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O Luxe Holdings Limited
奧立仕控股有限公司
(formerly known as Ming Fung Jewellery Group Limited (明豐珠寶集團有限公司))*
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 860)

2015 INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 MARCH 2015 SUPPLEMENTAL ANNOUNCEMENT

Reference is made to the 2015 interim results announcement of O Luxe Holdings Limited (the "**Company**") dated 29 May 2015 (the "**Interim Results Announcement**").

Reference is also made to the announcements of the Company dated 16 October 2014, 23 October 2014, 18 December 2014 and 19 December 2014 and the circular of the Company dated 7 November 2014 (the "**Circular**") in relation to the acquisition of the entire issued share capital in and the shareholder's loan of Sinoforce Group Limited.

Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Interim Results Announcement and the Circular.

At the request of the Stock Exchange, the Board would like to provide further details on the impairment loss of approximately HK$67,674,000 in the carrying values of the Group's distribution rights during the six months ended 31 March 2015 and also the impairment loss of approximately HK$79,317,000 in the carrying values of the Group's goodwill during the six months ended 31 March 2015 (collectively, the "**Impairment**").

* *for identification purpose only*

REASONS AND EVENTS LEADING TO THE IMPAIRMENT

The following course of events has led to the Impairment. The first of which was the sudden and wild Swiss Franc appreciation that happened on 15th January 2015. This sudden and wild appreciation also led to substantial corresponding depreciation of the Euro and Yen. As a result, Europe and Japan prices of GIRARD-PERREGAUX and JEANRICHARD (collectively, the "**Brands**") are at least 20% cheaper than those in the PRC, Hong Kong and Taiwan. Dealers in the said regions refuse to purchase new Products from the Target Group. The distribution business under the Target Group was stalled. Under such circumstances, the Target Group was forced to revise substantially downward its sales forecast for 9-months ended 31 December 2015 by 67.5%. As the carrying values of the distribution rights and the goodwill hinges on the sales of the Products under the Brands, the value of the distribution rights and the goodwill have to be written off as a result thereof and hence the Impairment.

CHANGES IN THE VALUATION METHODOLOGY, PARAMETERS AND ASSUMPTIONS USED IN THE VALUATION REPORTS

There were two valuation reports prepared by Grant Sherman for the purpose of valuing the carrying interests as set out in the Interim Results. There were no changes in the valuation methodology adopted in the said reports. There were changes in the parameters and assumptions including (i) change in market data like risk-free rate from 1.8% (in December 2014) to 1.48% (in March 2015) which was based on the yield of 10-years bonds issued by the government in the relevant market; (ii) change in the sale forecast growth rate ranging from 5.0% to 50% (in December 2014) compared to 0% to 10% (in March 2015); (iii) turnover forecast in 2015 has decreased by 67.5% as set out in the valuation report in March 2015 as compared to the same period in December 2014; and (iv) given the continuing loss making forecast, the distribution Agreement entered into between the Target Group and the owner of the Brands (the "**Distribution Agreement**") was assumed to have come to an end on its maturity of the initial term, that is, by 31 December 2016, while the term of the Distribution Agreement as at the completion on 18 December 2014 was assumed to last until 31 December 2018.

DETAILS OF THE DUE DILIGENCE WORK PERFORMED AND THE FINDINGS TO SUPPORT THE VIEWS OF THE BOARD THAT THE ACQUISITION IS FAIR AND REASONABLE AND IN THE INTEREST OF THE COMPANY AND ITS SHAREHOLDERS AS A WHOLE

As disclosed in the Circular, the Target Group is the exclusive distributor of the timepieces and accessories, jewellery products, writing instruments, eyewear frames, clothing and leather goods and other products bearing the trademarks GIRARD-PERREGAUX and JEANRICHARD in the territories of the mainland China, Macau, Hong Kong and Taiwan (travel retail business comprising DFS Groups Limited excepted).

As to the business model of the Target Group, it purchases the Products from Sowind SA, the owner of the Brands and the Products at a discount and resell the same to the sub-distributors and retailers at a premium to the discount. The retailers will sell the same to the end customers at the retailer prices designated by Sowind SA. The major customers of the Target Group are major chain retailers in Hong Kong and Macau. The purchase price is in Swiss Franc and the selling price is in Hong Kong dollar.

Since the Products are consumable products and the customers can purchase the Products direct from retailers in Europe and Japan at prices which are substantially lower than the retailers in the PRC, Hong Kong and Taiwan, the dealers are not willing to purchase new merchandise from the Target Group as they will have the difficulties in selling the Products with stocks accumulating.

At the material time when the Acquisition was made, the Company had engaged its legal advisers in both Hong Kong and the BVI in conducting legal due diligence review and also its auditor in conducting financial due diligence review on the Target Group. The then Board had fully reviewed and considered the reports produced by the Company's advisers when it approved the Acquisition.

When the Target Group was acquired, the Vendor as vendor and the Group as the purchaser had agreed that the consideration payable by the Group in the Acquisition was mainly based on the Total Net Profits in the sum of HK$69,000,000 as guaranteed by the Target Group.

According to the Agreement, should the Target Group fail to perform as it had undertaken and guaranteed, the consideration will be adjusted automatically in accordance with the price formula (for details, please refer to pages 7 to 9 of the Circular), such that in the worst case scenario, the Vendor would either have to repay to the Company HK$138 million in cash or the Consideration Shares issued for the purpose of the Acquisition would not be released to the

Vendor and be cancelled by the Company in order to compensate the shortfall in the Total Net Profits as guaranteed, which practically reversing the Acquisition.

As such, the then Board had taken the view that the interest of the Group in the Acquisition is well protected and the Acquisition (including the consideration) is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

In such event, the Impairment suffered by the Company will effectively be offset by the compensation from the Vendor as "consideration receivable" on the balance sheet of the Company.

THE COMPANY'S PLAN ON THE TARGET GROUP

In the meantime, the Company will consider imposing more stringent measures in cost-saving and exploring other options to improve the situation of the Target Group.

By order of the Board
O Luxe Holdings Limited
Wong Chi Ming, Jeffry
Chief Executive Officer

Hong Kong, 13 August 2015

As at the date hereof, the Company's executive directors are Mr. Wong Chi Ming, Jeffry, Mr. Zhang Jinbing and Mr. Yu Fei, Philip and independent non-executive directors are Ms. Chu Wai Fan, Mr. Tam Ping Kuen, Daniel, Dr. Garry Alides Willinge, Dr. Zhu Zhengfu and Dr. Li Yifei.