the premium arising from the capitalisation issue; and (iv) the premium arising from issue of shares upon exercise of share options scheme.

(ii) Exchange reserve is arising from the translation of foreign currencies in overseas subsidiaries from its functional currency to the Group's presentation currency.

(iii) The statutory reserve of the Group refers to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of profit after tax of the statutory financial statements of the PRC subsidiaries and the amount should not be less than 10% of the profit after tax unless the aggregate amount exceeded 50% of registered capital of the PRC subsidiaries. The statutory reserve fund can be used to make up prior years' losses of the PRC subsidiaries.

35. SHARE OPTIONS

The Company operates a share option scheme ("Scheme") for the purpose of providing incentives and rewards to eligible participants (including, inter alia, employees, directors, advisors and consultants) who contribute to the success of the Group's operations. The Scheme became effective on 3 September 2002 ("Old Scheme") for a ten year period and was adopted on 12 August 2002. The Old Scheme expired on 11 August 2012 and a new share option scheme was adopted by the shareholders on 1 March 2013 ("New Scheme") and unless otherwise cancelled or amended, will remain in force for 10 years from the date of adoption.

Details of the New Scheme are:

(a) The maximum number of shares issuable upon exercise of the options which may be granted under the New Scheme and any other share option scheme of the Group to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting;

(b) The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the share options or other expiry date(s) stipulated in the New Scheme, whichever is the earlier;

(c) The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 by the grantee; and

(d) The exercise price of the share options is determinable by the directors but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of the offer of the grant; or (iii) the nominal value of the Company's shares.

Since adoption of the New Scheme, no share options have been offered and/or granted to the eligible persons of the Group under the New Scheme and there was no share option outstanding at 30 September 2015 and 2014.

The total number of shares available for issue under the Scheme is 43,660,272 shares, representing 1.78% of the issued shares of the Company as at the date of this annual report.

36. ACQUISITION OF SUBSIDIARIES

Business Combination

Acquisition of Sinoforce Group Limited ("Sinoforce Group") and its subsidiary

On 6 October 2014, the Group entered into the sale and purchase agreement to acquire the entire interest in Sinoforce Group, which directly hold 100% of Swiss Mechanical Times (Hong Kong) Limited, and indirectly hold the exclusive distribution right of the products of "GRAND-PERREGAUX" and "JEANRICHARD" in the territories of the mainland China, Macau, Hong Kong and Taiwan. The consideration for the acquisition is HK$138 million and was satisfied by the Company to allot and issue to the vendor 1,623,529,411 new shares, credited as fully paid, at the issue price of HK$0.085 per share upon completion of the acquisition. The fair value of the shares to be issued was determined using the published closing price of HK$0.087 at the date of completion, amounting to approximately HK$141 million. The completion date of the acquisition was on 18 December 2014, which is also the acquisition date ("Acquisition Date") for accounting purpose. Sinoforce Group is an investment holding company incorporated in the British Virgin Islands.

	Acquirees' fair value at acquisition date
	HK$'000
Assets acquired and liabilities recognised at the date of acquisition were as follows:	
Plant and equipment	1,876
Distribution rights *(Note 18)*	72,787
Inventories	115,563
Trade receivables	1,960
Prepayment, deposit and other receivables	3,597
Bank balances and cash	3,393
Trade payables	(51,466)
Other payables and accruals	(84,729)
Deferred tax liabilities	(12,010)
Net assets	50,971
Goodwill arising on acquisition *(Note 21)*	79,317
Total consideration	130,288
Total purchase consideration satisfied by:	
Issuance of new shares	140,782
Contingent consideration receivables *(Note)*	(10,494)
	130,288
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	3,393

Note: An arrangement requires the former owner of Sinoforce Group to guarantee the Group that the total net profits of Sinoforce Group after tax for the financial years ended 31 December 2015, 2016 and 2017 shall not be less than HK$69 million. If the total net profits fail to meet in the sum of HK$69,000,000 by 31 December 2017, the former owner shall have the option either: (i) to compensate the Group on the shortfall to the total net profits in cash based on the formula (amount of compensation = (HK$69,000,000 – actual net profits) x 2), or (ii) to have the actual number of the consideration shares to be released to the former owner or its nominee(s) by the escrow agent on the payment date downward adjusted in accordance with the formula (adjusted number of consideration shares = actual net profits/HK$69,000,000 x 1,623,529,411 shares). Fair value of contingent consideration receivable of HK$10,494,000 at date of acquisition is based on valuation results of Grant Sherman, by using the method of Monte Carlo simulation.

Goodwill arising on the acquisition of Sinoforce Group in the current year is determined on the fair value of the net identifiable assets acquired. The management of the Company has engaged an independent professional valuer, Grant Sherman Appraisals Limited, to carry out a valuation on the fair value of the net identifiable assets acquired and contingent consideration receivable as at date of acquisition.

Net cash in on acquisition of subsidiary

	Acquirees' fair value at acquisition date
	HK$'000
Consideration paid in cash	—
Less: cash and cash equivalent balance acquired	(3,393)
	(3,393)

Impact if acquisitions on the results of the Group

Included in the loss for the year is HK$29,126,000 attributable to the additional business generated by Sinoforce Group. Revenue for the year includes HK$73,130,000 in respect of Sinoforce Group.

Had these business combinations been effected at 1 October 2014, the revenue of the Group from continuing operations would have been HK$97,893,000, and the loss for the year from continuing operations would have been HK$28,198,000. The director of the Group consider these 'pro-forma' numbers to represent and approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

In determining the 'pro-forma' revenue and loss of the Group had Sinoforce Group been acquired at the beginning of the current year, the directors have:

- Calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

- Based borrowing costs on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

37. DEREGISTRATION/DISPOSAL OF SUBSIDIARIES

(a) Deregistration

For the year ended 30 September 2015

(i) During the year ended 30 September 2015, the Group deregistered Brilliant (Macao Commercial Offshore) Company Limited, a wholly-owned subsidiary in Macau which was inactive for years.

	HK$'000
Deposit, prepayments and other receivables	146
Loss on deregistration	146

The subsidiary deregistered during the year ended 30 September 2015 had no significant impact on the turnover and results of the Group.

(b) Disposal

For the year ended 30 September 2014

(i) On 26 June 2014, Shenzhen Qijingda Trading Company Limited (深圳市琪晶達貿易有限公司), entered into a conditional sale and purchase agreement to dispose of its entire equity interest in its subsidiary, Liaoning Shi Quan Shi Mei Investment Management Company Limited ("Shi Quan Shi Mei") (遼寧時全飾美投資管理有限公司 ("時全飾美")) to an independent third party at a consideration of RMB20,000,000 (equivalent to HK$24,820,000). The principal activity of Shi Quan Shi Mei is retail of watches. The disposal was completed on 30 June 2014. The net assets of the subsidiary were as follows:

	HK$'000
Net assets disposed of	
Property, plant and equipment	4,145
Inventories	44,661
Trade receivables	22,115
Prepayments, deposits and other receivables	2,314
Bank balances and cash	5,041
Trade payables	(13,625)
Other payables and accruals	(7,966)
Other loan	(3,988)
	52,697
Non-controlling interest	(5,214)
Release of exchange reserves	(1,408)
Loss on disposal of subsidiary	(21,255)
Total consideration satisfied by:	
Cash consideration received	24,820
Net cash inflow arising on disposal:	
Cash consideration received	19,779

(ii) On 22 August 2014, the Group entered into a conditional sale and purchase agreement to dispose of its entire equity interest in its subsidiaries, Bolton Limited and Foshan Shunde Jeda Jewellery Co. Ltd. (佛山市順德區即達珠寶金行有限公司) (the "Disposal Group I") to an independent third party at a consideration of HK$100,000. The principal activity of the Disposal Group I is processing of jewellery products. The disposal was completed on 22 August 2014. The net assets of the Disposal Group I were as follows:

	HK$'000
Net assets disposed of	
Bank balances and cash	1
	1
Release of exchange reserves	(1,727)
Gain on disposal of subsidiary	1,826
Total consideration satisfied by:	
Cash consideration received	100
Net cash inflow arising on disposal:	
Cash consideration received	99

(iii) On 19 September 2014, the Group entered into a conditional sale and purchase agreement to dispose of its entire equity interest in its subsidiaries, Trismart Group Limited, Super Charm Holdings Limited, East Ocean Worldwide Limited and Chi Zhou Donghai Mining Development Company Limited (池州東海礦業發展有限公司) (the "Disposal Group II") to an independent third party at a consideration of HK$2,000,000. The principal activity of the Disposal Group II is mining. The disposal was completed on 19 September 2014. The net assets of the Disposal Group II were as follows:

	HK$'000
Net assets disposed of	
Exploration and evaluation assets	1,989
Prepayments, deposits and other receivables	259
Bank balances and cash	50
Other payables and accruals	(118)
	2,180
Non-controlling interest	(436)
Release of exchange reserves	(1,193)
Gain on disposal of subsidiary	1,449
Total consideration satisfied by:	
Cash consideration received	2,000
Net cash inflow arising on disposal:	
Cash consideration received	1,950

38. MAJOR NON-CASH TRANSACTIONS

During the year ended 30 September 2015, as detailed in Note 36, a total number of 1,623,529,411 ordinary shares of the Company were issued as the consideration for acquisition of subsidiary.

There were no significant major non-cash transactions during the year ended 30 September 2014.

39. RELATED PARTY AND CONTINUING CONNECTED TRANSACTIONS

(a) In addition to a related party balances detailed in the consolidated financial statements and respective notes, the Group entered into the following significant transactions with related parties during the year, some of which are also deemed to be connected parties pursuant to the Listing Rules:

	2015	**2014**
	HK$'000	*HK$'000*
Sales of goods to Hengdeli Group	42,501	23,543
Purchases of goods from Hengdeli Group	1,128	—
Profit guarantee compensation from Hengdeli Group	120,000	—

Note:

On 23 July 2014, the Group and Hengdeli Holdings Limited and its associates ("Hengdeli Group") entered into a cooperation agreement for the sale of goods in Hengdeli Group's stores with effect from 1 October 2014 for one year expiring on 30 September 2015. Hengdeli Group is the major shareholder of the Company. The cooperation agreement allows the Group to make use of Hengdeli's extensive and quality distribution networks and its vast experiences in operating and managing retail outlets for luxury jewellery products in order to promote and distribute the products of the Group. Operation expenses of the retail stores are borne by Hengdeli while the Group bears the costs of inventory. Details of the cooperation agreement are set out in the announcement of the Company dated 23 July 2014 and the circular dated 13 August 2014.

On 13 February 2015, a supplemental agreement was made between the Group and Hengdeli Group relating to the increase in both scope and volume of the supply of products of internationally renowned brand by the Group to Hengdeli Group for a term expiring on 30 September 2015. Details of the supplemental agreement are set out in the announcement of the Company dated 13 February 2015 and the circular dated 10 March 2015.

On 19 August 2015, the Group and Hengdeli Group entered into the renewed cooperation agreement for renewal of the above cooperation agreement and the supplemental cooperation agreement with effect from 1 October 2015 for one year expiring on 30 September 2016. Details of the renewed cooperation agreement are set out in the announcement of the Company dated 19 August 2015 and the circular dated 9 September 2015.

The above transactions with the subsidiaries of Hengdeli Holdings Limited were in accordance with the terms of the cooperation agreement.

(b) Key management compensation

The key management personnel of the Group comprises the directors of the Company only. Details of compensation of directors are included in Note 17.

40. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group leases certain premises under operating lease arrangements. Leases are negotiated for a term ranging from three to five years. The Group does not have an option to purchase the leased assets at the expiry of the lease period. At the end of the reporting period, the Group's total future minimum lease payments under non- cancellable operating leases are as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Within 1 year	8,452	5,528
In 2 to 5 years, inclusive	6,097	6,295
	14,549	11,823

41. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 September 2015 (2014: Nil).

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	*(a)*	77,737	77,737
CURRENT ASSETS			
Prepayments, deposits and other receivables		—	905
Amounts due from subsidiaries	*(a)(i)*	738,849	1,569,390
Bank balances and cash		60,985	10
Tax recoverable		28	—
		799,862	1,570,305
CURRENT LIABILITIES			
Amounts due to subsidiaries	*(a)(i)*	409,649	551,109
Other payables and accruals		2,523	2,978
Income tax payables		—	10
		412,172	554,097
NET CURRENT ASSETS		387,690	1,016,208
TOTAL ASSETS LESS CURRENT LIABILITIES		465,427	1,093,945
CAPITAL AND RESERVES			
Share capital	*33*	245,177	65,490
Reserves	*(b)*	220,250	1,028,455
TOTAL EQUITY		465,427	1,093,945

Zhang Jinbing
Director

Wong Chi Ming, Jeffry
Director

(a) Investments in subsidiaries

	Notes	**2015** *HK$'000*	**2014** *HK$'000*
Unlisted shares, at cost		77,737	77,737
Amounts due from subsidiaries	*(i)*	2,994,933	2,569,588
Less: Accumulated impairment	*(ii)*	(2,256,084)	(1,000,198)
		738,849	1,569,390
Amounts due to subsidiaries	*(i)*	(409,649)	(551,109)
		329,200	1,018,281

Notes:

(i) Amounts due from (to) subsidiaries are unsecured, interest free and repayable on demand.

(ii) At 30 September 2015, an accumulated impairment loss of approximately HK$2,256,084,000 (2014: HK$1,000,198,000) was recognised because the recoverable amount of the amounts due was estimated to be less than their carrying amounts and the possibility of the recovery was too remote.

(b) Reserves

	Share premium *HK$'000* *(Note i)*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1 October 2013	1,988,246	(1,093,364)	894,882
Total comprehensive expenses for the year	—	(16,695)	(16,695)
Issue of shares upon open offer	150,268	—	150,268
At 30 September 2014	2,138,514	(1,110,059)	1,028,455
Total comprehensive expenses for the year	—	(1,256,376)	(1,256,376)
Issue of shares upon acquisition of subsidiaries	124,547	—	124,547
Issue of shares upon open offer	323,624	—	323,624
At 30 September 2015	2,586,685	(2,366,435)	220,250

Note:

(i) In accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

The share premium account of the Company includes: (i) the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation on 12 August 2002 over the nominal value of the share capital of the Company issued in exchange therefor; (ii) the premium arising from the new issue; (iii) the premium arising from the capitalisation issue; and (iv) the premium arising from issue of shares upon exercise of share options scheme.

43. SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 30 September 2015 and 2014 are as follows:

Name	Place of incorporation/ establishment and operations	Paid-up share/ registered capital	Percentage of equity attributable to the Company 2015	2014	Principal activities
Directly held					
Ming Fung Investment Holdings Limited	British Virgin Islands ("BVI")	Ordinary US$1,000	100%	100%	Investment holding
Indirectly held					
Master Will Limited	Hong Kong	Ordinary HK$2	100%	100%	Provision of administrative services
Perfect Glory International Limited	BVI	Ordinary US$1,000	100%	100%	Trading of jewellery products
Shenzhen Qijingda Trading (HK) Company Limited	Hong Kong	Ordinary HK$1,000,000	94.9%	94.9%	Wholesale of watches
Omas SRL	Italy	Ordinary EUR1,000,000	90.1%	90.1%	Manufacturing and trading of writing instruments
Chi Feng Guo Jin Mining Company (赤峰國金礦業有限公司)	PRC	RMB5,000,000#	60.6%	60.6%	Mining
Shenzhen Qijingda Trading Company Limited (深圳市琪晶達貿易有限公司)	PRC	RMB100,000,000@	95%	95%	Retail and wholesale of watches
Swiss Mechanical Times (Hong Kong) Limited	Hong Kong	HK$10,000	100%	—	Wholesale of watches
Chance Achieve Limited	Hong Kong	HK$1	100%	100%	Money lending

None of the subsidiaries had issued any debt securities at the end of the reporting period.

In the opinion of the Directors of the Company, there is no subsidiary that has non-controlling interest which is material to the Group.

Note: The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of the other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Chi Feng Guo Jin Mining Company (赤峰國金礦業有限公司) is a wholly-owned foreign enterprise established in the PRC for an operation period of 30 years commencing from its date of establishment on 18 October 2005. The registered capital of Chi Feng Guo Jin Mining Company (赤峰國金礦業有限公司) of RMB5,000,000 has been fully paid up.

@ Shenzhen Qijingda Trading Company Limited (深圳市琪晶達貿易有限公司) is a limited liability company enterprise established in the PRC for an operating period of 31 years commencing from its date of establishment on 9 June, 2010. The registered capital of Shenzhen Qijingda Trading Company Limited (深圳市琪晶達貿易有限公司) of RMB100,000,000 has been fully paid up.

44. EVENT AFTER THE REPORTING PERIOD

Due to continuously financial losses and severe adverse business environment in Europe, in October 2015, the Group ceased to provide financial support to its subsidiary, Omas SRL ("Omas"), a company incorporated in Italy. Because of insolvency, Omas ceased its operation and on 17 November 2015 a resolution was passed by the shareholders of Omas to get Omas dissolved and liquidated with effect from 1 December 2015.

In view of the foregoing, for the year ended 30 September 2015, the Group (i) recognised impairment loss of approximately HK$25,247,000 to write down the property, plant and equipment; (ii) recognised impairment loss of approximately HK$5,981,000 for trademarks; (iii) provided an allowance of approximately HK$9,174,000 for write-down of inventories at 30 September 2015; (iv) provided an allowance for doubtful debts of approximately HK$2,271,000 for all outstanding receivables at 30 September 2015; and (v) provided a provision for redundancy of approximately HK$1,331,000.

In the opinion of the Directors, the cessation of the operation of Omas will not pose any liabilities, either actual or contingent which are material and have adverse effects to the Group.

The assets and liabilities of Omas included in the consolidated statement of financial position as at 30 September 2015 are as follows:

	HK$'000
Property, plant and equipment	10,806
Inventories	10,115
Trade receivables	2,288
Bank balances and cash	807
Trade and other payables	(6,693)
Provision	(1,331)
Deferred tax liabilities	(2,043)
	13,949

4. UNAUDITED FINANCIAL INFORMATION OF THE GROUP FOR THE SIX MONTHS ENDED 31 MARCH 2016

The following is the full text of unaudited financial statements of the Group for the six months ended 31 March 2016 as extracted from the interim report of the Company for the six months ended 31 March 2016:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 March 2016

		For the six months ended 31 March	
		2016	**2015**
	Notes	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited) (Restated)
CONTINUING OPERATIONS			
Revenue	*4*	186,554	149,117
Cost of sales		(112,392)	(114,289)
Gross profit		74,162	34,828
Change in fair value of contingent consideration receivable		(15,320)	120,758
Other revenue and net gains	*4*	2,647	814
Amortisation of intangible assets		(5,309)	(11,267)
Fair value loss on held-for-trading investment		(24,682)	—
Impairment loss on goodwill		—	(79,317)
Reversal of/(Impairment loss) on intangible assets		3,207	(79,878)
Selling and distribution expenses		(14,559)	(19,018)
Administrative expenses		(21,344)	(16,122)
Loss from operating activities	*6*	(1,198)	(49,020)
Finance costs	*7*	(1,948)	(2,820)
Loss before taxation		(3,146)	(51,840)
Income tax (expense)/credit	*8*	(3,386)	14,025
Loss for the period from continuing operation		(6,532)	(37,815)
DISCONTINUED OPERATION			
Loss for the period from discontinued operation	*9*	(4,423)	(978)

		For the six months ended 31 March	
		2016	**2015**
	Notes	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited) (Restated)
Loss for the period		(10,955)	(38,793)
Items that may be classified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(14,894)	(8,943)
Total comprehensive expenses for the period		(25,849)	(47,736)
Loss for the period attributable to:			
Owners of the Company		(11,290)	(34,864)
Non-controlling interests		335	(3,929)
		(10,955)	(38,793)
Total comprehensive expenses attributable to:			
Owners of the Company		(26,342)	(42,436)
Non-controlling interests		493	(5,300)
		(25,849)	(47,736)
Loss per share from continuing and discontinued operations			
— Basic and diluted	*11*	HK(0.46) cents	HK(0.46) cents
Loss per share from continuing operations			
— Basic and diluted		HK(0.28) cents	HK(0.44) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	Notes	At 31 March 2016 HK$'000 (Unaudited)	At 30 September 2015 HK$'000 (Audited)
Non-current assets			
Intangible assets	12	112,111	115,871
Property, plant and equipment		5,354	16,672
Goodwill		29,555	29,555
Contingent consideration receivable	13	48,451	63,771
		195,471	225,869
Current assets			
Inventories		306,711	278,508
Trade and other receivables	14	90,836	133,053
Loan receivables	15	239,500	203,000
Held-for-trading investments		53,214	66,869
Amount due from shareholder of a subsidiary		5,066	5,165
Bank balances and cash		736,188	758,939
		1,431,515	1,445,534
Assets of discontinued operation classified as held for sale	9	24,255	—
Total currents assets		1,455,770	1,445,534
Current liabilities			
Trade payables	16	4,985	31,977
Accruals and other payables		34,126	27,128
Borrowings	17	70,886	61,060
Income tax payable		8,156	5,451
Liabilities of discontinued operations classified as held for sale	9	14,590	—
Total current liabilities		132,743	125,616
Net Current Assets		1,323,027	1,319,918

	Notes	At 31 March 2016 HK$'000 (Unaudited)	At 30 September 2015 HK$'000 (Audited)
Total assets less current liabilities		1,518,498	1,545,787
Non-current liabilities			
Deferred tax liabilities	*18*	27,019	28,459
Net assets		1,491,479	1,517,328
Capital and reserves			
Share capital	*19*	245,177	245,177
Reserves		1,219,328	1,245,670
Equity attributable to the owners of the Company		1,464,505	1,490,847
Non-controlling interests		26,974	26,481
		1,491,479	1,517,328

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 March 2016

	Attributable to owners of the Company								
	Share capital *HK$'000*	Share premium *HK$'000*	Exchange reserve *HK$'000*	Statutory reserve *HK$'000* *(Note a)*	Other reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 October 2014 (Audited)	65,490	2,060,977	63,442	792	11	(1,096,548)	1,094,164	28,734	1,122,898
Total comprehensive expenses for the period	—	—	(7,572)	—	—	(34,864)	(42,436)	(5,300)	(47,736)
Issue of shares on acquisition of a subsidiary	16,235	124,547	—	—	—	—	140,782	—	140,782
At 31 March 2015 (Unaudited)	81,725	2,185,524	55,870	792	11	(1,131,412)	1,192,510	23,434	1,215,944
At 1 October 2015 (Audited)	245,177	2,509,148	31,893	792	11	(1,296,174)	1,490,847	26,481	1,517,328
Total comprehensive expenses for the period	—	—	(15,052)	—	—	(11,290)	(26,342)	493	(25,849)
At 31 March 2016 (Unaudited)	245,177	2,509,148	16,841	792	11	(1,307,464)	1,464,505	26,974	1,491,479

Note:

(a) The statutory reserve of the Group refers to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of profit after tax of the statutory financial statements of the PRC subsidiaries and the amount should not be less than 10% of the profit after tax unless the aggregate amount exceeded 50% of registered capital of the PRC subsidiaries. The statutory reserve fund can be used to make up prior years' losses of the PRC subsidiaries.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 March 2016

	For the six months ended 31 March	
	2016	**2015**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited) (Restated)
Net cash (used in) generated from operating activities	(11,594)	449,799
Net cash (used in) generated from investing activities	(5,301)	413
Net cash generated from financing activities	7,878	15,338
Net (decrease)/increase in cash and cash equivalents	(9,017)	465,550
Cash and cash equivalents at the beginning of the period	758,939	199,487
Effect of foreign exchange rate changes	(13,734)	(3,019)
Cash and cash equivalents at the end of the period, represented by bank balance and cash	736,188	662,018

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 March 2016

1. CORPORATE INFORMATION

O Luxe Holdings Limited ("Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The functional currency of the Company and its subsidiaries (collectively referred to as the "Group") is Hong Kong dollars ("HK$") and for those subsidiaries established in the People's Republic of China (the "PRC") and Italy are Renminbi ("RMB") and Euro respectively. The condensed consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of users of the condensed consolidated financial statements as the Company is listed in Hong Kong.

The Company is principally engaged in investment holding and the principal activities of its subsidiaries are exports and domestic trading, retail and wholesale of jewellery products and watches, money lending, securities investments and mining.

These interim financial information for the six months ended 31 March 2016 was approved by the Board of Directors on 13 May 2016.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The directors regard the liquidation of Omas SRL as discontinued operations and presented in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" in this Interim Financial Information. The comparative information in this Interim Financial Information has been restated accordingly.

3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value as appropriate. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Except for the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by HKICPA, which are mandatory for the accounting periods beginning on or after 1 October 2014, the accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 30 September 2015.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 19	Defined benefit plans: Employee Contribution
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedging accounting
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle
HK(IFRIC)-INT 21	Levies

The executive directors of the Company anticipate that the adoption of these new and revised HKFRSs has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[1]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortization[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 cycle[1]
Amendments to HKAS 27	Equity method in separate financial statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[1]
HKFRS 9	Financial instruments[3]
HKFRS 15	Revenue from contracts with customers[2]
HKFRS 14	Regulatory deferral accounts[4]
Amendments to HKAS 1	Disclosure initiative[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[1]

1 Effective for annual periods beginning on or after 1 January 2016.
2 Effective for annual periods beginning on or after 1 January 2017.
3 Effective for annual periods beginning on or after 1 January 2018.
4 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

4. REVENUE AND OTHER REVENUE AND NET GAINS

Revenue of the Group comprises the following:

	For the six months ended 31 March	
	2016	**2015**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited) (Restated)
Continuing operation		
Sale of goods	172,676	149,117
Interest income on loan financing	13,878	—
	186,554	149,117
Continuing operation		
Other revenue		
Bank interest income	1,193	326
Watch repairing services	1,181	—
Sundry income	273	488
	2,647	814

5. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with internal reporting provided to the board of directors of the Company who is responsible for allocating resources and assessing performance of the operating segments.

The Group's operating segments are structured and managed separately according to the nature of their operations and the products they provided. Each of the Group's operating segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other operating segments. Summary details of the operating segments are as follows:

Discontinued operation

(a) Exports segment — export of manufactured jewellery products and writing instruments;

Continuing operation

(b) Domestic segment — trading of jewellery products and watches for the Group's retail and wholesale business in the territories of the mainland China, Macau, Hong Kong and Taiwan; and

(c) Mining segment — the mining, exploration and sale of gold resources;

(d) Money lending segment — provision of loan finance; and

(e) Securities investments segment — trading of listed securities.

Segment information about these reportable segments is presented below:

(a) Segment revenues and results
For the six months ended 31 March

	Continuing operation									
	Domestic		Mining		Money lending		Securities investments		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
Segment revenue:										
External sales	172,676	149,117	—	—	13,878	—	—	—	186,554	149,117
Segment results	31,704	(28,822)	(384)	(12,844)	12,016	—	(24,682)	—	18,654	(41,666)
Unallocated corporate income and expenses									(25,186)	3,851
Loss for the period from continuing operation									(6,532)	(37,815)

The segment results represent the results earned by each segment without allocation of central administration costs, directors' salaries, interest income and finance costs. This is the measure reported to the chief operating decision makers, being the directors of the Company, for the purposes of resource allocation and assessment of segment performance.

(b) Segment assets and liabilities

	Continuing operation									
	Domestic		Mining		Money lending		Securities investments		Total	
	At 31 March 2016	At 30 September 2015	At 31 March 2016	At 30 September 2015	At 31 March 2016	At 30 September 2015	At 31 March 2016	At 30 September 2015	At 31 March 2016	At 30 September 2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
ASSETS										
Segment assets	345,997	396,596	88,511	88,346	251,497	206,877	53,214	66,869	739,219	758,688
Unallocated segment assets									887,767	912,715
Total assets									1,626,986	1,671,403
LIABILITIES										
Segment liabilities	26,020	46,957	1,626	948	2,335	—	5,002	—	34,983	47,905
Unallocated segment liabilities									110,189	106,170
Total liabilities									145,172	154,075

For the purpose of monitoring segment performances and allocating resources between segment:

- all assets are allocated to operating segments, other than contingent consideration receivables and bank balances and cash which are not able to allocate into reportable segments.
- all liabilities are allocated to operating segments, other than borrowings, deferred tax liabilities and income tax payable which are not able to allocate into reportable segments.

(c) Geographic information

Information about the Group's revenue from external customers and non-current assets is presented based on the location of operations and geographical location of assets respectively.

	Revenue from external customers For the six months ended 31 March		Non-current assets at	
	2016	2015	31 March 2016	30 September 2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Audited) (Restated)
Europe	—	—	—	—
Middle East and Asia	186,554	149,117	147,022	162,098
	186,554	149,117	147,022	162,098

Note: Non-current assets excluded contingent consideration receivable.

6. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	For the six months ended 31 March	
	2016	**2015**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited) (Restated)
Continuing operations		
Cost of inventories sold	112,392	114,289
Depreciation of property, plant and equipment	639	3,041
Minimum lease payments under operating leases on leasehold land and buildings	5,360	2,047
Staff costs (excluding directors' remuneration):		
— wages, salaries and other benefits	9,676	8,142
— retirement benefits scheme contributions	208	718
— directors' remuneration	1,719	310

7. FINANCE COSTS

	For the six months ended 31 March	
	2016	**2015**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited) (Restated)
Continuing operations		
Interest on bank loans wholly repayable within five years	1,948	2,820

8. INCOME TAX EXPENSE/(CREDIT) (RELATING TO CONTINUING OPERATION)

	For the six months ended 31 March	
	2016	**2015**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited) (Restated)
Current period provision		
Hong Kong Profits Tax	2,597	174
Overseas taxation	186	751
Deferred taxation	603	(14,950)
Income tax expense/(credit)	3,386	(14,025)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Under the Law of the PRC on Enterprise Income Tax (the ''EIT Law'') and Implementation Regulation of the EIT Law, the tax rate of the Group's subsidiaries in the PRC is 25% from 1 January 2008 onwards.

9. DISCONTINUED OPERATION

In October 2015, the Group ceased to provide financial support to its subsidiary, Omas SRL ("Omas"), a company incorporated in Italy. Because of insolvency, Omas ceased its operation and on 17 November 2015, a resolution was passed by the shareholders of Omas to get Omas dissolved and liquidated with effect from 1 December 2015.

Management has actively seeking for potential buyers in the market and considered that the sale is highly probable.

Accordingly, management reclassified Omas's all assets and liabilities as assets of discontinued operation classified as held for sale and liabilities of discontinued operation classified as held for sale as at 31 March 2016, as the carrying amount would be recovered principally through sale, the assets and liabilities of Omas are available for immediate sale.

The results of the discontinued operation for the period ended 31 March are presented below:

	For the six months ended 31 March	
	2016	**2015**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Revenue	—	8,338
Cost of sales	—	(5,829)
Selling and distribution expenses	—	(1,421)
Administrative expenses	(4,423)	(2,066)
Loss of the discontinued operation	(4,423)	(978)
Loss for the period from discontinued operation include the following		
Depreciation	—	301

The assets and liabilities of Omas included in the consolidated statement of financial position are as follows:

	31 March 2016
	HK$'000
	(Unaudited)
Assets	
Property, plant and equipment	10,913
Inventories	10,216
Trade receivables	2,311
Bank balances and cash	815
Transfer to assets of discontinued operation classified as held for sale	24,255
Liabilities	
Trade and other payables	11,183
Provision	1,344
Deferred tax liabilities	2,063
Transfer to liabilities of discontinued operation classified as held for sale	14,590
Non-controlling interests	957
Net assets of discontinued operations directly attributable to the Group	8,708

10. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 March 2016 (for the six months ended 31 March 2015: Nil).

11. LOSS PER SHARE

The calculation of basis loss per share from continuing and discontinued operation is based on the loss for the six months ended 31 March 2016 attributable to the owners of the Company of approximately HK$11,290,000 (six months ended 31 March 2015: loss of approximately HK$34,864,000) and the weighted average number of 2,451,771,105 (2015: 7,619,499,891) ordinary shares in issue during the period.

The calculation of basis loss per share from continuing operations is based on the loss for the six months ended 31 March 2016 attributable to the owners of the Company before discontinued operation of approximately HK$6,867,000 (six months ended 31 March 2015: HK$33,886,000) and the weighted average number of 2,451,771,105 (2015: 7,619,499,891) ordinary shares in issue during the period.

The computation of diluted loss per share for the six months ended 31 March 2016 is the same as the basic loss per share because the Company had no dilutive potential shares.

12. INTANGIBLE ASSETS

	Mining rights HK$'000	Distribution rights HK$'000	Trademarks HK$'000	Total HK$'000
Carrying amount at 1 October 2015 (Audited)	86,877	28,994	—	115,871
Exchange realignment	(1,658)	—	—	(1,658)
Amortisation for the period	—	(5,309)	—	(5,309)
Reversal of impairment loss *(Note)*	—	3,207	—	3,207
Carrying amount at 31 March 2016 (Unaudited)	85,219	26,892	—	112,111
Carrying amount at 1 April 2015 (Unaudited)	78,264	7,168	6,026	91,458
Exchange realignment	(2,441)	(74)	(45)	(2,560)
Amortisation for the period	—	(15,536)	—	(15,536)
Reversal of impairment loss/ (Impairment loss recognized)	11,054	37,436	(5,981)	42,509
Carrying amount at 30 September 2015 (Audited)	86,877	28,994	—	115,871

Note: During the six months ended 31 March 2016, based on the valuation report prepared by Grant Sherman Appraisal Limited ("Grant Sherman"), a reversal of impairment loss of HK$3,207,000 of the Group's distribution rights was made.

13. CONTINGENT CONSIDERATION RECEIVABLE

At fair value	*HK$'000*
At 1 April 2015	129,498
Change in fair value	(65,727)
At 30 September 2015	63,771
Change in fair value	(15,320)
At 31 March 2016	48,451

Notes: The fair value of the contingent consideration receivable is related to the acquisition of Sinoforce Group Limited ("Sinoforce Group") and its former owner's profit guarantee of HK$69,000,000 for Sinoforce Group's three financial years ending 31 December 2015, 2016 and 2017.

The fair value of the contingent consideration receivable at 31 March 2016 and 30 September 2015 are based on the valuations performed by Grant Sherman, using a Monte Carlo simulation.

As the profit guarantee relating to the acquisition of Sinoforce Group, covers period of more than one year, hence there are more interactions to be assessed for the results. Monte Carlo simulation is therefore adopted as the simulation produces distribution of possible outcome values. By assuming probability distributions, variables can have different probabilities of different outcomes occurring. Probability distributions are a much more realistic way of describing uncertainty in variables of the result.

The variable and assumptions used in computing the fair value of the contingent consideration receivable are based on the management's best estimate. The value of the contingent consideration receivable varies with different variables of certain subjective assumptions.

Inputs into Monte Carlo simulation	**31 March 2016**	**30 September 2015**
Profit guarantee amount	HK$69,000,000	HK$69,000,000
Standardised SD of profit	56.3%	49.7%
Number of iterations	1,000,000	1,000,000
Discount rate	0.60%	0.53%
Time to settlement date	2.17	2.67

14. TRADE AND OTHER RECEIVABLES

	At 31 March 2016 *HK$'000* (Unaudited)	**At 30 September 2015** *HK$'000* (Audited)
Trade receivables	40,583	118,610
Less: Impairment loss recognised	—	(69,668)
	40,583	48,942
Deposits, prepayment and other receivables	40,299	54,347
Interest receivables	9,954	3,870
Amount due from a related party *(Note)*	—	60,000
	50,253	118,217
Less: Impairment loss recognised	—	(34,106)
	50,253	84,111
	90,836	133,053

Note: The amount represents the profit guarantee compensation due from Hengdeli International Company Limited and is interest free, unsecured and repayable on demand.

Certain trade receivables with carrying amount of HK$26,680,000 as at 31 March 2016 (30 September 2015: HK$15,286,000) are pledged against short-term bank borrowings (see Note 17) granted to the Group.

The Group normally allows credit terms to established customers ranging from 30 to 120 days.

An aging analysis of the trade receivables as at the end of the reporting period, based on the date of recognition of the sale, is as follows:

	At 31 March 2016	At 30 September 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
1–30 days	11,421	39,791
31–60 days	3,435	4,248
61–90 days	6,597	1,687
Over 90 days	19,130	3,216
	40,583	48,942

15. LOAN RECEIVABLES

	At 31 March 2016	At 30 September 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 12 months	239,500	203,000

The Group seeks to maintain strict control over its outstanding loan and interest receivables so as to minimise credit risk. The granting of loans is subject to approval by the management, whilst overdue balances are received regularly for recoverability. The loan receivables charged interests at contract rates ranging approximately 12%-21.6% (30 September 2015: 12%-21.6%) per annum and was entered with contractual maturity within 6-12 months.

The loan receivables were neither past due nor impaired at the end of the reporting period. The directors of the Company are of the opinion that no provision for impairment is necessary in respect of this loan receivable as there has not been a significant change in credit quality and the balance is still considered fully recoverable.

16. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 180 days from its suppliers.

An aging analysis of the trade payables as at the end of the reporting period, based on the date of receipt of goods purchased, is as follows:

	At 31 March 2016	At 30 September 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
1–30 days	4,513	31,975
31–60 days	—	—
61–90 days	—	2
91–120 days	472	—
	4,985	31,977

17. BORROWINGS

	At 31 March 2016 *HK$'000* (Unaudited)	At 30 September 2015 *HK$'000* (Audited)
Secured bank loans *(Note)*	70,886	61,060

Total current bank loans and other borrowings were repayable as follows:

	At 31 March 2016 *HK$'000* (Unaudited)	At 30 September 2015 *HK$'000* (Audited)
Carrying amounts repayable:		
On demand or within one year	70,886	61,060

The Bank loans were secured by the Group's assets at their carrying amounts as follows:

	At 31 March 2016 *HK$'000* (Unaudited)	At 30 September 2015 *HK$'000* (Audited)
Trade receivables	20,680	15,286

Note: Bank loans bear interest at variable rates by reference to the People's Bank of China's lending rate, ranging from 5% to 7% per annum (30 September 2015: 5% to 7% per annum).

18. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

	Total *HK$'000*
At 1 April 2015 (Unaudited)	34,846
Exchange realignment	(1,587)
Debit/(Credit) to profit and loss	(4,800)
At 30 September 2015 (Audited)	28,459
Exchange realignment	(3)
Debit to profit and loss	626
Transfer to liabilities of discontinued operations classified as held for sale	(2,063)
At 31 March 2016 (Unaudited)	27,019

Under the EIT Law of PRC, withholding tax is imposed on dividends in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards (the "Post-2008 Earnings"). Deferred taxation has not been provided for in the consolidation financial statements in respect of temporary difference attributable to the "Post-2008 Earnings" as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

19. SHARE CAPITAL

	At 31 March 2016 HK$'000 (Unaudited)	At 30 September 2015 HK$'000 (Audited)
Authorised:		
10,000,000,000 Ordinary shares of HK$0.1 each (30 September 2015: 10,000,000,000 Ordinary shares of HK$0.1 each)	1,000,000	1,000,000

	Number of Shares '000	Nominal value HK$'000
Issued and fully paid:		
At 1 April 2015 (Unaudited)	817,257	81,725
Open offer *(Note i)*	1,634,514	163,452
At 30 September 2015 (Audited) and At 31 March 2016 (Unaudited)	2,451,771	245,177

Notes:

(i) On 23 April 2015, the Company completed the open offer on the basis two offer share for every one consolidated shares held on the record date and 1,634,514,070 shares were issued. The net proceeds from the open offer was approximately HK$487,100,000.

20. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2016 (30 September 2015: Nil).

21. OPERATING LEASE ARRANGEMENTS

The Group leases certain premises under operating lease arrangements. Leases are negotiated for a term ranging from three to five years. The Group does not have an option to purchase the leased assets at the expiry of the lease period. At the end of the reporting period, the Group's total future minimum lease payments under non-cancellable operating leases are as follows:

	At 31 March 2016 HK$'000 (Unaudited)	At 30 September 2015 HK$'000 (Audited)
Within 1 year	7,921	8,452
In 2 to 5 years, inclusive	2,825	6,097
	10,746	14,549

22. FAIR VALUE MEASUREMENTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices, respectively;
- the fair value of other financial assets and financial liabilities (excluding held-for-trading investments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and
- the fair value of held-for-trading investments is calculated using quoted prices. Where such prices are not available, the fair value is estimated using discounted cash flow analysis and the applicable curve for the duration of the instruments. For contingent consideration receivable, the fair value is estimated using a probability model.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values due to their short-term maturities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 — fair value measurement are those derived from quoted price (unadjusted) in active market for identical assets or liabilities.

Level 2 — fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 — fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value hierarchy at 31 March 2016:

	Level 1		**Level 2**		**Level 3**		**Total**	
	31 March 2016	**30 September 2015**	**31 March 2016**	**30 September 2015**	**31 March 2016**	**30 September 2015**	**31 March 2016**	**30 September 2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Contingent consideration receivable	—	—	—	—	48,451	63,771	48,451	63,771
Financial assets held at FVTPL								
— Held-for-trading investments	53,214	66,869	—	—	—	—	53,214	66,869

During the six months ended 31 March 2016 and year ended 30 September 2015, there were no transfer between Level 1, 2 and 3.

23. RELATED PARTY AND CONTINUING CONNECTED TRANSACTIONS

(a) In addition to a related party balances detailed in the consolidated financial statements and respective notes, the Group entered into the following significant transactions with related parties during the period, some of which are also deemed to be connected parties pursuant to the Listing Rules:

	Six Months ended 31 March 2016 *HK$'000*	Six Months ended 31 March 2015 *HK$'000*
Sales of goods to Hengdeli Group	25,174	20,014

(b) Key management compensation

The key management personnel of the Group comprises the directors of the Company only. Details of compensation of directors are included in Note 17.

24. EVENTS AFTER THE REPORTING PERIOD

There was no material event after the reporting period.

5. INDEBTEDNESS STATEMENT

As at 31 May 2016, being the latest practicable date for the sole purpose of preparing this statement of indebtedness prior to the date of this circular, the Enlarged Group had unguaranteed bank borrowings of approximately HK$77,695,000, which were secured by the trade receivables of the Enlarged Group with carrying amount of approximately HK$21,566,000 as at 31 May 2016.

As at 31 May 2016, the Enlarged Group had no material contingent liabilities and commitment.

Except as disclosed above and apart from intra-group liabilities, the Enlarged Group did not have, as at 31 May 2016, any other debt securities issued and outstanding, and authorised 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.

6. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into account the internal resources and the existing credit facilities available to the Enlarged Group and the effects of Completion, the Enlarged Group has sufficient working capital for its present requirements for at least twelve months from the date of publication of this circular in the absence of unforeseen circumstances.

7. MATERIAL CHANGE

The Directors confirmed that, save as disclosed below, there had been no material change in the financial or trading position or outlook of the Group since 30 September 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date:

(i) with effect from 17 November 2015, the operation of Omas (a subsidiary of the Company which was principally engaged in manufacturing and trading of writing instruments) ceased due to its continued financial losses and the adverse business environment;

(ii) as disclosed in the interim report of the Company for the six months ended 31 March 2016, the Group recorded a net loss of approximately HK$10.96 million for the six months ended 31 March 2016 as compared to a net loss of approximately HK$38.79 million for the same period of last year. Such improvement in the financial results of the Group for the six months ended 31 March 2016 was mainly due to (a) the absence of the one-off impairment loss on goodwill and intangible assets of approximately HK$159.20 million recorded for the six months ended 31 March 2015; and (b) the fair value loss on contingent consideration receivable of approximately HK$15.32 million for the six months ended 31 March 2016 as compared to a gain of approximately HK$120.76 million for the same period of last year; and

(iii) on 16 May 2016, the Company (as purchaser), Golden Mega Holdings Limited (as vendor) and Mr. Zhang (as guarantor to the Vendor) entered into the Agreement, pursuant to which the Company conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Shares at the Consideration of HK$588 million, which shall be satisfied by the Company by way of allotment and issue of 1,960,000,000 Consideration Shares at the Issue Price of HK$0.30 per Consideration Share to the Vendor at Completion.

8. 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 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Upon Completion, the Target will become a subsidiary of the Company and the financial results of the Target Group will be consolidated in the consolidated financial statements of the Group. Based on the Development Proposal, the Property is proposed to be developed into a mixed use residential and commercial development with a total gross floor area of approximately 64,855 sq.m.. The total construction and financing costs are estimated to be approximately HK$250 million, which are intended to be financed as to approximately HK$100 million by way of the proceeds from the pre-sale of the Property and as to HK$150 million by way of the external project financing to be obtained by the Target Group. In the event that the Target Group fails to obtain such financing, the Vendor alone will be responsible for the construction and financing costs and any other capital expenditures to be incurred in the development of the Property. Details of the development plan are set out as follows:

(i) to complete the pre-construction work including due diligence check on the land, design, and preparation of construction plan;

(ii) to complete the construction work of the infrastructure, ancillary facilities, electricity, drainage and other necessary utilities for the Property;

(iii) to construct two 37-storey residential towers erected over a 3-storey commercial podium comprising retail shops, supermarket, restaurant and lobby for the residential units (with a total gross floor area of approximately 53,195 sq. m.); and

(iv) to construct a 2-level basement of car parking spaces (with a total gross floor area of approximately 11,660 sq.m.).

It is expected that the Project Company will obtain all the Licences for the development of the Property by end of October 2016, after which the Project Company will carry out the aforementioned development plan. It is expected that the development of the Property will complete within around two years. Upon completion of the development of the Property, it is intended that the Property will be held for sale and rental purposes. The Directors consider that the Property will generate a stable and recurring income stream to the Enlarged Group, enable the Enlarged Group to strengthen its asset base and provide capital appreciation potential to the Enlarged Group.

Upon Completion, Mr. Zhang will be appointed as the director of the Target and the Project Company, with a view to overseeing the overall strategic planning, execution and development of the Property, and supervising the project management team of the Project Company.

According to the research report published in May 2016 by Savills plc., a global real estate services provider listed on the London Stock Exchange, the transaction volumes and prices of residential properties in Guangzhou have persistently increased since January 2014. Benefiting from the looser property purchase policy in Guangzhou as compared to that in Shanghai and Shenzhen and the proactive promotions by the property developers, the property buyers are showing enthusiasm for the residential property market in Guangzhou.

In light of above, the Directors are optimistic about the prospects of the property market in Guangzhou and the property development business of the Enlarged Group.

After Completion, apart from developing the Property, the Enlarged Group will continue to be engaged in distribution of watches, wholesale trading of jewellery products, mining, money lending and securities investments. Going forward, the Enlarged Group will continue to adopt stringent cost control measures, employ appropriate strategies to further diversify its source of income and actively explore new business opportunities to cope with existing market environment.

1. ACCOUNTANT'S REPORT OF THE TARGET GROUP

The following is the text of a report received from the Company's reporting accountant, KTC Partners CPA Limited, Certified Public Accountants, Hong Kong, which has been prepared for the purpose of incorporation in this circular.

KTC Partners CPA Limited
Certified Public Accountants (Practising)
和信會計師事務所有限公司

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The Directors
O Luxe Holdings Limited
Room 302, 3rd Floor Lippo Sun Plaza
28 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Power Boom International Limited (the "Target") and its subsidiary (hereinafter collectively referred to as the "Target Group") for the years ended 30 June 2013, 2014 and 2015, and the nine months ended 31 March 2016 (the "Target Group Relevant Periods"), for inclusion in the circular issued by O Luxe Holdings Limited (the "Company") dated 11 July 2016 (the "Circular") in connection with the Company's proposed acquisition of a 60% equity interest in the Target Group (the "Acquisition").

The Target is a limited liability company incorporated in the British Virgin Islands ("BVI") on 3 April 2006. The Target's registered office is located at P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands. The principal activities of the Target and its subsidiary are investment holding and trading of wine.

As at 31 March 2016 and as at the date of this report, the Target has equity interest in the following subsidiary:

Name of the company	Place and date of incorporation	Place of operation	Equity interest attributable to the Target	Issued and fully paid-up capital	Principal activity
Direct					
Grand Cellar Hong Kong Company Limited ("Grand Cellar")	Hong Kong 3-Jul-06	Hong Kong	100%	Paid up capital of HK$1,000	Trading of wine#

Grand Cellar has ceased its wine business since 16 May 2016.

The financial year end date of the Target and its subsidiary is 30 June. No audited statutory financial statements have been prepared for the Target since its date of incorporation as there is no statutory audit requirement in the BVI.

The statutory financial statements of Grand Cellar for each of the years ended 30 June 2013, 2014 and 2015 were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard (SME-FRS) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and were audited by Messrs. Chinaweal CPA & Co., Certified Public Accountants (Practising).

Basis of preparation

For the purpose of this report, the directors of the Target have prepared the consolidated financial statements of the Target Group for the Target Group Relevant Periods in accordance with accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA (the "Underlying Financial Statements"). We have carried out an independent audit on the Underlying Financial Statements for the Target Group Relevant Periods in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. The Financial Information has been prepared by the directors of the Company for inclusion in the Circular based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' responsibility for the Financial Information

The directors of the Target are responsible for the preparation of the Financial Information which gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Target determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility for the Financial Information

Our responsibility is to express an opinion on the Financial Information based on our procedures performed in accordance with the Auditing Guideline No. 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA and to report our opinion to you. We have not audited any financial statements of the Target Group in respect of any period subsequent to 31 March 2016.

Opinion

In our opinion, for the purpose of this report and on the basis of presentation as set out in Section II below, the Financial Information gives a true and fair view of the financial position of the Target Group as at 30 June 2013, 30 June 2014, 30 June 2015 and 31 March 2016 and of its financial performance and cash flows for the Target Group Relevant Periods.

Corresponding Financial Information

For the purpose of this report, the management of the Target Group have prepared the comparative financial information of the Target Group for the nine months ended 31 March 2015 (the "Comparative Financial Information") in accordance with HKFRSs. We have reviewed the Comparative Financial Information in accordance with Hong Kong Standard on Review Engagements 2400 "Engagements to Review Financial Statements" issued by the HKICPA. A review consists principally of making enquiries of the Target Group management and applying analytical procedures to the Comparative Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the Comparative Financial Information.

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the Comparative Financial Information.

I. FINANCIAL INFORMATION OF THE TARGET GROUP

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended			Nine months ended	
		30 June 2013	30 June 2014	30 June 2015	31 March 2015	31 March 2016
	Note	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Revenue	3	16,486,965	7,449,964	1,493,080	1,312,080	15,152,285
Cost of sales		(15,301,502)	(6,751,540)	(1,237,467)	(1,089,498)	(15,143,698)
Gross profit		1,185,463	698,424	255,613	222,582	8,587
Other income	3	240,003	324,011	70,417	70,417	339,162
Administrative expenses		(729,189)	(525,576)	(17,648)	(6,079)	(9,910)
Other operating expenses		(577,999)	(531,158)	(315,308)	(282,109)	(58,734)
Profit (loss) from operations		118,278	(34,299)	(6,926)	4,811	279,105
Finance cost	5	(90,066)	(48,471)	—	—	—
Profit (loss) before taxation	6	28,212	(82,770)	(6,926)	4,811	279,105
Income tax expense	8	—	—	—	—	—
Profit (loss) for the year/period		28,212	(82,770)	(6,926)	4,811	279,105
Other comprehensive income for the year/period		—	—	—	—	—
Total comprehensive income (expense) for the year/period attributable to owner of the Target		28,212	(82,770)	(6,926)	4,811	279,105

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June			As at 31 March
		2013	2014	2015	2016
	Note	*HK$*	*HK$*	*HK$*	*HK$*
Non-current assets					
Deposit paid for acquisition of a subsidiary	11	231,800,000	231,800,000	231,800,000	231,800,000
Property, plant and equipment	12	5,110	3,833	2,555	—
		231,805,110	231,803,833	231,802,555	231,800,000
Current assets					
Inventories	13	20,092,869	16,307,618	15,143,697	—
Other receivables		—	—	—	2,432
Amount due from a related company	14	—	1,260,046	—	—
Bank balances	15	81,667	47,752	15,779	253,498
		20,174,536	17,615,416	15,159,476	255,930
Current liabilities					
Trade and other payables	16	(468,560)	(135,400)	(9,000)	(9,000)
Bills payable		(2,952,800)	—	—	—
Amount due to a related company	17	(16,671,498)	(17,509,098)	(15,185,206)	—
Amount due to a director	17	(29,267)	—	—	—
		(20,122,125)	(17,644,498)	(15,194,206)	(9,000)
Net current assets (liabilities)		52,411	(29,082)	(34,730)	246,930
NET ASSETS		231,857,521	231,774,751	231,767,825	232,046,930
CAPITAL AND RESERVES					
Share capital	18	8	8	8	8
Reserves		231,857,513	231,774,743	231,767,817	232,046,922
TOTAL EQUITY		231,857,521	231,774,751	231,767,825	232,046,930

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *HK$*	Capital reserve *HK$* *(Note)*	Retained profits (accumulated losses) *HK$*	Total equity *HK$*
At 1 July 2012	8	231,800,992	28,309	231,829,309
Total comprehensive income for the year	—	—	28,212	28,212
At 30 June 2013	8	231,800,992	56,521	231,857,521
Total comprehensive expense for the year	—	—	(82,770)	(82,770)
At 30 June 2014	8	231,800,992	(26,249)	231,774,751
Total comprehensive expense for the year	—	—	(6,926)	(6,926)
At 30 June 2015	8	231,800,992	(33,175)	231,767,825
Total comprehensive income for the period	—	—	279,105	279,105
At 31 March 2016	8	231,800,992	245,930	232,046,930
(unaudited)				
At 1 July 2014	8	231,800,992	(26,249)	231,774,751
Total comprehensive income for the period	—	—	4,811	4,811
At 31 March 2015	8	231,800,992	(21,438)	231,779,562

Note: Capital reserve represents the waiver of the amount due to a shareholder.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended			Nine months ended	
	30 June 2013	30 June 2014	30 June 2015	31 March 2015	31 March 2016
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Operating activities					
Profit (loss) before taxation	28,212	(82,770)	(6,926)	4,811	279,105
Adjustments for:					
Depreciation of property, plant and equipment	13,390	1,277	1,278	958	2,555
Finance cost	90,066	48,471	—	—	—
Interest income	(3)	(11)	(17)	(17)	—
Operating cash flows before movements in working capital	131,665	(33,033)	(5,665)	5,752	281,660
Decrease in inventories	9,178,927	3,785,251	1,163,921	1,001,497	15,143,697
Decrease (increase) in trade and other receivables	4,042,883	—	—	—	(2,432)
(Decrease) increase in amount due from a related company	—	(1,260,046)	1,260,046	1,260,046	—
Increase (decrease) in trade and other payables	420,560	(333,160)	(126,400)	42,000	—
Increase (decrease) in bills payables	2,952,800	(2,952,800)	—	—	—
(Decrease) increase in amount due to a related company	(9,703,302)	837,600	(2,323,892)	(2,324,195)	(15,185,206)
Decrease in amount due to a director	(6,762,921)	(29,267)	—	—	—
Cash generated from (used in) operating activities	260,612	14,545	(31,990)	(14,900)	237,719
Income tax paid	(87,334)	—	—	—	—
Net cash generated from (used in) operating activities	173,278	14,545	(31,990)	(14,900)	237,719

	Year ended			Nine months ended	
	30 June 2013	**30 June 2014**	**30 June 2015**	**31 March 2015**	**31 March 2016**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Investing activities					
Interest received	3	11	17	17	—
Purchases of property, plant and equipment	(6,388)	—	—	—	—
Net cash (used in) generated from investing activities	(6,385)	11	17	17	—
Financing activities					
Interest paid	(90,066)	(48,471)	—	—	—
Net cash used in financing activities	(90,066)	(48,471)	—	—	—
Net increase (decrease) in cash and cash equivalents	76,827	(33,915)	(31,973)	(14,883)	237,719
Cash and cash equivalents at the beginning of the year/ period	4,840	81,667	47,752	47,752	15,779
Cash and cash equivalents at the end of the year/period, represented by bank balances	81,667	47,752	15,779	32,869	253,498

II. NOTES TO THE FINANCIAL INFORMATION OF POWER BOOM GROUP

1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Target was incorporated in the BVI with limited liability on 3 April 2006 and controlled by Zhang Jinbing ("Mr. Zhang"). The Target has undergone a group reorganization and the holding company of Grand Cellar now comprising the Target Group (the "Group Restructuring") on 18 March 2015. Grand Cellar is under the common control of Mr Zhang before and after the Group Restructuring. Therefore, the acquisition of Grand Cellar by the Target is accounted for as a combination of entities under common control by applying the principles of merger accounting.

The consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows of the Target Group for the Target Group Relevant Periods include the results, changes in equity and cash flows of the entities comprising the Target Group as if the current group structure had been in existence throughout the Target Group Relevant Periods or since the respective dates of incorporation or establishment, whichever period is shorter.

The functional currency and presentation currency of the Target Group is HK$.

In the opinion of the directors of the Target, the ultimate holding company of the Target is Golden Mega Holdings Limited, a company incorporated in the BVI and is wholly owned by Mr. Zhang.

2. PRINCIPAL ACCOUNTING POLICIES

Application of HKFRSs

The HKICPA has issued a number of new/revised HKFRSs during the Target Group Relevant Periods. For the purpose of preparing the Financial Information, the Target Group has consistently adopted all HKFRSs that are relevant to its operations and are effective for the Target Group Relevant Periods.

As at the date of this report, the HKICPA has issued the following new/revised HKFRSs that are relevant to the Target Group but not yet effective, which the Target Group has not early adopted.

Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
HKFRS 14	Regulatory Deferral Accounts[1]
Annual Improvements Project	2012–2014 Cycle[1]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 9 (2014)	Financial Instruments[2]

1 Effective for annual periods beginning on or after 1 January 2016.

2 Effective for annual periods beginning on or after 1 January 2018.

The directors of the Target do not anticipate that the adoption of these new/revised HKFRSs in future period will have material impact on the Financial Information of the Target Group.

A summary of the principal accounting policies adopted by the Target Group in the preparation of the Financial Information is set out below.

Basis of measurement

The measurement basis used in the preparation of the Financial Information is historical cost.

Consolidation

The Financial Information includes the financial statements of the Target and its subsidiary. Subsidiary is entity over which the Target Group has control. The Target Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Target Group has power over an entity when the Target Group has exiting rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Target Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiary is consolidated from the date on which control is transferred to the Target Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiary has been changed where necessary to ensure consistency with the policies adopted by the Target Group.

Merger accounting for business combination under common control

The Financial Information of the Target Group have been prepared based on the principles and procedures of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA, as if the acquisition had occurred from the date when the combining entities first came under the control of Mr. Zhang.

The consolidated financial statements incorporate the financial statements of the combining entities as if they had been combined from the date when they first came under the control of Mr. Zhang.

The consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows include the results and cash flows of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The consolidated statement of financial position have been prepared to present the assets and liabilities of the combining entities as if the Target Group structure as at 30 June 2012 had been in existence at the end of each reporting period. The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the controlling party's interest.

There was no adjustment made to the net assets nor the net profit or loss of any combining entities in order to achieve consistency of the Target Group's accounting policies.

Revenue

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:

(i) Sale of goods is recognised when the goods are delivered and the risks and rewards of ownership have passed to the customer; and

(ii) Interest income is recognised on a time proportion basis taking into account the principal outstanding and the interest applicable.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and 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. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction in progress, over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Furniture and fixtures	20%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when and only when the Target Group becomes a party to the contractual provisions of the instruments and on a trade date basis. A financial asset is derecognised when and only when (i) the Target Group's contractual rights to future cash flows from the financial asset expire or (ii) the Target Group transfers the financial asset and either (a) the Target Group transfers substantially all the risks and rewards of ownership of the financial asset, or (b) the Target Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset. A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

1. Loans and receivables

   Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less any impairment loss. Amortised cost is calculated by taking into account any discounts or premiums on acquisition, over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

2. Financial liabilities

   The Target Group's financial liabilities include trade and other payables, bills payables and amounts due to a related company/director. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets

At the end of each reporting period, the Target Group assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out or specific identification method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Target Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Target Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Related parties

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

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Target or exercise significant influence over the Target in making financial and operating policy decisions, or has joint control over the Target;

(ii) The Target and the party are subject to common control;

(iii) the party is an associate of the Target or a joint venture in which the Target is a venturer;

(iv) the party is a member of key management personnel of the Target or the Target's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Target or of any entity that is a related party of the Target.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3. REVENUE AND OTHER INCOME

Revenue and other income in the consolidated statement of profit or loss and other comprehensive income consist of:

	Year ended			Nine months ended	
	30 June 2013	**30 June 2014**	**30 June 2015**	**31 March 2015**	**31 March 2016**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Revenue					
Sales of goods	16,486,965	7,449,964	1,493,080	1,312,080	15,152,285
Other income					
Bank interest income	3	11	17	17	—
Rental income	240,000	240,000	—	—	—
Waiver of amount due to a related company	—	—	—	—	339,012
Sundry income	—	84,000	70,400	70,400	150
	240,003	324,011	70,417	70,417	339,162

4. SEGMENT INFORMATION

For the Target Group Relevant Periods, the Target Group has one single reportable segment which is trading of wine. Information reported to the Target Group's chief operation decision maker, for the purpose of resource allocation and assessment performance is focused on the operating results of the Target Group as a whole as the Target Group's resources are integrated and no discrete financial information is available. Accordingly, no segment analysis is presented.

The Target Group's non-current assets were all located in Hong Kong.

The Target Group's revenue from external customers were all derived in Hong Kong and its revenue from major customer are detailed below:

	Year ended			Nine months ended	
	30 June 2013	**30 June 2014**	**30 June 2015**	**31 March 2015**	**31 March 2016**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Customer A	6,150,352	—	—	—	—
Customer B	—	—	—	—	15,116,185

5. FINANCE COST

	Year ended			Nine months ended	
	30 June 2013	**30 June 2014**	**30 June 2015**	**31 March 2015**	**31 March 2016**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Bank bill interest	90,066	48,471	—	—	—

6. PROFIT (LOSS) BEFORE TAXATION

Profit (loss) before taxation is arrived at after charging:

	Year ended			Nine months ended	
	30 June 2013	**30 June 2014**	**30 June 2015**	**31 March 2015**	**31 March 2016**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Auditor's remuneration	14,000	10,000	9,000	9,000	—
Inventories recognised as an expense	15,301,502	6,751,540	1,237,467	1,089,498	15,143,698
Depreciation	13,390	1,277	1,278	958	2,555
Rental under operating leases	336,000	352,000	—	—	—
Staff cost (excluding director's remuneration in Note 7)					
— Mandatory provident fund	5,817	—	—	—	—
— Staff salaries and allowances	—	—	—	—	—

7. DIRECTORS' REMUNERATION

The following disclosure are presented pursuant to section 383 of the Hong Kong Companies Ordinance:

(a) Director's remuneration

There is no director's remuneration for the Target Group Relevant Periods.

(b) Loan, quasi-loans and other dealings in favour of directors

There are no loan, quasi-loans and other dealings in favour of the directors of the Target were entered into or subsisted during the Target Group Relevant Periods.

8. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the Target and its subsidiary have no assessable profits in Hong Kong for the Target Group Relevant Periods.

There were no material unprovided deferred assets and liabilities for the Target Group Relevant Periods.

The taxation for the Target Group Relevant Periods can be reconciled to the profit (loss) before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended			Nine months ended	
	30 June 2013	**30 June 2014**	**30 June 2015**	**31 March 2015**	**31 March 2016**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Profit (loss) before taxation	28,212	(82,770)	(6,926)	4,811	279,105
Taxation at the Hong Kong Profits tax rate of 16.5%	4,655	(13,657)	(1,142)	794	46,052
Unrecognised temporary difference	1,165	(119)	(53)	(89)	263
Tax effect of income not subject to tax purpose	(1)	(2)	(3)	(3)	(55,936)
Tax effect of expenses not deductible for tax purpose	(5,819)	13,778	1,198	(702)	9,621
	—	—	—	—	—

9. DIVIDENDS

No dividends have been paid or declared by the Target during the Target Group Relevant Periods.

10. EARNINGS PER SHARE

Earnings per share has not been presented as such information is not considered meaningful for the purpose of the Financial Information.

11. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

On 15 October 2010, the Target, as purchaser, entered into an agreement with 廣州弘城貿易有限公司 (Guangzhou Hong Cheng Trading Company Limited*), as vendor, to acquire 78% equity interest in 廣州僑誼房產開發有限公司 (Guangzhou Qiao Yi Property Development Company Limited*) (the "Project Company"), a company established in the PRC, at a consideration of RMB200,000,000 (equivalent to HK$231,800,000). The Project Company is engaged in the property development business in the PRC. Upon completion of the relevant registration procedures for the transfer of interest, the Project Company will become a non-wholly owned subsidiary of Grand Cellar.

* *For identification purpose only*

12. PROPERTY, PLANT AND EQUIPMENT

	Office equipment *HK$*
Cost:	
At 1 July 2012	60,560
Additions for the year	6,388
At 30 June 2013, 2014, 2015 and 31 March 2016	66,948
Accumulated depreciation:	
At 1 July 2012	48,448
Charge for the year	13,390
At 30 June 2013	61,838
Charge for the year	1,277
At 1 July 2014	63,115
Charge for the year	1,278
At 30 June 2015	64,393
Charge for the period	2,555
At 31 March 2016	66,948
Net carrying amount:	
At 31 March 2016	—
At 30 June 2015	2,555
At 30 June 2014	3,833
At 30 June 2013	5,110
At 1 July 2012	12,112

13. INVENTORIES

	As at 30 June			As at 31 March
	2013 *HK$*	**2014** *HK$*	**2015** *HK$*	**2016** *HK$*
Fine wine for resale	20,092,869	16,307,618	15,143,697	—

14. AMOUNT DUE FROM A RELATED COMPANY

	As at 30 June			As at 31 March
	2013	2014	2015	2016
	HK$	*HK$*	*HK$*	*HK$*
Name of related company				
China Golden Holdings Limited	—	1,260,046	—	—
Maximum balance outstanding during the year/period	—	1,260,046	1,260,046	—

The amount is interest free, unsecured and repayable on demand.

15. BANK BALANCES

Balances include saving accounts, which are carrying interests at prevailing market rates.

16. TRADE AND OTHER PAYABLES

	As at 30 June			As at 31 March
	2013	2014	2015	2016
	HK$	*HK$*	*HK$*	*HK$*
Receipts in advance	454,560	125,400	—	—
Accrued charges	14,000	10,000	9,000	9,000
	468,560	135,400	9,000	9,000

17. AMOUNT DUE TO A RELATED COMPANY/DIRECTOR

The amount is interest free, unsecured and has no fixed terms of repayment.

18. SHARE CAPITAL

	No. of ordinary shares	Amount
		HK$
Authorised:		
At 1 July 2013, 30 June 2014, 2015 and 31 March 2016	50,000	390,000
Issued and fully paid:		
At 1 July 2013, 30 June 2014, 2015 and 31 March 2016	1	8

19. RELATED PARTY TRANSACTIONS

In addition to a related party balance detailed in Financial Information and respective notes, during the year, the Target Group entered into the following material transactions with the related party in which the sole director, Mr. Zhang, has controlling interests:

	Year ended			Nine months ended	
	30 June 2013	30 June 2014	30 June 2015	31 March 2015	31 March 2016
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Rental income received from China Golden Holdings Limited	240,000	240,000	—	—	—
Hiring charge of a motor vehicle paid to China Golden Holdings Limited	240,000	240,000	120,000	120,000	—
Sales of goods to Prestige Rich Holdings Limited	—	—	—	—	15,116,185
Other income — waiver of amount due to Prestige Rich Holdings Limited	—	—	—	—	339,012

Mr. Zhang, a director of the Target Group, is also a director of China Golden Holdings Limited and Prestige Rich Holdings Limited.

20. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 30 June			As at 31 March
	2013	2014	2015	2016
	HK$	*HK$*	*HK$*	*HK$*
Financial assets:				
Loan and receivables (including bank balances)	81,667	1,307,798	15,779	255,930
Financial liabilities:				
Financial liabilities at amortised cost	19,667,565	17,519,098	15,194,206	9,000

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments comprise other receivables, amount due form a related company, bank balances, trade and other payables, bills payable, and amount due to a related company/director. The main purpose of these financial instruments is to raise and maintain finance for the Target Group's operations. The main risks arising from the Target Group's financial instruments are interest rate risk, credit risk and liquidity risk.

The objective of financial risk management is to ensure that the Target Group's overall financial risk is at an acceptable level and that appropriate returns are achieved for the level of risk assumed. The management generally adopts conservative strategies on its risk management and limits the Target Group's exposure to these risks to a minimum. The management reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Target Group is exposed to cash flow interest rate risk in relation to variable rate bank balances. Cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market rates arising from the bank balances of the Target Group.

The directors consider the Target Group's exposure to interest rate risk of variable-rate bank balances is not significant as interest bearing bank deposits are within short maturity periods so no sensitivity analysis is presented.

Credit risk

The carrying amount of bank and cash balances represent the Target Group's maximum exposure to its risk in relation to financial assets.

The credit risk on bank and cash balances is limited because the counterparties are bank with high credit-ratings.

Liquidity risk

The Target Group's objective is to maintain a balance between continuity of funding and flexibility through the use of advance from the related company and capital contributed by the shareholder. Adequate funds will be made available by the related company and the shareholder to the Target Group to maintain its liquidity position.

The following table details the Target Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

	At 30 June 2013		At 30 June 2014		At 30 June 2015		At 31 March 2016	
	On demand or less than 1 year and total undiscounted cash flow	Carrying amount	On demand or less than 1 year and total undiscounted cash flow	Carrying amount	On demand or less than 1 year and total undiscounted cash flow	Carrying amount	On demand or less than 1 year and total undiscounted cash flow	Carrying amount
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Trade and other payables	14,000	14,000	10,000	10,000	9,000	9,000	9,000	9,000
Bills payables	2,952,800	2,952,800	—	—	—	—	—	—
Amount due to a related party	16,671,498	16,671,498	17,509,098	17,509,098	15,185,206	15,185,206	—	—
Amount due to a director	29,267	29,267	—	—	—	—	—	—
	19,667,565	19,667,565	17,519,098	17,519,098	15,194,206	15,194,206	9,000	9,000

Foreign currency risk

The bank balances of the Target Group as at 30 June 2013, 30 June 2014, 30 June 2015 and 31 March 2016 were denominated in Hong Kong dollars. The business operations of the Target Group had been primarily conducted in Hong Kong dollars during the Target Group Relevant Period. During the Target Group Relevant Period, the impact of fluctuations in foreign currency on the Target Group was minimal and the Target Group did not have any foreign currency hedging policy.

22. FAIR VALUE MEASUREMENTS

At the end of each reporting period, the Target Group did not have any assets and liabilities that were measured at fair value.

The director considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost approximate their fair values.

23. CAPITAL MANAGEMENT

The objectives of the Target Group's capital management are to safeguard its ability to continue as a going concern and to provide returns for equity holders. The "Target Group" manages its capital structure and makes adjustments, including payment of dividends to equity holders, return of capital to equity holders or call for additional capital from equity holders or sale of assets to reduce debts. No changes were made in the Target Group's objectives, policies or processes in managing capital during the Target Group Relevant Periods.

24. KEY SOURCES OF ESTIMATION UNCERTAINTY

Following are 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.

(a) Useful lives of property, plant and equipment

The Target Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or writedown technically obsolete or non-strategic assets that have been abandoned or sold.

(d) Income taxes

There are transactions and calculations relating to the Target Group's ordinary business activities for which the ultimate tax determination is uncertain and judgment is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

25. STATEMENT OF FINANCIAL POSITION OF THE TARGET

	As at 30 June			As at 31 March
	2013	**2014**	**2015**	**2016**
	HK$	*HK$*	*HK$*	*HK$*
Non-current assets				
Deposit paid for acquisition of a subsidiary	231,800,000	231,800,000	231,800,000	231,800,000
Investment in subsidiary	—	—	1,000	1,000
	231,800,000	231,800,000	231,801,000	231,801,000
Current assets				
Amount due from a related company	8	8	—	—
NET ASSETS	231,800,008	231,800,008	231,801,000	231,801,000
CAPITAL AND RESERVES				
Share capital	8	8	8	8
Capital reserve*	231,800,000	231,800,000	231,800,992	231,800,992
TOTAL EQUITY	231,800,008	231,800,008	231,801,000	231,801,000

* *Capital reserve represents the waiver of the amount due to a shareholder*

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group in respect of any periods subsequent to 31 March 2016.

Yours faithfully,

KTC Partners CPA Limited
Certified Public Accountants (Practising)
Hong Kong, 11 July 2016

Chow Yiu Wah Joseph
Practising Certificate Number: P04686

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Set out below is the management discussion and analysis of the Target Group for the three years ended 30 June 2013, 2014 and 2015, and the nine months ended 31 March 2016 (the "**Target Group Relevant Periods**").

Business review

The Target Group had been engaged in trading of wines during the Target Group Relevant Periods.

Revenue

The decrease in revenue of the Target Group from approximately HK$16.49 million for the year ended 30 June 2013 to approximately HK$7.45 million for the year ended 30 June 2014 and then to approximately HK$1.49 million for the year ended 30 June 2015 was mainly due to the continuous weakening demand of wines from customers.

The increase in revenue of the Target Group from approximately HK$1.31 million for the nine months ended 31 March 2015 to approximately HK$15.15 million for the nine months ended 31 March 2016 was mainly because all the inventories were sold at cost of HK$15.12 million to a related company due to the cessation of wine trading business.

Cost of sales

The decrease in cost of sales of the Target Group from approximately HK$15.30 million for the year ended 30 June 2013 to approximately HK$6.75 million for the year ended 30 June 2014 and then to approximately HK$1.24 million for the year ended 30 June 2015 was mainly due to the decrease in revenue during the corresponding years as mentioned above.

The increase in cost of sales of the Target Group from approximately HK$1.09 million for the nine months ended 31 March 2015 to approximately HK$15.14 million for the nine months ended 31 March 2016 was mainly because all the inventories were sold at cost of HK$15.12 million during the corresponding period as mentioned above.

Other income

The other income of the Target Group was approximately HK$0.24 million and HK$0.32 million for the year ended 30 June 2013 and 2014 respectively. Such other income mainly represents the rental income received from a related company for leasing of office premises. Since the Target Group had ceased to lease office premises to such related company during the year ended 30 June 2015, no rental income was recorded for the year, and accordingly, the other income of the Target Group for the year ended 30 June 2015 was lower than that for the preceding two years respectively.

The other income of the Target Group of approximately HK$0.34 million for the nine months ended 31 March 2016 was higher than that of approximately HK$70,000 for the same period of last year, which was mainly due to the waiver of amount due to related company of approximately HK$0.34 million for the nine months ended 31 March 2016.

Administrative and other operating expenses

The decrease in administrative and other operating expenses of the Target Group from approximately HK$1.31 million for the year ended 30 June 2013 to approximately HK$1.06 million for the year ended 30 June 2014 and then to approximately HK$0.33 million for the year ended 30 June 2015 was mainly due to the stringent cost control measures adopted by the Target Group in response to the decline in revenue as mentioned above.

The decrease in administrative and other operating expenses of the Target Group from approximately HK$0.29 million for the nine months ended 31 March 2015 to approximately HK$69,000 for the nine months ended 31 March 2016 was mainly due to the stringent cost control measures adopted by the Target Group in response to the decline in revenue as mentioned above.

Net profit

The Target Group recorded a net profit of approximately HK$28,000 for the year ended 30 June 2013 and a net loss of approximately HK$83,000 and HK$7,000 for the year ended 30 June 2014 and 2015 respectively as a result of the aforementioned factors.

The Target Group recorded a net profit of approximately HK$5,000 and HK$0.28 million for the nine months ended 31 March 2015 and 2016 respectively as a result of the aforementioned factors.

Liquidity and financial resources

The Target Group mainly financed its operation by the advance from the related company and capital contributed by the shareholder. The Target Group's funding objective is to maintain a balance between continuity of funding and flexibility through the use of advance from the related company and capital contributed by the shareholder.

The Target Group had amount due to a related company of approximately HK$16.67 million, HK$17.51 million and HK$15.19 million as at 30 June 2013, 30 June 2014 and 30 June 2015 respectively. All of these amounts were unsecured, interest free, denominated in Hong Kong dollars and had no fixed terms of repayment. The Target Group did not have any outstanding amount due to related company as at 31 March 2016. Prior to the Target Group Relevant Periods, the Target Group received a capital contribution in the amount of HK$231.80 million from its shareholder. Such amount was recorded as capital reserve of the Target Group during the Target Group Relevant Periods. The Target Group had bank balances of approximately HK$82,000, HK$48,000, HK$16,000 and HK$253,000 as at 30 June 2013, 30 June 2014, 30 June 2015 and 31 March 2016 respectively. Such bank balances were denominated in Hong Kong dollars.

The gearing ratio of the Target Group (calculated as a percentage of total liabilities of the Target Group to total assets of the Target Group) was approximately 7.99%, 7.07%, 6.15% and 0.00% as at 30 June 2013, 30 June 2014, 30 June 2015 and 31 March 2016 respectively.

Foreign exchange exposure

The bank balances of the Target Group as at 30 June 2013, 30 June 2014, 30 June 2015 and 31 March 2016 were denominated in Hong Kong dollars and the business operation of the Target Group had been primarily conducted in Hong Kong dollars during the Target Group Relevant Periods. As such, the impact of fluctuations in foreign currency on the Target Group was minimal and the Target Group did not have any foreign currency hedging policy.

Significant investments, material acquisitions and disposals

Save for the deposit paid by the Target to acquire a 78% equity interest in the Project Company, the Target Group did not hold any significant investments or have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Target Group Relevant Periods.

Contingent liabilities and capital commitments

As at 30 June 2013, 30 June 2014, 30 June 2015 and 31 March 2016, the Target Group did not have any significant contingent liabilities or capital commitments.

Pledge of assets

As at 30 June 2013, 30 June 2014, 30 June 2015 and 31 March 2016, the Target Group did not have any charge on its assets.

Employees and emolument policy

As at 30 June 2013, 30 June 2014, 30 June 2015 and 31 March 2016, the total number of employees of the Target Group was 1, nil, nil and nil respectively. The director is responsible for the daily operation of the Target Group.

The remuneration of employee was in line with market trends and commensurate to the levels of pay in the industry and to the performance of individual employees that are regularly reviewed every year. The Target Group had provided mandatory provident fund scheme to its employee.

Future plans for material investments, new businesses, acquisitions and disposals of capital assets

As mentioned in the section headed "Information on the Target Group" set out in the letter from the Board contained in this circular, it is expected that the Target Group will obtain a 78% equity interest in the Project Company by end of August 2016. The Project Company will obtain all the Licences for the development of the Property by end of

October 2016, after which it will carry out the development plan of the Property. The Target Group shall obtain external funding for all its future working capital requirements and capital expenditures for the development of the Property, failing which the Vendor alone will provide all the necessary funding for the development of the Property.

Save for the aforementioned, the Target Group has no future plan for material investments or capital assets or new businesses.

As the wine trading business of Grand Cellar ceased as at the date of the Agreement, Shareholders should note that the historical financial information in the accountants' report of the Target Group and the management discussion and analysis of the Target Group set out above might not reflect the future business of the Target Group.

1. ACCOUNTANTS' REPORT ON THE PROJECT COMPANY

The following is the text of a report received from the Company's reporting accountant, KTC Partners CPA Limited, Certified Public Accountants, Hong Kong, which has been prepared for the purpose of incorporation in this circular.

KTC Partners CPA Limited
Certified Public Accountants (Practising)
和信會計師事務所有限公司

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The Directors
O Luxe Holdings Limited
Room 302, 3rd Floor Lippo Sun Plaza
28 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of 廣州僑誼房產開發有限公司 (Guangzhou Qiao Yi Property Development Company Limited*) (the "Project Company") for the years ended 31 December 2013, 2014 and 2015, and the three months ended 31 March 2016 (the "Project Company Relevant Periods"), for inclusion in the circular issued by O Luxe Holdings Limited (the "Company") dated 11 July 2016 (the "Circular") in connection with the proposed acquisition of a 60% equity interest in Power Boom International Limited and its subsidiary (the "Target Group") (the "Acquisition").

The Project Company was established in the People's Republic of China ("PRC") on 24 April 1992 with limited liability. The principal activity of the Project Company is property development.

The financial year end date of the Project Company is 31 December.

The statutory financial statements of the Project Company for the each of the years ended 31 December 2013, 2014 and 2015 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC (the "PRC GAAP") and were audited by 廣州誠泰會計師事務所, (Guangzhou Shing Tai Certified Public Accountants Co., Ltd.*), certified public accountants registered in the PRC.

Basis of preparation

For the purpose of this report, the directors of the Project Company have prepared the financial statements of the Project Company for the Project Company Relevant Periods in accordance with accounting policies which conform with Hong Kong Financial Reporting

* *For identification purpose only*

Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have carried out an independent audit on the Underlying Financial Statements for the Project Company Relevant Periods in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. The Financial Information has been prepared by the directors of the Project Company for inclusion in the Circular based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' responsibility for the Financial Information

The directors of the Project Company are responsible for the preparation of the Financial Information which gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Project Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility for the Financial Information

Our responsibility is to express an opinion on the Financial Information based on our procedures performed in accordance with the Auditing Guideline No. 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA and to report our opinion to you. We have not audited any financial statements of the Project Company in respect of any period subsequent to 31 March 2016.

Opinion

In our opinion, for the purpose of this report and on the basis of presentation as set out in Section II below, the Financial Information gives a true and fair view of the financial position of the Project Company as at 31 December 2013, 31 December 2014, 31 December 2015 and 31 March 2016 and of its financial performance and cash flows for the Project Company Relevant Periods.

Emphasis of matter

We draw attention to Section II to the Financial Information concerning the adoption of going concern basis on which the Financial Information has been prepared. The Project Company's business operation period granted by the relevant PRC authority has expired on 24 April 2002 and its business licence has not yet been renewed. The directors are of the opinion that the Project Company is able to obtain the approval for the extension of business operation period and to renew its business licence. The Financial Information does not include any adjustments that would result from a failure to extend business operation period and renew its business licence. We consider that appropriate disclosures have been made in this respect. Our opinion is not modified in respect of this matter.

Corresponding Financial Information

For the purpose of this report, the management of the Project Company have prepared the comparative financial information of the Project Company for the three months ended 31 March 2015 (the "Comparative Financial Information") in accordance with HKFRSs. We have reviewed the Comparative Financial Information in accordance with Hong Kong Standard on Review Engagements 2400 "Engagements to Review Financial Statements" issued by the HKICPA. A review consists principally of making enquiries of the Project Company management and applying analytical procedures to the Comparative Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the Comparative Financial Information.

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the Comparative Financial Information.

I. FINANCIAL INFORMATION OF THE PROJECT COMPANY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended			Three months ended	
		31 December 2013	31 December 2014	31 December 2015	31 March 2015	31 March 2016
	Note	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Revenue	3	—	—	—	—	—
Administrative expenses		—	—	(5,557,875)	—	—
Loss before taxation	5	—	—	(5,557,875)	—	—
Income tax expense	6	—	—	—	—	—
Loss for the year/period		—	—	(5,557,875)	—	—
Other comprehensive income (expenses)						
Items that may be classified subsequently to profit or loss:						
Exchange difference arising on translation of financial statements		(184,223)	(157,315)	(1,581,014)	78,657	121,795
Total comprehensive income (expense) for the year/period		(184,223)	(157,315)	(7,138,889)	78,657	121,795

STATEMENT OF FINANCIAL POSITION

		As at 31 December			As at 31 March
		2013	2014	2015	2016
	Note	*HK$*	*HK$*	*HK$*	*HK$*
Non-current assets					
Property under development	9	26,134,955	25,978,347	29,569,913	29,691,253
Current assets					
Bank balances	10	175,074	174,025	164,832	165,508
		175,074	174,025	164,832	165,508
Current liabilities					
Other payables		57,237	56,895	53,889	54,110
Net current assets		117,837	117,130	110,943	111,398
NET ASSETS		26,252,792	26,095,477	29,680,856	29,802,651
CAPITAL AND RESERVES					
Share capital	11	18,359,690	18,359,690	18,359,690	18,359,690
Reserves		7,893,102	7,735,787	11,321,166	11,442,961
TOTAL EQUITY		26,252,792	26,095,477	29,680,856	29,802,651

STATEMENT OF CHANGES IN EQUITY

	Share capital *HK$*	Capital reserve *HK$* *(Note (a))*	Translation reserve *HK$* *(Note (b))*	Accumulated losses *HK$*	Total equity *HK$*
At 1 January 2013	18,359,690	9,366,297	1,971,821	(3,260,793)	26,437,015
Total comprehensive expense for the year	—	—	(184,223)	—	(184,223)
At 31 December 2013	18,359,690	9,366,297	1,787,598	(3,260,793)	26,252,792
Total comprehensive expense for the year	—	—	(157,315)	—	(157,315)
At 31 December 2014	18,359,690	9,366,297	1,630,283	(3,260,793)	26,095,477
Waiver of amount due to a shareholder	—	10,724,268	—	—	10,724,268
Total comprehensive expense for the year	—	—	(1,581,014)	(5,557,875)	(7,138,889)
At 31 December 2015	18,359,690	20,090,565	49,269	(8,818,668)	29,680,856
Total comprehensive income for the period	—	—	121,795	—	121,795
At 31 March 2016	18,359,690	20,090,565	171,064	(8,818,668)	29,802,651
(unaudited)					
At 1 January 2015	18,359,690	9,366,297	1,630,283	(3,260,793)	26,095,477
Total comprehensive income for the period	—	—	78,657	—	78,657
At 31 March 2015	18,359,690	9,366,297	1,708,940	(3,260,793)	26,174,134

Note:

(a) Capital reserve

Capital reserve represents the waiver of the amount due to a shareholder.

(b) Translation reserve

Translation reserve is arising from the translation of the Project Company's financial statements from its functional currency to presentation currency.

STATEMENT OF CASH FLOWS

	Year ended			Three months ended	
	31 December 2013	31 December 2014	31 December 2015	31 March 2015	31 March 2016
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Operating activities					
Loss before taxation	—	—	(5,557,875)	—	—
Operating cash flows before movements in working capital	—	—	(5,557,875)	—	—
Net cash used in operating activities	—	—	(5,557,875)	—	—
Investing activities					
Payment for property under development	—	—	(5,166,393)	—	—
Net cash used in investing activities	—	—	(5,166,393)	—	—
Financing activities					
Shareholder's contribution	—	—	10,724,268	—	—
Net cash generated from financing activities	—	—	10,724,268	—	—
Net increase in cash and cash equivalents	—	—	—	—	—
Cash and cash equivalents at the beginning of the year/period	176,303	175,074	174,025	174,025	164,832
Effect of changes in foreign exchange rate	(1,229)	(1,049)	(9,193)	524	676
Cash and cash equivalents at the end of the year/period, represented by bank balances	175,074	174,025	164,832	174,549	165,508

II. NOTES TO THE FINANCIAL INFORMATION OF QIAO YI

1. GENERAL INFORMATION

The Project Company is a company incorporated in the PRC with limited liability. The Project Company's registered office is located at Harbour Road, Huangpu District of Guangzhou City and Guangzhou-Shenzhen Highway interchange southeast.

The functional currency of the Project Company is Renminbi ("RMB"). For the convenience of the financial statements users, the Financial Information of the Project Company is presented in Hong Kong dollars ("HK$").

The principal activity of the Project Company is property development.

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

The Financial Information has been prepared in accordance with HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

Application of HKFRSs

The HKICPA has issued a number of new/revised HKFRSs during the Project Company Relevant Periods. For the purpose of preparing the Financial Information, the Project Company has consistently adopted all HKFRSs that are relevant to its operations and are effective for the Project Company Relevant Periods.

As at the date of this report, the HKICPA has issued the following new/revised HKFRSs that are relevant to the Project Company but not yet effective, which the Project Company has not early adopted.

Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
HKFRS 14	Regulatory Deferral Accounts[1]
Annual Improvements Project	2012–2014 Cycle[1]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 9 (2014)	Financial Instruments[2]

1 Effective for annual periods beginning on or after 1 January 2016.

2 Effective for annual periods beginning on or after 1 January 2018.

The directors of the Project Company do not anticipate that the adoption of these new/revised HKFRSs in future period will have material impact on the Financial Information of the Project Company.

A summary of the principal accounting policies adopted by the Project Company in the preparation of the Financial Information is set out below.

Going concern

The Project Company's business operation period granted by the relevant PRC authority has been expired since 24 April 2002 and its business licence has not yet been renewed. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Project Company's ability to continue as a going concern. Therefore, the Project Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

The Financial Information has been prepared on a going concern basis, the validity of which depends upon obtaining the approval for extension of business operation period and renewal of its business licence. The directors are of the opinion that the Project Company is able to obtain the approval for the extension of business operation period and to renew its business licence and therefore it is appropriate to prepare the Financial Information on a going concern basis. Should the Project Company be unable to continue as a going concern, adjustments would have to be made to adjust the value of the Project Company's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets as current assets.

Basis of measurement

The measurement basis used in the preparation of the Financial Information is historical cost.

Property under development

Property under development, which are intended to be held for sale and rentals, are measured at the lower of cost and net realisable value. Cost includes costs of land, development expenditure incurred capitalised in accordance with the Project Company's accounting policy and other direct costs attributable to such property. This asset is recorded as non-current asset as they are expected to be realised in, or are intended for sale after more than one year. Net realisable value represents the estimated selling price less all anticipated costs of completion and costs to be incurred in marketing and selling. Upon completion, the assets are recorded as property held for sale and investment properties.

Foreign currency translation

Items included in the Financial Information of the Project Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Project Company is Renminbi and the presentation currency of the Project Company is Hong Kong dollar ("HK$").

The functional currency are translated into the presentation currency as follows:

— assets and liabilities for each end of reporting period presented are translated at the closing rate at the date of end of reporting period;

— income and expenses for each income statement are translated at average exchange rates; and

— all resulting exchange differences are recognised in other comprehensive income.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Project Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Project Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when and only when the Project Company becomes a party to the contractual provisions of the instruments and on a trade date basis. A financial asset is derecognised when and only when (i) the Project Company's contractual rights to future cash flows from the financial asset expire or (ii) the Project Company transfers the financial asset and either (a) the Project Company transfers substantially all the risks and rewards of ownership of the financial asset, or (b) the Project Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset. A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

1. Loans and receivables

   Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less any impairment loss. Amortised cost is calculated by taking into account any discounts or premiums on acquisition, over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

2. Financial liabilities

The Project Company's financial liabilities include other payables. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets

At the end of each reporting period, the Project Company assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Related parties

A party is considered to be related to the Project Company if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Project Company or exercise significant influence over the Project Company in making financial and operating policy decisions, or has joint control over the Project Company;

(ii) the Project Company and the party are subject to common control;

(iii) the party is an associate of the Project Company or a joint venture in which the Project Company is a venturer;

(iv) the party is a member of key management personnel of the Project Company or the Project Company's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Project Company or of any entity that is a related party of the Project Company.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3. REVENUE

The Project Company did not generate any revenue during the Project Company Relevant Periods.

4. DIRECTORS' REMUNERATION

There is no director's remuneration for the Project Company Relevant Periods.

5. LOSS BEFORE TAXATION

Loss from operations is arrived at after charging:

	Year ended			Three months ended	
	31 December 2013	31 December 2014	31 December 2015	31 March 2015	31 March 2016
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Penalty for the overdue payment of land transfer premium for property under development	—	—	5,557,875	—	—

6. INCOME TAX EXPENSE

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Project Company is 25% from 1 January 2008 onwards. No provision for PRC Enterprise Income Tax has been provided for the Project Company Relevant Periods as the Project Company did not generate any assessable profits arising in the PRC.

The taxation for the Project Company Relevant Periods can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended			Three months ended	
	31 December 2013	31 December 2014	31 December 2015	31 March 2015	31 March 2016
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Loss before taxation	—	—	(5,557,875)	—	—
Tax at applicable tax rate of 25%	—	—	(1,389,469)	—	—
Tax effect of expenses not deductible for tax purpose	—	—	1,389,469	—	—
Income tax expense for the year/period	—	—	—	—	—

7. DIVIDENDS

No dividends have been paid or declared by the Project Company during the Project Company Relevant Periods.

8. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

9. PROPERTY UNDER DEVELOPMENT

	As at 31 December			As at 31 March
	2013	2014	2015	2016
	HK$	*HK$*	*HK$*	*HK$*
At the beginning of the year/period	26,318,351	26,134,955	25,978,347	29,569,913
Additions during the year/period	—	—	5,166,393	—
Exchange difference	(183,396)	(156,608)	(1,574,827)	121,340
As at the end of year/period	26,134,955	25,978,347	29,569,913	29,691,253

As at 31 December 2013, 2014, 2015 and 31 March 2016, the property under development are located in the PRC and expected to be completed and recovered after more than one year.

10. BANK BALANCES

The balances include saving accounts, which carries interests at prevailing market rates.

11. SHARE CAPITAL

	As at 31 December			As at 31 March
	2013	2014	2015	2016
	RMB	*RMB*	*RMB*	*RMB*
Registered capital	30,000,000	30,000,000	30,000,000	30,000,000
Paid-up capital:	15,565,655	15,565,655	15,565,655	15,565,655
	HK$	*HK$*	*HK$*	*HK$*
Shown in the Financial Information as	18,359,690	18,359,690	18,359,690	18,359,690

12. RELATED PARTY TRANSACTIONS

During the years/periods, the Project Company entered into the following material transaction with the related party:

	Year ended			Three months ended	
	31 December 2013	31 December 2014	31 December 2015	31 March 2015	31 March 2016
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Waiver of the amount due to a shareholder deemed as capital contribution	—	10,724,268	—	—	—

13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Project Company's principal financial instruments comprise other payables. The main purpose of these financial instruments is to raise and maintain finance for the Project Company's operations. The main risks arising from the Project Company's financial instruments are interest rate risk, credit risk and liquidity risk.

The objective of financial risk management is to ensure that the Project Company's overall financial risk is at an acceptable level and that appropriate returns are achieved for the level of risk assumed. The management generally adopts conservative strategies on its risk management and limits the Project Company's exposure to these risks to a minimum. The management reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Project Company is exposed to cash flow interest rate risk in relation to variable rate bank balances. Cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market rates arising from the bank balances of the Project Company.

The directors consider the Project Company's exposure to interest rate risk of variable-rate bank balances is not significant as interest bearing bank deposits are within short maturity periods so no sensitivity analysis is presented.

Credit risk

The carrying amount of bank balances represents the Project Company's maximum exposure to its risk in relation to financial assets.

The credit risk on bank balances is limited because the counterparties are bank with high credit-ratings

Liquidity risk

The Project Company's objective is to maintain a balance between continuity of funding and flexibility through the use of capital contributed by the shareholders. Adequate funds will be made available by the shareholders to the "Project Company" to maintain its liquidity position.

The following table details the Project Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Project Company can be required to pay. Specifically, borrowings with a repayment on demand clause are included in the earliest time based regardless of the probability of the choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

	At 31 December 2013		At 31 December 2014		At 31 December 2015		At 31 March 2016	
	On demand or less than 1 year and total undiscounted cash flow	Carrying amount	On demand or less than 1 year and total undiscounted cash flow	Carrying amount	On demand or less than 1 year and total undiscounted cash flow	Carrying amount	On demand or less than 1 year and total undiscounted cash flow	Carrying amount
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Other payables	57,237	57,237	56,895	56,895	53,889	53,889	54,110	54,110

Foreign currency risk

All the assets and liabilities of the Project Company as at 31 December 2013, 31 December 2014, 31 December 2015 and 31 March 2016 were denominated in RMB, the Project Company's functional currency, and the Project Company had no business operation during the Project Company Relevant Periods. The Project Company did not have any foreign currency risk.

14. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December			As at 31 March
	2013	**2014**	**2015**	**2016**
	HK$	*HK$*	*HK$*	*HK$*
Financial assets:				
Loan and receivables (including bank balances)	175,074	174,025	164,832	165,508
Financial liabilities:				
Financial liabilities at amortised cost	57,237	56,895	53,889	54,110

15. FAIR VALUE MEASUREMENTS

The director considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost approximate their fair values.

16. CAPITAL MANAGEMENT

The objectives of the Project Company's capital management are to safeguard its ability to continue as a going concern and to provide returns for equity holders. The Project Company manages its capital structure and makes adjustments, including payment of dividends to equity holders, return of capital to equity holders or call for additional capital from equity holders or sale of assets to reduce debts. No changes were made in the Project Company's objectives, policies or processes in managing capital during the Project Company Relevant Periods.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Project Company in respect of any periods subsequent to 31 March 2016.

Yours faithfully,

KTC Partners CPA Limited
Certified Public Accountants (Practising)
Hong Kong, 11 July 2016

Chow Yiu Wah Joseph
Practising Certificate number: P04686

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE PROJECT COMPANY

Set out below is the management discussion and analysis of the Project Company for the three years ended 31 December 2013, 2014 and 2015, and the three months ended 31 March 2016 (the "**Project Company Relevant Periods**").

Business review

The Project Company was registered to carry out property development business in the PRC.

Results

During the Project Company Relevant Periods, the Project Company had not recorded any revenue as it had no business operation during the period. The Project Company had not recorded any net profit or loss for the year ended 31 December 2013 and 2014, and the three months ended 31 March 2015 and 2016 respectively.

For the year ended 31 December 2015, the Project Company recorded an administrative expense of approximately HK$5.56 million which represents the penalty imposed by relevant PRC authorities to the Project Company for the overdue payment of land transfer premium in relation to the Property. Accordingly, the Project Company recorded a net loss of approximately HK$5.56 million for the year ended 31 December 2015.

Liquidity and financial resources

The Project Company mainly financed its operation by the capital contributed by the shareholders. The Project Company's funding objective is to maintain a balance between continuity of funding and flexibility through the use of capital contributed by the shareholders.

The paid up capital of the Project Company was approximately HK$18.36 million as at 31 December 2013, 31 December 2014, 31 December 2015 and 31 March 2016 respectively. During the year ended 31 December 2015, the Project Company received a capital contribution in the amount of HK$10.72 million from its shareholder. Such amount was recorded as capital reserve of the Project Company as at 31 December 2015 and 31 March 2016 respectively. The Project Company had bank balances of approximately HK$0.18 million, HK$0.17 million, HK$0.16 million and HK$0.17 million as at 31 December 2013, 31 December 2014, 31 December 2015 and 31 March 2016 respectively. Such bank balances were denominated in Renminbi.

The gearing ratio of the Project Company (calculated as a percentage of total liabilities of the Project Company to total assets of the Project Company) was approximately 0.22%, 0.22%, 0.18% and 0.18% as at 31 December 2013, 31 December 2014, 31 December 2015 and 31 March 2016 respectively.

Foreign exchange exposure

All the assets and liabilities of the Project Company as at 31 December 2013, 31 December 2014, 31 December 2015 and 31 March 2016 were denominated in Renminbi, the Project Company's functional currency, and the Project Company had no business operation during the Project Company Relevant Periods. As such, the Project Company did not have any foreign currency risk.

Significant investments, material acquisitions and disposals

The Project Company did not hold any significant investments or have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Project Company Relevant Periods.

Contingent liabilities and capital commitments

As at 31 December 2013, 31 December 2014, 31 December 2015 and 31 March 2016, the Project Company did not have any significant contingent liabilities or capital commitments.

Pledge of assets

As at 31 December 2013, 31 December 2014, 31 December 2015 and 31 March 2016, the Project Company did not have any charge on its assets.

Employees and emolument policy

As at 31 December 2013, 31 December 2014, 31 December 2015 and 31 March 2016, the Project Company did not have any employees.

Future plans for material investments, new businesses, acquisitions and disposals of capital assets

Save for the proposed development of the Property as mentioned in the paragraph headed "The Property and its future development plan" under the section headed "The Agreement" in the letter from the Board contained in this circular, the Project Company has no future plan for material investments or capital assets or new businesses.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION

(A) BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The information set out in this Appendix III does not form part of the accountants' reports on financial information of the Target Group and the Project Company set out in "Appendix IIA — Financial Information of the Target Group" and "Appendix IIB — Financial Information of the Project Company" to this circular respectively, and is included herein for information only. The unaudited pro forma consolidated financial information should be read in conjunction with the financial information of the Group set out in Appendix I, the accountants' report of the Target Group set out in Appendix IIA and the accountants' report of the Project Company set out in Appendix IIB to this circular.

The unaudited pro forma consolidated financial information that includes unaudited pro forma consolidated statement of financial position of the Enlarged Group is prepared to provide information on the Enlarged Group as a result of Completion on the basis of the notes set out below for illustrating the effect of the Acquisition, as if the Acquisition had been completed on 31 March 2016 for the preparation of the unaudited pro forma consolidated statement of financial position.

The information is prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at 31 March 2016 or at any future date.

The unaudited pro forma consolidated financial information as at 31 March 2016 is prepared based on (i) the unaudited consolidated statement of financial position of the Group as at 31 March 2016 as extracted from the consolidated financial statements set out in the latest published interim report of the Group; (ii) the audited consolidated statement of financial position of the Target Group as at 31 March 2016 as extracted from the accountants' report of the Target Group set out in Appendix IIA to this circular; and (iii) the audited consolidated statement of financial position of the Project Company as at 31 March 2016 as extracted from the accountants' report of the Project Company set out in Appendix IIB to this circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable as if the Acquisition had been completed as at 31 March 2016.

(B) UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. Unaudited pro forma consolidated statement of financial position

	The Group as at 31 March 2016	Target Group as at 31 March 2016	Project Company as at 31 March 2016	Pro forma adjustment	Pro forma adjustment	Unaudited pro forma financial information of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (1)	*Note (2)(i)*	*Note (2)(ii)*	*Note (3)*	*Note (4)*	
Non-current assets						
Intangible assets	112,111	—	—			112,111
Property, plant and equipment	5,354	—	—			5,354
Property under development	—	—	29,691	1,305,309		1,335,000
Deposit paid for acquisition of subsidiary	—	231,800	—	(231,800)		—
Goodwill	29,555	—	—	145,141		174,696
Contingent consideration receivable	48,451	—	—			48,451
	195,471	231,800	29,691			1,675,612
Current assets						
Inventories	306,711	—	—			306,711
Trade and other receivables	90,836	2	—			90,838
Loan receivables	239,500	—	—			239,500
Held-for-trading investments	53,214	—	—			53,214
Amount due from shareholder of a subsidiary	5,066	—	—			5,066
Bank balances and cash	736,188	254	166			736,608
	1,431,515	256	166			1,431,937
Assets of discontinued operation classified as held for sale	24,255	—	—			24,255
Total current assets	1,455,770	256	166			1,456,192

	The Group as at 31 March 2016 *HK$'000* *Note (1)*	Target Group as at 31 March 2016 *HK$'000* *Note (2)(i)*	Project Company as at 31 March 2016 *HK$'000* *Note (2)(ii)*	Pro forma adjustment *HK$'000* *Note (3)*	Pro forma adjustment *HK$'000* *Note (4)*	Unaudited pro forma financial information of the Enlarged Group *HK$'000*
Current liabilities						
Trade payables	4,985	—	—			4,985
Accruals and other payables	34,126	9	54		5,000	39,189
Borrowings	70,886	—	—			70,886
Income tax payable	8,156	—	—			8,156
	118,153	9	54			123,216
Liabilities of discontinued operations classified as held for sale	14,590	—	—			14,590
Total current liabilities	132,743	9	54			137,806
Net Current Assets	1,323,027	247	112			1,318,386
Total assets less current liabilities	1,518,498	232,047	29,803			2,993,998
Non-current liabilities						
Deferred tax liabilities	27,019	—	—	326,327		353,346
Net Assets	1,491,479	232,047	29,803			2,640,652
Capital and reserves						
Share capital	245,177	—	18,360	(18,360)		441,177
				196,000		
Reserves	1,219,328	232,047	11,443	421,400	(5,000)	1,635,728
				(243,490)		
Equity attributable to the owners of the Company	1,464,505	232,047	29,803			2,076,905
Non-controlling interests	26,974	—	—	221,933		563,747
				314,840		
	1,491,479	232,047	29,803			2,640,652

Notes:

(1) The financial information of the Group is extracted from the unaudited consolidated statement of financial position as at 31 March 2016 included in the published interim report of the Group for the six months ended 31 March 2016.

(2)(i) The financial information of the Target Group is extracted from the audited consolidated statement of financial position as at 31 March 2016 included in the accountants' report of the Target Group set out in Appendix IIA to this circular.

(2)(ii) The financial information of the Project Company is extracted from the audited statement of financial position as at 31 March 2016 included in the accountants' report of the Project Company set out in Appendix IIB to this circular.

(3) Pursuant to the Agreement, the Consideration of HK$588,000,000 shall be satisfied by way of allotment and issue of 1,960,000,000 Consideration Shares, credited as fully paid, at the Issue Price of HK$0.30 per Consideration Share. The fair value of the Consideration Shares amounted to HK$617,400,000 based on the closing market price of HK$0.315 per Share assuming Completion had taken place on 31 March 2016.

The adjustment for the elimination of the deposit paid for acquisition of a 78% equity interest in the Project Company amounting to HK$231,800,000 is made, assuming the completion of this acquisition by the Target Group had taken place on 31 March 2016.

The adjustment to share capital of HK$196,000,000 and other reserves of HK$421,400,000 represents the issue of 1,960,000,000 Consideration Shares at the closing market price of HK$0.315 each, assuming Completion had taken place on 31 March 2016. The adjustment to share capital represents the issue of 1,960,000,000 Consideration Shares with the par value of HK$0.1 each. The aggregate amount by which the fair value of the Consideration Shares (i.e. the closing market price of HK$0.315 per Share as at 31 March 2016) exceeds the par value of the Consideration Shares (i.e. HK$0.1 per Share) of HK$421,400,000 is recognised as share premium in other reserves.

For the purpose of preparation of unaudited pro forma financial information, assuming that the Acquisition had been completed on 31 March 2016, based on the estimation by the Directors, a goodwill of HK$145,141,000 is recognised upon Acquisition, which is calculated below:

	HK$'000
Net assets of the Target Group and the Project Company as at 31 March 2016 *(Note a)*	30,050
Fair value adjustment on the Property *(Note b)*	1,305,309
Deferred tax liabilities arising from fair value adjustment *(Note c)*	(326,327)
Less: Assumed fair value of the Consideration *(Note d)*	(617,400)
Non-controlling interests *(Note e)*	(536,773)
Goodwill	145,141

Notes:

(a) The net assets of the Target Group and the Project Company as at 31 March 2016 represent the aggregate of the audited consolidated net assets of the Target Group of HK$232,047,000 as at 31 March 2016 (as shown in the accountants' report of the Target Group set out in Appendix IIA to this circular) and the audited net assets of the Project Company of HK$29,803,000 as at 31 March 2016 (as shown in the accountants' report of the Project Company set out in Appendix IIB to this circular) less the deposit paid for acquisition of subsidiary in the Target Group of HK$231,800,000 as at 31 March 2016.

(b) The fair value adjustment of HK$1,305,309,000 represents the difference between the fair value of the Property as at 30 April 2016, which is HK$1,335,000,000, with reference to the professional valuation under market approach by assuming that the restrictions on the transferral of the Property did not exist (as set out in Appendix IV to this circular) and carried out by Grant Sherman Appraisal Limited, an independent qualified professional valuer not connected with the Enlarged Group, and their audited carrying amount in the Project Company of HK$29,691,000 as at 31 March 2016 (as shown in the accountants' report of the Project Company set out in Appendix IIB to this circular).

(c) Corresponding deferred tax of HK$326,327,000 on the fair value adjustment on the Property of HK$1,305,309,000, using the statutory tax rate of 25% for PRC Enterprise Income Tax, is recognised as deferred tax liability.

(d) The fair value of the Consideration is approximately HK$617,400,000, representing the fair value of 1,960,000,000 Consideration Shares as at 31 March 2016. The fair value of the Consideration Shares was determined with reference to the published closing market price of the Shares as at 31 March 2016 of HK$0.315 per Share as if the Acquisition had been completed on 31 March 2016 and is subject to finalisation at Completion.

(e) Non-controlling interests of HK$536,773,000 represent the aggregate value of the 22% interest in the assumed fair value of identifiable net assets of the Project Company (after taking up the fair value adjustment on the Property of HK$1,305,309,000 and the deferred tax liabilities arising from such adjustment of HK$326,327,000) of HK$1,008,785,000 and the 40% interest in the assumed fair value of identifiable net assets of the Target Group and the Project Company (after taking up the adjustment for the elimination of the deposit paid by the Target Group for the acquisition of a 78% equity interest in the Project Company of HK$231,800,000 and deducting the Project Company's non-controlling interest of HK$221,933,000) of HK$787,099,000.

Since the estimated amount of the fair value of the Consideration and the fair value of the identifiable net assets of the Target Group and the Project Company at the date of Completion may be substantially different from the fair value used in the preparation of this unaudited pro forma statement of financial position of the Enlarged Group, the final amount of the excess over the cost of business combination to be recognised in connection with the Acquisition will be different from the estimated excess over the cost of business combination stated herein.

(4) The expenses, such as legal, accounting and other professional fees, directly attributable to the Acquisition are estimated to be approximately HK$5 million which will be set off against the share premium. The adjustment has no continuing effect to the Enlarged Group.

B. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the Company's reporting accountant, KTC Partners CPA Limited, Certified Public Accountants, Hong Kong, which has been prepared for the purpose of incorporation in this circular.

KTC Partners CPA Limited
Certified Public Accountants (Practising)
和信會計師事務所有限公司

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香港九龍尖沙咀東部科學館道9號新東海商業中心7樓701室

The Board of Directors
O Luxe Holdings Limited
Room 302, 3/F, Lippo Sun Plaza,
28 Canton Road, Tsimshatsui,
Kowloon, Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of O Luxe Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position as at 31 March 2016 and related notes as set out in Part A of Appendix III of the circular (the "Circular") dated 11 July 2016 issued by the Company. The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are set out in Part A of Appendix III of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of a 60% equity interest in Power Boom International Limited and its subsidiary which will hold 78% interest in 廣州僑誼房產開發有限公司 (Guangzhou Qiao Yi Property Development Company Limited*) (the "Acquisition") on the Group's financial position as at 31 March 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the six months ended 31 March 2016, on which an interim report has been published.

* *For identification purpose only*

Directors' Responsibilities for the 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 ("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.

The firm applies Hong Kong Standard on Quality Control 1 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 report 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 accountant 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 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 unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the 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 event or transaction at 31 March 2016 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 event or 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 event or 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 purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29 (1) of the Listing Rules.

KTC Partners CPA Limited
Certified Public Accountants (Practising)

Chow Yiu Wah, Joseph
Practising Certificate Number: P04686

Hong Kong, 11 July 2016

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular, received from Grant Sherman Appraisal Limited, an independent professional valuer, in connection with their valuation as at 30 April 2016 of the Property.

GRANT SHERMAN

Unit 1005, 10/F., AXA Centre,
151 Gloucester Road,
Wanchai,
Hong Kong

11 July 2016

The Directors
O Luxe Holdings Limited
Room 302, 3rd Floor
Lippo Sun Plaza
28 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

Dear Sirs,

RE: Valuation of a construction site on the north-eastern side of Gangwan Road, at the junction between Zhongzhan Road East and Gongyuan West Road, Huangpu District, Guangzhou City, Guangdong Province, the People's Republic of China (the "Property")

In accordance with your instructions for us to value the property interest exhibited to us as to be held by O Luxe Holdings Limited (hereinafter referred to as the "Company") and its subsidiaries (hereinafter referred to as the "Group") in the People's Republic of China (hereinafter referred to as "the PRC"), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary of providing you with our opinion of the market value of such property interest as at 30 April 2016 ("the Valuation Date") for inclusion in the circular issued by the Company dated 11 July 2016.

Our valuation is our opinion of the market value of the property interest which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Market Value is understood as the value of a property estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

In undertaking our valuation for the property interests, we have relied on the legal opinions (the "PRC legal opinion") provided by the Group's PRC legal adviser, Guangdong Kings Law Firm.

In valuing the property interest of the Property, we have valued the property interest on the basis that the Property is a vacant site and will be developed and completed in accordance with the Project Company's development proposal in respect of the Property (the "Development Proposal"), which is the Company's latest development proposal provided to us. Since the approval for the Development Proposal has not been obtained on the Valuation Date, the construction work on the Property is prohibited to be carried out. Upon completion of the transfer of the 78% equity interest in the Project Company to Grand Cellar and the renewal of the business licence of the Project Company, the Project Company will apply for such approval. According to the PRC legal opinion, subject to the Development Proposal conforming to the applicable PRC laws and regulations and the submission of all necessary documents, there are no foreseeable legal impediments to obtain approval for the Development Proposal. In arriving at our opinion of value, we have adopted the market approach by making reference to comparable sales evidences as available in the relevant market and have also taken into account the development costs that will be expended to complete the developments to reflect the quality of the completed development. The "gross development value" represents our opinion of the aggregate selling prices of the saleable units of the development erected on the properties assuming that it had been completed and all sold out to independent third parties at their highest selling prices obtained as at the date of valuation.

Our valuation has been made on the assumption that the owner sell the property interest on the open market in their existing states without the benefit of deferred terms contract, leaseback, joint venture, management agreements or any similar arrangement which would serve to increase the values of the property interest.

We have not caused searches to be made regarding the title to the Property. We have been provided with copies of certain extracts on title documents relating to the Property by the Group. However, we have not searched the original documents to verify ownership or to verify the existence of any amendments which do not appear on the copies handed to us.

We have relied on a considerable extent on information provided by you and have accepted advise given to us on such matters as planning approvals, statutory notices, easements, tenure, occupancy, lettings, site and floor areas, room and facilities schedule and in the identification of the Property. No on-site measurement has been taken. All dimensions, measurements and areas are approximations only.

No allowance has been made in our valuation certificate for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

In valuing the property interests, we have fully complied with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 of and Practice Note 12 to the Rule Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and Rule 11 of the Code on Takeovers and Mergers issued by Securities and Futures Commission.

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the Company, the potential tax liabilities which may arise from the sale of the properties in the PRC include: (i) PRC business tax (equivalent to 5% of sales revenue), (ii) PRC land appreciation tax (equivalent to 30%-60% of the net appreciation amount) and (iii) PRC corporate income tax (25%). It is unlikely that such tax liability will be crystallised in the recent future as the Group has no intention to dispose of or transfer the relevant property interests. According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liability. Except for applicable stamp duties, the potential gain arising from the sales of the property in Hong Kong shall be capital in nature and not subject to any taxation.

Unless otherwise stated, all values are denominated in Hong Kong dollars (HK$). The exchange rate used in valuing the property interests as at 30 April 2016 was RMB1: HK$1.2. There has been no significant fluctuation in the exchange rate for these currencies against Hong Kong dollars between that date and the date of this letter.

We enclose herewith the valuation certificate.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED
Lawrence Chan Ka Wah
MRICS MHKIS RPS(GP)MHIREA
Director
Real Estate Group

Note:

Mr. Lawrence Chan Ka Wah is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong institute of Surveyors and Registered Professional Surveyors in the General Practice Section, who has over 12 years' experience in the valuation of properties in Hong Kong, Macau, the PRC and the Asian Rim.

VALUATION CERTIFICATE

Properly interest to be held by the Group in the PRC for future development purpose.

Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30 April 2016
A construction site located at north-eastern side of Gangwan Road, at the junction between Zhongzhan Road East and Gongyuan West Road, Huangpu District, Guangzhou City, Guangdong Province, the PRC	The Property comprises a construction site with a total site area of approximately 12,732 sq.m. As advised by the Company, the Property will be developed into a 40-storey composite development with a total estimated gross floor area of approximately 64,855 sq.m. (inclusive of a 2-level basement with a total gross floor area of approximately 11,660 sq.m. and exclusive of a refuge floor with a total gross floor area of approximately 400 sq.m.). Furthermore, the Property will be facilitated with about 320 car parking spaces. It is expected that the development of the Property will complete by 2018. The land use rights of the Property were granted for 70 years for residential use, 40 years for commercial, entertainment and tourism uses and 50 years for other uses commencing on 30 June 1992.	The Property was a clear site as at the Valuation Date.	No commercial value **Interest to be attributable to the Group** 46.8% **Market Value to be attributable to the Group as at 30 April 2016** Nil

Notes:

1. Pursuant to a State Owned Land Use Certificate (Document No.: Sui Di Zheng Zi No.: Di 0119171), the land use rights of the Property with a site area of approximately 12,732 sq.m. were granted to Guangzhou Qiao Yi Property Development Company Limited (hereinafter referred to as the "Project Company") for 70 years for residential use, 40 years for commercial, entertainment and tourism uses and 50 years for other uses commencing on 30 June 1992.

2. Pursuant to the Land Use Rights Grant Contract, the land use rights of the Property with a site area of approximately 12,732 sq.m. were granted from Guangzhou Urban-Rural Construction Committee to Huangpu City Construction at a consideration of RMB4,400,000.

3. Our Mr. Cris Chan Kwan Lok (BSc) has inspected the Property on 6 May 2016, the condition of the Property was reasonable.

4. According to the Development Proposal, the proposed development (the "Proposed Development") will comprise two 37-storey residential towers erected over a 3-storey commercial podium. The Proposed Development will be facilitated with 320 car parking spaces on a 2-level basement.

The total gross floor area of the Proposed Development is approximately 64,855 sq.m. The detailed breakdowns are as follows:

Floor Levels	**No. of Storeys**	**Designed Use(s)**	**Approximate Total Gross Floor Area** *(sq.m.)*
Levels B1 and B2	2	Carpark	11,660
Levels 1 to 3	3	Commercial and ancillary	5,095
Levels 4 to 40	37	Residential	48,100
Total			**64,855**

The two residential blocks will accommodate 584 flats in total. In addition, the Proposed Development will comprise one level of refuge floor with a total gross floor area of approximately 400 sq.m..

5. The Property is situated at the junction between Zhongzhan Road East and Gongyuan West Road, buildings in the locality are medium to high-rise residential and commercial buildings. Guangzhou Metro Dashadi Station is about 10-minute walking distance from the Property. Taxis and buses are accessible to the Property.

6. The average unit rate of decorated residential units in the locality as at the Valuation Date is in the range of RMB20,000 per sq.m. to RMB40,000 per sq.m.

7. The average unit rate of level 1 shop units in the locality as at the Valuation Date is in the range of RMB25,000 per sq.m. to RMB42,000 per sq.m.

8. The average price of covered car parking spaces in the locality as at the Valuation Date is in the range of RMB250,000 to RMB350,000 each.

9. In the course of our valuation, we have ascribed no commercial value to the Property as the Property is not freely transferable in the market. According to the PRC legal opinion, pursuant to the relevant PRC laws, the Property is freely transferable in the market if it is developed in accordance with the Land Use Rights Grant Contract and the amount of investment made in the Property reaches 25% of the total investment amount of the Property. Such required amount is determined with reference to the invoiced amount and budget for the development of the Property. Given that the development work of the Property has not commenced and the required investment amount has not been made, the Property is at present not freely transferable in the market. However, for indicative purpose, the market value of the Property on "as is" basis is RMB1,112,500,000 (equivalent to approximately HK$1,335,000,000) by assuming that the aforesaid requirement did not exist. The market value of the 46.8% interest in the Property (i.e. 60% attributable interest in the Target which will indirectly own 78% interest in the Property) to be attributable to the Group is RMB520,650,000 (equivalent to approximately HK$624,780,000) by assuming that the aforesaid requirement did not exist.

10. The market value of the Property is RMB1,762,300,000 (equivalent to approximately HK$2,114,800,000) by assuming the development of the Property has been completed as at the Valuation Date and in accordance with the Development Proposal provided by the Company as stated in note 4.

11. According to information provided by the Company, the estimated total construction cost and financing cost of the Property are HK$224,800,000 and HK$25,000,000 respectively. No cost is incurred in the Property as at the Valuation Date.

12. Guangzhou Qiao Yi Property Development Company Limited is a company incorporated in the PRC with limited liability.

13. We have been provided with the PRC Legal Opinion, which contains, inter alia, the following information:

(a) the Project Company is entitled to occupy and mortgage the Property. Pursuant to the relevant PRC laws, the Property is freely transferable in the market if it is developed in accordance with the Land Use Rights Grant Contract and the amount of investment made in the Property reaches 25% of the total investment amount of the Property. Such required amount is determined with reference to the invoiced amount and budget for the development of the Property. Given that the development work of the Property has not commenced and the required investment amount has not been made, the Property is at present not freely transferable in the market. However, the interest in the Property held by the Project Company can be transferred to third party/(ies) indirectly through transferral of the Project Company's shares;

(b) according to the Development Proposal, the scale of the Property's basement of car parking spaces was planned after taking into account the requirements under Regulation 38 of Guangzhou City Urban and Rural Planning Technical Regulations;

(c) the Property is free from any mortgages, charges and legal encumbrances which may cause adverse effects on the ownership of the Property; and

(d) the following legal documents were obtained:

(i)	State-owned Land Use Certificate	Yes
(ii)	Construction Land Planning Permit	No
(iii)	Construction Work Planning Permit	Expired
(iv)	Construction Work Commencement Permit	Expired

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 (other than those relating to the Vendor and parties acting in concert with it) 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to the Vendor and parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by Mr. Zhang, the sole director of the Vendor) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

Mr. Zhang, the sole director of the Vendor, accepts full responsibility for the accuracy of the information contained in this circular (other than those relating to the Group), and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this circular (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

Set out below are the authorised and issued share capital of the Company (a) as at the Latest Practicable Date; and (b) immediately after allotment and issue of the Consideration Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares since the Latest Practicable Date up to Completion):

(a) as at the Latest Practicable Date:

Authorised		*HK$*
10,000,000,000	Shares	1,000,000,000.00
Issued and fully paid		
2,451,771,105	Shares	245,177,110.50

(b) immediately after allotment and issue of the Consideration Shares:

Authorised		*HK$*
10,000,000,000	Shares	1,000,000,000.00
Issued and fully paid		
2,451,771,105	Shares in issue as at the Latest Practicable Date	245,177,110.50
1,960,000,000	Consideration Shares to be allotted and issued upon Completion	196,000,000.00
4,411,771,105	Shares	441,177,110.50

All the issued Shares rank *pari passu* with each other in all respects including the rights in respect of capital, dividends and voting.

The Company had not issued any Shares since 30 September 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to the Latest Practicable Date.

As at the Latest Practicable Date, the Company did not have any outstanding options, derivatives, warrants or securities which were convertible or exchangeable into Shares.

3. MARKET PRICES

The table below shows the closing prices of the Share on the Stock Exchange on (i) 16 May 2016, being the Last Trading Day; (ii) the last trading day of each of the calendar months during the Relevant Period; and (iii) the Latest Practicable Date:

Date	**Closing price per Share** *HK$*
30 November 2015	0.285
31 December 2015	0.240
29 January 2016	0.205
29 February 2016	0.209
31 March 2016	0.315
29 April 2016	0.425
16 May 2016, the Last Trading Day	0.300
31 May 2016	0.465
30 June 2016	0.600
8 July 2016, the Latest Practicable Date	0.590

The highest and lowest closing price per Share as quoted on the Stock Exchange during the Relevant Period were HK$0.600 per Share on 16 June 2016 and 30 June 2016, and HK$0.180 per Share on 11 January 2016, respectively.

4. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, taking no account of the Consideration Shares that may be allotted and issued by the Company to the Vendor as payment of the Consideration, the following Directors or chief executive of the Company had or were deemed to have 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) (i) which were required 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 (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required 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**"):

Long positions in the Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of shareholding
Mr. Zhang	Interest of a controlled corporation *(Note)*	673,622,316	27.47
Dr. Li Yifei	Beneficial owner	1,068,000	0.04
Mr. Xiao Gang	Beneficial owner	72,000	0.01

Note: These Shares are wholly owned by Prestige Rich, which is in turn wholly owned by Mr. Zhang.

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 (i) 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 (ii) pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (iii) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

(b) 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, taking no account of the Consideration Shares that may be allotted and issued by the Company to the Vendor as payment of the Consideration, substantial Shareholders' interests or short positions 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 were as follows:

Long positions in the Shares and underlying shares of the Company

Name of Shareholders	Capacity	Number of Shares held	Approximate percentage of shareholding
Mr. Zhang	Interest of a controlled corporation *(Note 1)*	673,622,316	27.47%
Prestige Rich	Beneficial owner	673,622,316	27.47%
Hengdeli Holdings Limited	Interest of a controlled corporation *(Note 2)*	300,000,000	12.24%
Alpha Key Investments Limited	Beneficial owner	300,000,000	12.24%

Notes:

1. These Shares are wholly owned by Prestige Rich, which is in turn wholly owned by Mr. Zhang.

2. These Shares are wholly owned by Alpha Key Investments Limited, which is in turn wholly owned by Hengdeli Holdings Limited.

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 or 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.

5. ADDITIONAL DISCLOSURE

(i) As at the Latest Practicable Date, there was no agreement, arrangement or understanding pursuant to which the Consideration Shares to be issued to the Vendor under the Agreement would be transferred, charged or pledged to any other persons.

(ii) As at the Latest Practicable Date, save as disclosed in the section headed "Shareholding structure of the Company" in the letter from the Board contained in this circular and the paragraph headed "Disclosure of interests" above in this appendix, none of the Directors, directors of the Vendor, the Vendor and parties acting in concert with it owned or controlled or were interested in any other Shares, convertible securities, warrants, options or derivatives of the Company.

(iii) Save for the entering into of the Agreement, none of the Directors, directors of the Vendor, the Vendor and parties acting in concert with it had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

(iv) As at the Latest Practicable Date, none of the Independent Shareholders had irrevocably committed themselves to vote for or against the proposed resolution approving the Acquisition (including the issue of the Consideration Shares) and the Whitewash Waiver.

(v) As at the Latest Practicable Date, none of the Vendor and parties acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person.

(vi) None of the Vendor and parties acting in concert with it had borrowed or lent any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

(vii) As at the Latest Practicable Date, no agreement, arrangement or understanding (including any compensation arrangement) existed between the Vendor or parties acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Acquisition (including the issue of the Consideration Shares), and/or the Whitewash Waiver.

(viii) The Vendor is wholly owned by Mr. Zhang. Mr. Zhang had not dealt for value in any shares, convertible securities, warrants, options or derivatives of the Vendor during the Relevant Period. Save for the aforementioned, none of the Company and the Directors owned or controlled or were interested in any shares, convertible securities, warrants, options or derivatives of the Vendor as at the Latest Practicable Date or had any of them dealt for value in any shares, convertible securities, warrants, options or derivatives of the Vendor during the Relevant Period.

(ix) As at the Latest Practicable Date, none of the subsidiaries of the Company, pension fund of the Company or of a subsidiary of the Company and any advisers to the Company (as specified in class (2) of the definition of associate in the Takeovers Code but excluding exempt principal traders) owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company or had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

(x) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code.

(xi) As at the Latest Practicable Date, there was no Shares, convertible securities, warrants, options or derivatives of the Company which were managed on a discretionary basis by fund managers connected with the Company.

(xii) It is the intention of (i) Dr. Li Yifei, the independent non-executive Director, to vote in favour of the resolution approving the Acquisition and the Whitewash Waiver at the EGM in respect of the 1,068,000 Shares held by him; and (ii) Mr. Xiao Gang, the non-executive Director, to vote in favour of the resolution approving the Acquisition and the Whitewash Waiver at the EGM in respect of the 72,000 Shares held by him. Mr. Zhang shall abstain from voting on the resolution approving the Acquisition and the Whitewash Waiver at the EGM. Save as disclosed above, no other Directors held any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date.

(xiii) As at the Latest Practicable Date, neither the Company nor any of the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives of the Company.

(xiv) As at the Latest Practicable Date, no benefit had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Acquisition (including the issue of the Consideration Shares) and/or the Whitewash Waiver.

(xv) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Acquisition (including the issue of the Consideration shares) and/or the Whitewash Waiver or otherwise connected with the Acquisition (including the issue of the Consideration shares) and/or the Whitewash Waiver.

(xvi) Save for the Agreement, as at the Latest Practicable Date, there was no material contract entered into by the Vendor in which any Director had a material personal interest.

6. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, apart from the Sale Shares to be acquired by the Group under the Agreement, none of the Directors had any direct or indirect interests in any assets which had been, since 30 September 2015 (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, apart from the Agreement, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group.

7. DIRECTORS' SERVICE CONTRACTS

None of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (including both continuous and fixed term contracts) had been entered into or amended during the Relevant Period. As at the Latest Practicable Date, (i) none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (a) were continuous contracts with a notice period of 12 months or more; or (b) were fixed term contracts with more than 12 months to run irrespective of the notice period; and (ii) none of the Directors had any existing or proposed service contract with 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).

8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates (as defined under the Listing Rules) had any interests in any business which competed or might compete with the business of the Group.

9. 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 the Announcement:

(a) the agreement dated 6 October 2014 (as amended and supplemented by a supplemental agreement dated 23 October 2014) entered into between the Company as purchaser, Prestige Rich as vendor, and Mr. Zhang as guarantor, in relation to the sale and purchase of the entire issued share capital of Sinoforce Group Limited at a consideration of HK$138,000,000 (details of which are set out in the announcement of the Company dated 6 October 2014 and the circular of the Company dated 7 November 2014);

(b) the underwriting agreement dated 4 February 2015 (and supplemented by a supplemental agreement dated 25 February 2015) entered into between the Company and Guotai Junan Securities (Hong Kong) Limited in relation to the underwriting of 1,185,432,526 offer shares of the Company by Guotai Junan Securities (Hong Kong) Limited at the subscription price of HK$0.3 per offer share with the underwriting commission equivalent to 0.5% of the aggregate subscription price of the underwritten shares as determined on the record date (details of which are set out in the announcement of the Company dated 4 February 2015 and the circular of the Company dated 27 February 2015). Such open offer of the Company was completed on 24 April 2015; and

(c) the Agreement.

10. LITIGATION

Save for the arbitration in relation to the transfer of the 78% interest in the Project Company by Kam Lee to Grand Cellar as disclosed in the paragraph headed "Group structure and reorganisation" under the section headed "Information on the Target Group" in the letter from the Board contained in this circular, 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 known to the Directors to be pending or threatened against any member of the Enlarged Group as at the Latest Practicable Date.

11. EXPERTS AND CONSENTS

Set out below are the qualification of the experts who have given opinions or advices contained in this circular:

Name	Qualification
New Spring Capital	a corporation licensed by the SFC to carry out type 6 (advising on corporate finance) regulated activity under the SFO
KTC Partners CPA Limited	certified public accountants
Grant Sherman Appraisal Limited	independent professional valuer

As at the Latest Practicable Date, none of the above experts had any direct or indirect interests in any assets which had been, since 30 September 2015 (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, none of the above experts was interested in any securities in any members of the 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 Group.

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 and/or report and/or reference to its name in the form and context in which they respectively appear.

12. MISCELLANEOUS

(a) The secretary of the Company is Mr. Lau Chun Pong. He is an associate member of the Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(c) 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.

(d) The principal members of the Vendor's concert group include the Vendor, Prestige Rich and Mr. Zhang. Mr. Zhang is the sole director and the sole beneficial owner of the Vendor and Prestige Rich respectively. The registered address of the Vendor is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the BVI. The registered address of Prestige Rich is Portcullis TrustNet Chambers P.O. Box 3444, Road Town, Tortola, the BVI. The address of Mr. Zhang is flat 9B, 27 Repulse Bay Road, Hong Kong.

(e) 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.

(f) In the event of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

13. DOCUMENTS AVAILABLE FOR INSPECTION AND DOCUMENTS ON DISPLAY

Copies of the following documents will be available for inspection (i) 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; and (ii) on the websites of the Company (www.oluxe.com.hk) and the Securities and Futures Commission (www.sfc.hk) from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the memorandum and articles of association of the Vendor;

(c) the annual reports of the Company for the two years ended 30 September 2014 and 2015;

(d) the interim report of the Company for the six months ended 31 March 2016;

(e) the letter from the Board as set out in this circular;

(f) the letter from the Listing Rules IBC as set out in this circular;

(g) the letter from the Takeovers Code IBC as set out in this circular;

(h) the letter from New Spring Capital as set out in this circular;

(i) the accountants' report from KTC Partners CPA Limited in respect of the financial information of the Target Group, the text of which is set out in Appendix IIA to this circular;

(j) the accountants' report from KTC Partners CPA Limited in respect of the financial information of the Project Company, the text of which is set out in Appendix IIB to this circular;

(k) the accountants' report from KTC Partners CPA Limited on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(l) the valuation report from Grant Sherman Appraisal Limited on the Property, the text of which is set out in Appendix IV to this circular;

(m) the written consents referred to under the paragraph headed "Experts and consents" in this appendix;

(n) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix; and

(o) 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 3:30 p.m. on 27 July 2016 at Room 29–30, 3/F, Hankow Centre, 5–15 Hankow Road, Tsim Sha Tsui, Hong Kong for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolution which will be proposed as ordinary resolution 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 11 July 2016):

ORDINARY RESOLUTION

"**THAT**:

(a) the Agreement entered into among the Company as the Purchaser, Golden Mega Holdings Limited as the Vendor and Mr. Zhang Jinbing as the guarantor to the Vendor (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 purchase and the Vendor has conditionally agreed to sell, at Completion, the Sale Shares (representing 60% of the issued share capital of Power Boom International Limited) for which the Company shall allot and issue 1,960,000,000 Consideration Shares at the issue price of HK$0.30 per Consideration Share to the Vendor, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(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 Agreement and the transactions contemplated thereunder;

(c) the Whitewash Waiver, granted or to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code waiving the obligation on the part of the Vendor and parties acting in concert with it, to make a mandatory general offer for all the Shares that are not already owned or agreed to be acquired by the Vendor and parties acting in concert with it as a result of the Company allotting and issuing the Consideration Shares to the Vendor, be and is hereby approved; and

(d) subject to the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in the Consideration 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$0.30 per Consideration Share to the Vendor (and/or its nominee(s) as it may direct); and (ii) credit the Consideration Shares as fully paid and register the Consideration Shares in the name(s) of the allottee(s) on the Hong Kong branch register of members of the Company, on and subject to the terms and conditions of the Agreement, providing 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 this resolution."

By order of the Board
O Luxe Holdings Limited
Zhang Jinbing
Chairman

Hong Kong, 11 July 2016

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

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 Shares 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.